DECLARATION

I hereby declare that this work contains no material that has been submitted for the award of any other degree or diploma in any university or tertiary institution. To the best of my knowledge and belief, it contains no material previously published or written by another person, except where due reference has been made in the text.

This thesis is the result of my own independent research and all authorities and sources which have been used are duly acknowledged.

.................................................................

Krisztina Molnar

June 2008
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I am grateful for all the support, advice and encouragement I have received during the course of this project. I owe a special debt of gratitude to my supervisor, Professor Linda Weiss, and my associate supervisor, Dr Jason Sharman, who have never ceased to give me support. I greatly appreciate the numerous profound and constructive comments and criticisms which they have provided on my drafts.

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ABSTRACT

Globalisation in general and trade liberalisation in particular have impacted on many areas of industrialised governments’ foreign economic policy. Export support is an area which is inevitably affected by trade liberalisation, as governments are expected to decrease their intervention into exports in the name of barrier-free(er) trade. However, if one considers that the 1990s and 2000s have seen governments expanding their trade promotion agencies, increasing funding for export support provision and developing a range of new export support programmes, it is easy to recognise that government export support seems to have grown, rather than diminished over the past decade.

Juxtaposing recent years’ enhanced trade liberalisation against growth in advanced industrialised governments’ export support, this thesis focuses on informational, promotional and broader marketing services for exports, including those related to companies’ in-market experience, customised consultancy and liaison between trading partners. These forms of export support are often referred to as knowledge-based export support measures. This arena of export support is part of broader export support arrangements that governments have created in accordance with their foreign economic policy objectives, while it is also a mixed government-private export support channel with variable private involvement.

In this thesis, I aim to explain the paradox of governments’ increasing export support in a globalised world where trade has been liberalised by supra-national organisations such as the World Trade Organisation. An initial theoretical investigation establishes that existing globalisation theories do not account for this phenomenon. Although according to some arguments on the implications of globalisation for foreign economic governance, the World Trade Organisation may in fact catalyse (not only restrict) certain government policies, this catalysing impact has not been explored in the context of export support.

To provide foundation and ensure a better understanding of contemporary developments in government export support, the thesis examines advanced industrialised governments’ institutional design for export support prior to the 1990s. This preliminary phase of the empirical analysis demonstrates that pre-1990s governments played different roles in export support: some taking
more ‘hands-on’ approaches than others, resulting in institutionalised differences between governments with traditionally ‘passive’ and ‘active’ roles in export support.

Following on from these findings, the main body of the empirical investigation shows that regardless of their institutional design in the pre-1990s, all governments have, in the past two decades, become more involved in export support. This is evidenced in trends of governments’ increasing funding allocated for trade promotion organisations, creating new and enhancing old export support programmes, expanding networks of government trade promotion organisations, reforming previously ad-hoc government channels for export support and providing funding for major export promotion initiatives on a temporary basis.

Next, this thesis seeks to determine why only since the 1990s have governments been compelled to increase their export support. The explanatory approaches of the dissertation include countries’ 1990s and 2000s export performance, trade-related political pressures on governments, the strengthened and expanded capacities of the global trade regime, as well as policy diffusion. The conclusion is that the main catalyst for government export support has been the enhanced capabilities of the World Trade Organisation.

This catalysing force is theorised through the magnified abilities of the global trade regime to restrict governments’ foreign economic policy options since the 1990s, and also through the regime’s heightened indirect impacts that drive governments to innovate their policies within these constraints. This thesis scrutinises countries’ increased economic vulnerability and firms’ growing international competitiveness pressures, to show that these impacts of the enhanced World Trade Organisation have stimulated governments’ need to strengthen export support areas that are still consistent with the regime’s rules and regulations. Through this investigation of the complex influences of the world trade regime, this thesis creates a more nuanced picture within globalisation theories, which ultimately explains the paradox of growing government support in the era of deepening trade liberalisation.
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## Abbreviations

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<th>Abbreviation</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Austrade</td>
<td>Australian Trade Commission</td>
</tr>
<tr>
<td>AWO</td>
<td>Aussenwirtschaft Österreich</td>
</tr>
<tr>
<td></td>
<td>(Foreign Trade Austria)</td>
</tr>
<tr>
<td>AWO of WKÖ</td>
<td>Aussenwirtschaft Österreich den Wirtschaftskammern Österreichs</td>
</tr>
<tr>
<td></td>
<td>(Foreign Trade Austria of Austrian Federal Economic Chambers)</td>
</tr>
<tr>
<td>DIHK</td>
<td>Deutschen Industrie- und Handelskammertages</td>
</tr>
<tr>
<td></td>
<td>(German Chambers of Industry and Commerce)</td>
</tr>
<tr>
<td>EVD</td>
<td>Economische Voorlichtingsdienst</td>
</tr>
<tr>
<td></td>
<td>(Netherlands Agency for International Business and Cooperation)</td>
</tr>
<tr>
<td>Finpro</td>
<td>Finnish Trade Promotion Organisation</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICE</td>
<td>Istituto Nazionale per il Commercio Estero</td>
</tr>
<tr>
<td></td>
<td>(Italian Institute for Foreign Trade)</td>
</tr>
<tr>
<td>KES</td>
<td>Knowledge-based or Knowledge-related Export Support</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OSEC</td>
<td>Office Suisse d’Expansion Commerciale</td>
</tr>
<tr>
<td></td>
<td>(Swiss Office for Commercial Expansion)</td>
</tr>
<tr>
<td>OTS</td>
<td>Overseas Trade Services</td>
</tr>
<tr>
<td>STC</td>
<td>Swedish Trade Council</td>
</tr>
<tr>
<td>TPO</td>
<td>Trade Promotion Organisation</td>
</tr>
<tr>
<td>UKTI</td>
<td>UK Trade &amp; Investment</td>
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<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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Introduction:
Changes in Government Export Support
The export activism paradox

The aim of this thesis is to account for the paradox that export support by advanced industrialised governments has grown in the era of high globalisation\(^{(1)}\), when one would anticipate governments to decrease their intervention into exports. This anticipation is depicted by Weiss’ (2003) as follows:

“Globalisation is widely viewed as a constraining force on national authorities, severely restricting their policy initiatives. Nowhere should this be more evident than in international trade where a set of multilateral agreements govern industry and export promotion” (Weiss 2003: 2).

Since the 1990s, government export support areas related to knowledge-based assistance such as export information provision, market and product promotion, firms’ in-market experience, tailored consultancy and liaison between trading partners, have undergone simultaneous increase. This is demonstrated in the context of governments in Australia, Austria, Canada, Finland, Germany, Italy, the Netherlands, Sweden, Switzerland and the United Kingdom; all with closely tied hands and foreign economic supervision by the world trade regime.

This paradox suggests that, instead of focusing exclusively on the direct, policy-constraining impacts of the world trade regime, taking a more nuanced approach to the implications for the governments’ foreign economic decision-making autonomy and control may illuminate aspects of government behaviour that one would not necessarily expect. For example, the global trade regime’s protocols may also have policy-stimulating impacts, a general point made by Weiss (2005a), that compel governments to increase forms of foreign economic support not strictly prohibited under the regime.

\(^{(1)}\) The sphere of globalisation this research focuses on is the trade liberalisation developments induced by the General Agreement on Tariffs and Trade and its successor, the World Trade Organisation.
Key concepts

Knowledge-related export support or KES

The focus of this thesis is on informational, promotional and broader marketing services for exports, including those related to companies’ in-market experience, customised consultancy and liaison between trading partners. These elements of export support are related to their export knowledge.

The aim of knowledge-related export services is to increase the market awareness of new-to-export firms and help them initiate trade transactions; or to improve the degree of internationalisation of current exporters by encouraging them to enter a wider number of markets or assisting them to increase penetration of existing markets (Diamantopoulos, Schlegelmilch & Tse 1993). Besides developing foreign market intelligence, knowledge-related export support also helps firms to tackle their logistics-related problems and handle legal procedures (Kotabe & Czinkota 1992). Czinkota & Ricks (1981) and Ali & Shamsuddoha’s (2007) demonstrate that knowledge-related export support facilitates that firms “enhance their commitment to export toward achieving better performance” (Ali & Shamsuddoha 2007: 30).

Two kinds of knowledge-related export support services can be differentiated. Those that provide exporters with market knowledge that “can be taught” (Johanson & Vahlne 1977: 28) or “obtained from secondary or primary sources” (Seringhaus 1986: 27) are referred to as objective forms of export support. Objective knowledge-related export support services include the provision of broad export data, market and product analyses, sales leads, contact search, one-on-one export counselling, training, seminars and export clubs. Programmes and services that provide exporters with market knowledge that “can only be learned through personal experience” (Johanson & Vahlne 1977: 28) and “must be personally acquired through direct market or customer contact” (Seringhaus 1986: 27) are
referred to as *experiential* forms of export support\(^{(2)}\). Experiential knowledge-related export support services include assistance for companies’ participation in trade fairs, trade missions, international business events and promotional activities\(^{(3)}\).

Hereafter, export support including objective and experiential knowledge-related programmes and services will be referred to as knowledge-related export support, abbreviated as KES. The major recipients of objective and experiential KES are small and medium-sized firms, be they existing or aspiring exporters. Larger size companies tend to have their own resources to acquire export knowledge when intending to engage in international transactions. Commonly used KES services are summarised in the table below.

**Table 1 – Commonly used objective and experiential KES programmes and services**

<table>
<thead>
<tr>
<th>Types</th>
<th>Examples</th>
</tr>
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<tbody>
<tr>
<td>Objective</td>
<td>Provision of broad export data/statistics</td>
</tr>
<tr>
<td></td>
<td>Detailed export supply studies</td>
</tr>
<tr>
<td></td>
<td>Identification of export constraints</td>
</tr>
<tr>
<td></td>
<td>Preparation of product profiles</td>
</tr>
<tr>
<td></td>
<td>Offering entire market profiles</td>
</tr>
<tr>
<td></td>
<td>Analysis of export opportunities</td>
</tr>
<tr>
<td>Experiential</td>
<td>Assistance for trade fairs participation</td>
</tr>
<tr>
<td></td>
<td>Organising trade missions</td>
</tr>
</tbody>
</table>

Source: adapted from ITC UNCTAD/GATT (1994) and various other sources

Providing companies with an ‘external capacity’ to cope with the complexities of exporting (Gencurk & Kotabe 2001), KES services have indirect mechanisms to impact on export performance. Put simply, obtaining a comprehensive market analysis on a desired export destination, or attending an international trade fair, does not automatically cause a company to start exporting or lead to its better export performance, even though it indirectly impacts on the company’s commitment to this export market (and potentially, on the strategy it develops).

Besides KES programmes and services, risk-related export support services are also widely used by exporters in the industrialised world\(^{(4)}\). The most typical forms of risk-

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\(^{2}\) The sources on objective versus experiential export knowledge, including quotes from Johanson and Vahlne (1977) and Seringhaus (1986), have been adapted from Ali & Shamsuddoha’s (2007) analysis.

\(^{3}\) Promotional activities benefit not only the exporters, but also the importers. For instance, country-promotion events take place in the export market with the aim to familiarise host country-based business people with opportunities that home country-based exporters can offer.
related export support services are export credit, loan guarantees and export insurance. Arguably, such financial support and insurance are more important for exporting companies than knowledge-related services in terms of the management of export uncertainties and risks. By reducing risks and exporters’ operating costs, risk-related or non-KES export support services have direct and identifiable mechanisms to help exporters become more profitable (Crick & Czinkota 1995; Gronhaug & Lorentzen 1983; Ali & Shamsud-doha 2007). For instance, without acquiring export credits or insurance, many companies would not be able to engage in the export transaction they aim for. Obtaining export credit or insurance is the very facilitator of exports in numerous cases, therefore it is indispensable with a direct and tangible impact for the company’s export performance.

Export credit and loan provision is a form of non-KES activities, in which governments of all industrialised countries have long been engaged. Since the late 1910s, government export credit agencies have proliferated in the developed world – the first ones were established in the United Kingdom (in 1919), in the Netherlands (in 1925), in Sweden (in 1933) and in Switzerland (in 1934). Besides establishing and managing agencies that offer credit and loans for export and foreign investment-related transactions of domestic firms, providing insurance for such transactions is another responsibility that most industrialised governments have taken on board as part of their foreign economic support.

Although non-KES forms of government export promotion, including export credit and insurance, were historically prominent, they have not experienced by-and-large growth in the era of globalisation. Even, several governments – including those in the Netherlands and Japan – have opted for withdrawing from this area of foreign economic support.

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4 Besides knowledge-based and risk-related export support programmes and services, there are a number of other export support services that are commonly used world-wide. These include export-related tax rebates and deductions; export subsidies; concessional finance for exporters; exchange rates which are preferable for exporting; free trade agreements; trade advocacy by politicians or diplomats abroad; governments’ product and procurement advocacy on behalf of domestic exporters; export processing zones; and soft loans for export-related investments.

5 Most industrialised governments have operated their own export credit agencies, including Australia, Canada, Germany and Finland, for instance. At the same time, other governments, such as those in Austria and Sweden, have financially supported privately managed export credit agencies, which have acted as agents of the state.

6 In a number of industrialised countries, export credit and export insurance have been handled jointly by the same organisation. Examples for such arrangement include Canada and Sweden. In other countries, such as Italy, the government has operated two relatively independent bodies responsible for export credit and insurance provision, respectively.

7 In most industrialised countries, private export credit and insurance organisations have been operating as well, providing services according to ‘normal’ business principles. Government export credit and insurance agencies in these countries have portrayed themselves as institutions that also provide a wide range of services, including those that the private sector has been unable to offer in a profitable way. Examples for these include export credits for commodities (such as wheat), export insurance for transac-
Unlike some non-KES areas of government export promotion, KES has been an area of consistently increasing and new government export support activities. This dissertation examines intensifying and recently established government KES services, organisations and mechanisms – demonstrating new government behaviours promote exports.

Trade Promotion Organisations or TPOs

KES is provided by trade promotion organisations or TPOs. Besides KES, TPOs may also provide other international business support programmes and services, such as those related to investment promotion (ITC UNCTAD/GATT 1994). They may also be engaged in the provision of services that are not specifically related to firms’ internationalisation, for instance, by offering general business development assistance.

TPOs provide KES services in diverse ways. They may operate through networks in the home country, abroad or both in the home country and abroad; permanently, or on an ad-hoc basis; as one integral body, or as a joint operation of several organisations. Some TPOs provide a larger suite of KES programmes and services than others\(^8\). In addition, TPOs’ provision of KES also varies in terms of the number of existing and potential exporters they reach. In conventional understandings of TPOs, an organisation is not considered a TPO if it supports companies of one sector only. Accordingly, organisations such as tourism bureaus, meat councils, or wheat boards are excluded from the TPO conceptualisation (ITC UNCTAD/GATT 1994).

Based on their organisational structure, there are many types of TPOs, ranging from those that are an integral part of a government ministry or department, through government-private agencies and government-sponsored private organisations, to private or public-law Chambers of Commerce, private Export Consortia and other forms of private associations. Each country’s main or leading TPO and other TPOs constitute the actors of the...
national arena of KES\(^9\). The arena of KES is in line with conventional system understandings in political science, which require the existence of main actors (the TPOs) with ‘moving parts’ (KES programmes and services), interacting with a setting or environment (existing and potential exporters)\(^{10}\).

**Institutional design for government KES**

In industrialised countries, governments’ export support policy comprises a myriad of channels of export assistance and promotion. These include export-related tax rebates and deductions; export subsidies; concessional finance for exporters; exchange rates which are preferable for exporting; free trade agreements; trade advocacy by politicians or diplomats abroad; export credits; preferable insurance rates for exports; governments’ product and procurement advocacy on behalf of domestic exporters; export processing zones; and soft loans for export-related investments. KES is another of these channels.

**Figure 1 – KES within governments’ export support arrangements**

![Diagram showing the government's export support channels and the arena of KES]

9 The ‘leading’ status of TPOs is set by the International Trade Centre. Co-governed by the United Nations Conference on Trade and Development (UNCTAD) and the WTO, the International Trade Centre is the most significant international forum for ‘leading’ TPOs. In de Wulf’s (2003) words, ‘leading’ TPOs constitute the “central institutions [which] translate national export policies into an environment that helps exporters – old and new – engage in exports” (de Wulf 2003: 4).

10 On long-established ways of domestic ‘system’ understanding in political science literature, see Almond (1956; 2003).
This figure illustrates that the arena of KES is one of the governments’ export support channels, but not entirely controlled by governments. This is because, as discussed earlier, besides government bodies, private organisations, such as trade associations and Chambers of Commerce, may also constitute TPOs and provide KES against companies’ service fees or using other resources, without government funds or guidelines. Therefore, the arena of KES – including its main actors, the TPOs – comprises a mixed, government-private export support channel.

There are three basic designs of governments’ involvement in the arena of KES. The first entails that the government does not establish its own TPO, thus leaves KES provision entirely for the private sector. The second design is apparent when the government administers its own TPO, however, beyond delivering export services in the frameworks of this organisation, does not exhibit any financial or strategic involvement in KES. The third design entails that the government does not only run its own TPO, but also participates in other forms of KES, such as providing funding for private organisations’ export service delivery or allocating extra resources to assist diplomatic missions’ dedicated export support. Accordingly, governments’ three types of institutional design for KES will be referred to as those with ‘No TPO’, ‘TPO Only’ and ‘TPO Plus’ arrangements.

Quantifiable and unquantifiable elements of government KES

Changing government KES can be identified and quantified through analysing the amount of government funding for its own TPO, private TPOs, or quasi-TPOs such as diplomatic missions; the number of governments’ new KES programmes and services; and the size of government TPO networks. Governments’ increasing (or decreasing) KES can be enumerated in these areas, signalling changing overall government KES activism (based on total KES funding), changing scope of government KES (based on number of KES programmes and services) and changing reach of governments KES (based on government TPO size). These elements of government KES involvement constitute the country-relevant set of variables that can be measured, analysed and evaluated in relation to changing government KES.
Besides these quantifiable areas of governments’ KES involvement and its changes, there are other dimensions of government KES by which increasing (or decreasing) government KES can be identified, but cannot be quantified. These include governments’ non-financial assistance and intervention in KES operations of private TPOs; coordination of KES provision across various TPOs; emergence of KES as a policy priority; KES harmonisation across several ministries or government departments; and introduction of a comprehensive KES strategy with enumerated goals and specific actions plans.

This dissertation considers both quantifiable and unquantifiable elements of government KES. Thereby, the aim of this thesis is to provide a comprehensive analysis that incorporates quantitative as well as qualitative elements of governments’ export policy and its changes in the context of KES.

**Globalisation and ‘deeper integration’**

To ensure unambiguous and consistent use of the terms globalisation and ‘deeper integration’ – both of which have central importance in terms of the thesis argument – these concepts also need to be clarified at the outset. The sphere of globalisation this research focuses on is trade liberalisation, driven by the multinational organisations General Agreement on Tariffs and Trade and its successor, the World Trade Organisation (hereafter WTO).

Beyond trade liberalisation in general, this research attributes special importance to the process often referred to as ‘deeper integration’. In this thesis, the conceptualisation of ‘deeper integration’ is based on Hart & Prakash’ (2000) assertion that the pre-1986 efforts of the General Agreement on Tariffs and Trade to reduce trade barriers fostered a ‘shallow integration’; while the post-1986 endeavours of the WTO to rollback a wide range of non-tariff barriers have induced ‘deeper integration’.

Since 1986, the start of the Uruguay Round, the global trade regime has gained major new powers – including expanded areas of regulation and enhanced enforcing capacities vis-à-vis these areas (Ostry 1998b, 2000; Amsden & Hikino 2000; Hoekman & Kostecki
The new restrictions on trade-related services, intellectual property rights and investment-related government measures have meant a ‘quantum leap’ in the trade regime’s rules and regulations, as these barriers are “not at the border and are not necessarily transparent, but rather involved mainly domestic regulatory and legal systems” (Ostry 1998b: 8).

Therefore, in the understanding of this research, the ‘deeper integration’ phase of globalisation encompasses the ever more nationally-intrusive measures of the world trade regime towards barrier-free international trade.

Why focus on KES?

The role of government export support is worthwhile investigating on a comparative basis in an era where international trade continues to grow. This research, due to its novelties in terms of focus and concerns, seeks to add original insights into the existing knowledge on government export promotion, while also creating new angles to inspire more debates on the governments’ changing roles in the national economy.

Both KES and non-KES forms of government export support (the latter including export credit and insurance, for instance) have long been prominent in the industrialised world. Governments appear to have intensified their KES activism in the 1990s and 2000s: by reforming and expanding their trade promotion agencies, increasing and overhauling funding mechanisms for export support provision and developing a range of new export support programmes. In parallel with these changes, some governments’ non-KES forms of export support also appear to have undergone growth. In countries such as the United States, France, Japan and Germany, governments have boosted their export promotion expenditure via financial export assistance (including credits and insurance) and increased their international procurement activities\(^{11}\).

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\(^{11}\) Weiss (2005a) has examined governments’ export support expenditure in the United Kingdom, France, the United States and Canada, arguing that non-KES elements within the export support budgets of these countries have gained larger share over the past decade.
At the same time, in the non-KES field, several governments have opted for withdrawing from the direct provision of export credit and insurance, allowing non-government organisations to operate as the main non-KES actors since the early-2000s. This phenomenon has taken place in the Netherlands, while United Kingdom and Australian governments have also investigated the alternative of withdrawal from export credit and insurance\textsuperscript{(12)}. This suggests that while increasing and reformed export support has manifested in KES, this has not necessarily been the case in non-KES areas of government activism\textsuperscript{(13)}.

From the perspective of this dissertation, another key difference between KES and non-KES government activism becomes apparent when one considers behavioural changes – or the lack thereof. In the area of non-KES, even for governments that have indeed increased their activism in certain aspects of export finance, this has meant a ‘simple’ expansion of their already existing non-KES services and expenditure, rather than changing the very nature of their export support mechanisms.

Nevertheless, in the field of KES, governments have not only increased the number of their old services and associated budgets, but have also improved and created new KES mechanisms and tools – entailing behavioural differences between pre and post-Uruguay government KES mechanisms. As Chapter Three will highlight, post-1990s governments have found numerous innovative ways to boost exports via KES, such as market promotion, customised services, Internet-based support and financial packages. Exploring such new or ‘extra’ forms of government activism allows this dissertation to enunciate temporal differences in government behaviour, wherein the post-WTO era has seen the emergence of a new kind of government export support.

\textsuperscript{12} In 2001, the Dutch government export credit agency merged with a private export credit and insurance company, resulting in that since then, private rather than government forces have been dominated in the arena of export credit and insurance provision. In the early-2000s, major reviews have also been undertaken by United Kingdom and Australian governments to assess whether government involvement in non-KES export support remains necessary. Although both of these examinations concluded that the government should remain an active force in non-KES provision, the emergence of such reviews implies that governments assume lessening role for themselves, and intensifying roles for private forces in the arena of non-KES.

\textsuperscript{13} It must be noted that the countries that have been selected to demonstrate the actual or potential decline of governments’ non-KES involvement – the Netherlands, while United Kingdom and Australia – are perhaps the most likely cases driven by their ‘neoliberal enthusiast’ status (Weiss 2006). This thesis does not aim to generalise based on these most likely cases. The purpose of this section is not to show that non-KES government activism has generally decreased, rather, to demonstrate that it has not necessarily increased across the board.
In short, the evolving nature of government export support offers an instructive case for examining governments’ coping strategies in the context of deepening economic integration. This research aim is pursued through the lens of KES, which facilitates the investigation of changes in government behaviour. Beyond this immediate aim, another aspiration of this dissertation is to inspire wider theoretical debates on the relations between globalisation and government capacities in the twenty-first century.

Research design

Questions and propositions

This research project is built around the initial observation that governments have been increasing their involvement in the national arena of export support – manifested in the post-1990s growth of government KES. This observation becomes more remarkable if one considers how paradoxical it is to see proliferating and enhanced forms of government involvement in the national economy when the international economy is seemingly progressing towards a level playing field.

The main research question this thesis investigates is whether and how globalisation theories, such as those on the constraining and enabling forces of the WTO regime, can account for the paradox of growing government export support in the era of deepening trade liberalisation. The central proposition is that the global trade regime has enabled and even catalysed governments’ increasing export support in the field of KES. The research design thus includes this broad question and proposition as the base of the working model. Nevertheless, for the proposition to be developed into a convincing argument, a range of further questions need to be answered.

In order to understand the nature of government export support, its changes, and the underlying reasons behind the changes, two sets of specific questions (or sub-questions) are investigated. The first set of questions focuses on what kind of institutionalised govern-
ment export support existed before the era of heightened global integration and how governments have changed their KES since the 1990s: What are the traditional forms of governments’ export support? How diverse have institutionalised forms of government KES been across countries with different politico-economic backgrounds? What implications do such cross-national diversity have for recent changes to government export support? What are these actual changes?

The second set of questions is raised to shed light on why the changes to government export support may have taken place: Have export problems, poor trade performance or pressures to improve trade performance been a major drive for governments’ increasing KES? How important is policy diffusion in explaining changes to government export support? Has the post-Uruguay enhancement of the world trade regime resulted in greater multi-disciplinary impacts on governments’ economic policies? Can countries’ increasing economic vulnerability elucidate some aspects of increasing government KES? Have growing international competitive pressures on small and medium-sized firms motivated governments to boost their assistance targeted at those most exposed?

Throughout the journey of this research project – from the initial observation through posing the main research question to be able to answer this question by laying down the final argument – all these specific questions and associated hypotheses need to be addressed. Figure 2 graphically demonstrates the logical sequencing of these questions and the final argument. This structure essentially constitutes the research design.
Research Question –

Do existing globalisation theories explain why and how government export support changes when faced by global pressures?

This research question is initially examined in Chapter One. The impacts of global forces on national economic governance have been widely researched and theorised. Some of these theories focus on the enabling forces of globalisation, such as those proposed by Amsden (2000), Schmidt (2002), Stanford (2003) and Weiss (2005a, 2005b). According to these theories, pressures embodied in the WTO regime’s multilateral influences have enabling as well as constraining impacts on government policies. Thus, they may indirectly stimulate governments to innovate and increase their intervention in governance areas that are not restricted by the WTO.
Through analysing globalisation theories on state capacities, Chapter One demonstrates that none of the theories put forward to date has considered changes in government export support within the debate on the enabling versus constraining forces of the world trade regime. Although according to some arguments, such as Weiss (2005a, 2005b), the WTO may in fact catalyse certain foreign economic policies, this catalysing impact has not been explored in the context of export support.

**Proposition 1 –**

*Governments have had different institutionalised ways to support exports, with some traditionally taking the lead roles, others secondary roles behind the private sector.*

This proposition, the focus of Chapter Two, has been put forward in light of institutionalist theories of governments’ historically-based behaviours in economic governance. Katzenstein (1978), Ikenberry, Lake & Mastanduno (1988) and Trubowitz (1998) argue that governments in certain countries are more likely to intervene, or intervene differently in economic matters than others. Such traditional differences in terms of government-private relations are pointed out by Bell (1997a), Hall & Soskice (2001) and Allen (2005), using the framework of liberal and coordinated market economies.

Chapter Two scrutinises the existence of traditional and institutionalised differences in governments’ approaches on whether or not to play *active* KES roles by taking the lead; or *passive* KES roles by taking secondary role behind the private sector. It develops a typology and classification for ‘No TPO’, ‘TPO Only’ and ‘TPO Plus’ designs for government KES, based on dimensions along which governments participate in KES. These dimensions include governments’ decisions to establish a TPO; provide KES funding; develop KES services through a government TPO or through diplomatic missions; intervene in private TPO operations; coordinate across multiple TPOs’ KES provision; create extra legal regulations for TPOs; and attribute policy priority for KES.

To qualitatively examine proposition one, this chapter considers each of these dimensions in terms of their existence for governments’ KES arrangements in the pre-1990s period. After describing these – drawing on government documents, TPO publications and secondary sources – a pattern analysis determines whether, compared to governments with
‘TPO Plus’ and ‘TPO Only’ designs, governments with ‘No TPO’ institutional design have traditionally played passive roles and took a secondary position behind the private sector in KES overall. The conclusion is that there exist qualitative differences in historically-based, institutionalised ways of passive versus active government KES.

**Proposition 2**

*If a government has traditionally had passive roles in KES, it is unlikely to have increased its KES involvement; while if a government has traditionally had active roles in KES, it is likely to have increased its KES involvement since the 1990s.*

Institutionalist theories predict that when faced by the same global pressures, governments may behave differently, driven by different domestic institutional bases. Berger (2000) argues that foreign economic policy changes may differ due to institutional differences that ‘refract’ these pressures in different ways. Immergut (2005) also points out that, when examining how the world trade regime impacts on governments’ foreign economic policies, one needs to consider pre-existing domestic institutions and determine what role these have in shaping foreign economic outcomes.

Chapter Three uses the same typology and variables as Chapter Two, to describe and quantify changes to government KES in the case-study countries (drawing on government documents, TPO publications and secondary sources again). This section hence becomes a specification of the initial observation.

The description is followed by a trend analysis, which aims to quantitatively establish which governments, with what institutional design for KES, have increased their export support since the 1990s. Quantifiable manifestations of governments’ export support changes, such as budgets allocated for KES, introduction of new KES programmes and services, TPO network expansion and diplomatic missions’ KES enhancement are analysed. These provide the country-relevant set of variables that are measured, analysed and evaluated vis-à-vis the change in governments’ KES.

This country-relevant set of variables shows that governments’ export support growth has taken place in countries *regardless* of their institutional design for government KES – in
other words, despite different national institutional designs for KES, governments have generally increased their export support. This also means that the central proposition of this thesis, concerning the catalysing impacts of global forces needs to be further investigated, in the context of other forces that may drive governments to increase their KES.

**Proposition 3 –**

*Governments have increased their export support since the 1990s, because they have been faced with (a) export problems or poor trade performance or (b) formalised political pressures to improve trade performance.*

Government KES has been associated with countries’ trade performance, as poor trade performance often drives governments to introduce new KES programmes or increase their funding for TPOs (Crick 1992; Kotabe and Czinkota 1992); and it has also been associated with political pressures on government trade policy, such as those pointed out in pressure-group analyses by Pincus (1975), Milner (1988) and Hillman & Ursprung (1988). To investigate whether global impacts have led to governments’ increasing KES since the 1990s, because this is the time when governments have been faced with *poor trade performance or political pressures* to improve trade performance, Chapter Four first examines export performance indicators and pressure group arguments.

Besides drawing on primary data sources on case-study countries’ trade performance, and secondary sources from the political economy literature on pressure group arguments; this section also incorporates empirical examples of growing government KES in Chapter Three to compare countries with diverse export and trade performances, as well as those with different arrangements for organised exporter groups. The result of this investigation is that governments in countries with good export performance; and governments without major exposure to organised pressures for increasing KES have enhanced their involvement in the national KES arena just like their counterparts in countries with poor export performance and influential KES pressure groups.
**Propositions 4 –**

_Governments have increased their export support since the 1990s, because the multilateral trade regime has gained major disciplinary powers._

Since the Uruguay Round, starting in 1986, the multilateral trade regime has heightened its impacts on government policies, inducing a ‘deeper integration’ of the world economy (Ostry 1998b; Amsden & Hikino 2000; Hoekman & Kostecki 2001a). The second question scrutinised in Chapter Four is whether the post-Uruguay power enhancement of the world trade regime is the force that has been able to work as the catalyst for government export support since the 1990s.

This section of Chapter Four analyses policy documents and government reviews published by the WTO, while also building on secondary sources to provide a comprehensive analysis on the changing ‘negotiator’ and ‘enforcer’ roles of the world trade regime. The finding of this section is that if the world trade regime has ever played a major role in governments’ export support policy making, including KES, this is likely to have taken place since the 1990s power boost of the WTO. Nevertheless, the very impacts of the regime’s transformation need to be further analysed.

**Proposition 5 –**

_Governments have increased some elements of their export support since the 1990s, because they have emulated other governments’ actions in the post-WTO era of more prevalent policy diffusion._

Since the 1990s, there has been growing research attention on how and why policies of one government ‘spread over’ to other governments (Dolowitz & Marsh 2000; Stone 2000; Simmons & Elkins 2004). The third question that Chapter Four examines is whether the intensified policy diffusion can account for the simultaneous growth of government KES since the 1990s.

Drawing on the analytical findings of Chapter Three, the investigation involves comparative-qualitative analysis of governments’ similar successive KES policy measures. These include the governments’ expansion of customised KES services, their introduction of
enumerated KES targets and increasing TPO conversations on the international level. Essentially, this section concludes that the more prevalent policy diffusion since the 1990s may have contributed to the similar KES policy responses in certain countries. However, the theory of inter-governmental export policy learning can only be applied to individual dimensions of government KES, while governments’ increasing KES as a whole is too multifaceted a phenomenon to be explained solely by policy diffusion.

**Proposition 6 –**

*The WTO-driven post-1990s ‘deeper integration’ has increased countries’ economic vulnerability, which has stimulated governments to enhance their export support (via top-down mechanisms, driven by governments’ impacts on firms).*

Following on from the findings of Chapter Four, Chapter Five scrutinises the actual catalysing impacts of the WTO. The first of such impacts is countries’ increasing exposure to international economic risks, which leads to their growing economic vulnerability. This argument draws on theories proposed by Berger (2000), Li & Smith (2002) and Schwartz (2003). These theories include governments’ loss of foreign economic policy tools such as tariff barriers and financial export subsidies, which stimulates them to enhance or create other tools and thus mitigate the country’s vulnerability to external uncertainties.

This section elaborates existing globalisation theories on countries’ increasing economic vulnerability, and refines these in the context of government export support. The conclusion is that one reason for post-1990s governments’ simultaneous attempts to improve and increase their KES involvement is to counterbalance the negative impacts of growing economic vulnerability in the absence of the old policy tools. This factor reflects a top-down approach governments have taken to assist the national economy.

**Proposition 7 –**

*The WTO-driven post-1990s ‘deeper integration’ has intensified firms’ international competitive pressures, which has resulted in governments’ actions to enhance their export support (via bottom-up mechanisms, driven by firms’ impacts on governments).*
The heightened trade liberalisation of the WTO regime since the 1990s has resulted in a global trade environment that is more competitive for the private sector than ever before. Chapter Five refines arguments of Garrett & Mitchell (2001) and Ananiadis (2003), when discussing why and how governments have increasingly sought to compensate the private sector for their growing insecurity and inequalities driven by global pressures.

To show the multi-faceted consequences of trade liberalisation for small and medium-sized firms that are most affected by the negative impacts, this section draws on existing literature on the new structural challenges and management pressures for exporting firms. The argument this section puts forward is that, in the name of solidarity and social partnership, governments have similarly aimed to compensate small and medium-sized firms that lose most from trade liberalisation – via improved and boosted KES measures. This reflects a bottom-up phenomenon that leads to governments’ increasing foreign economic assistance.

**Answer to the Research Question –**

*Via refined globalisation theories, this thesis attributes the generally increasing government export support to the indirect catalysing impacts of the world trade regime.*

Chapter Five refines the debate on constraining versus enabling forces of globalisation in the context of government export support. To provide the explanation for the paradox of growing government KES in the era of deepening globalisation and trade liberalisation, this thesis concludes that industrialised governments have simultaneously become more ‘hands-on’ in KES since the 1990s, driven by the unintended catalysing impacts of the recently enhanced WTO regime: through governments’ need to offset their countries’ increasing economic vulnerability; and to better compensate small and medium-sized firms for their heightened difficulties emanating from globalisation.
**Case study selection**

The focus is on advanced industrialised countries, assembled by the Organisation for Economic Co-operation and Development (OECD). All of these countries have similarly adopted trade liberalisation under the supervision of the world trade regime, constituted by the General Agreement on Tariffs and Trade (or GATT, until 1995) then the WTO. They either traditionally have had open economies, or have gradually increased their openness to trade. By the late 1980s, all of the advanced industrialised countries followed outward-oriented principles with relatively few barriers to trade\(^{14}\). Therefore, their by-and-large outward orientation has acted as a policy-influencing framework regarding their foreign trade regimes in the past three decades\(^{15}\). These similarities ensure that all of the advanced industrialised countries have been analogously exposed to the world trade regime’s direct policy constraining, as well as indirect impacts.

Another similarity is that, due to their highly developed economies, advanced industrialised countries provide an environment for export support wherein the private sector is strong enough to take the lead role in KES, so governments do not necessarily have to get involved in the arena of KES. This is very different in the case of developing countries, because in these, the private sector is not strong enough to formulate TPOs, so governments are the only actors that are capable of providing KES.

According to this thesis’ working model, it is essential to consider advanced industrialised countries with different institutional design for government KES in the pre-1990s and with different export performance in the post-1990s. Selecting countries with mixed government KES designs ensures that implications of institutional design for government KES changes can be assessed. Amongst OECD member countries, only in four countries have governments taken a traditionally ‘passive’ approach to export support, leaving KES

\(^{14}\) Even industrialised countries that used to be ‘inward-looking’ and protectionist, such as Australia, experienced economic ‘opening-up’ beginning from the 1960s, and became outward-oriented by the 1980s (Anderson & Garnaut 1987; Hill & McKern 1997).

\(^{15}\) Inward versus outward orientation as a policy-influencing framework in relation to countries’ foreign trade regimes in investigated in Seringhaus (1993), in the context of developing countries.
mainly for the private sector under a ‘No TPO’ design for government KES. All of these countries have been selected, including Austria, Finland, Germany\textsuperscript{(16)} and Switzerland\textsuperscript{(17)}.

The next selection criterion has been to choose countries with mixed export and trade balance performances. This ensures that implications of export and trade balances on government KES changes can also be controlled for. Accordingly, two countries have been selected whose export growth and trade balance indicators have been above OECD average in during the 1990s and early 2000s, these include Sweden and Italy; another two have been selected with below average indicators, including Australia and the United Kingdom; and another two with close to average indicators, including the Netherlands and Canada\textsuperscript{(18)}.

Altogether, ten countries have been selected as case-studies, including Australia, Austria, Canada, Finland, Germany, Italy, the Netherlands, Sweden, Switzerland and the United Kingdom. This is a group of country cases, which is homogenous enough based on the similarities of exposure to the world trade regime’s impacts and the existence of private KES forces; while also heterogenous enough, based on their diversity in terms of institutional design for government KES as well as export performance and trade balance indicators. They are also numerous enough to draw conclusions on changing government export support.

\textsuperscript{16} In the pre-1990s, the former West-Germany is considered, while in the post-1990s, the unified Germany is discussed in the empirical chapters.

\textsuperscript{17} Because the fallout of countries with ‘TPO Only’ and ‘TPO Plus’ design for government KES is of secondary importance for the thesis argument, institutional design has not resulted in further selection criteria.

\textsuperscript{18} Export growth and trade balance indicators will be discussed in more detail in Chapter Four, based on Figures 6 and 7.
**Time periods analysed**

It is since 1986, the start of the Uruguay Round, that the global trade regime has gained major new powers (WTO 2003). These new powers, including expanded areas of regulation and enhanced enforcing capacities vis-à-vis these areas, have ensured a ‘deeper integration’ of the world economy (Ostry 1998b, 2000; Amsden & Hikino 2000; Hoekman & Kostecki 2001a). Therefore, although the world trade regime has shaped governments’ foreign economic policies since the late 1940s, it is in the post-1990s period that its capacities have become broader and stronger than ever, ensuring disciplinary impacts that were, in Ostry’s (1998) words, ‘unimaginable’ in the pre-Uruguay years.


This thesis draws a distinction between the late 1980s and early 1990s. Chapter Two investigates the institutionalised ways of government behaviour in the national arena of KES until the beginning of the 1990s. These pre-1990s or pre-WTO characteristics of governments’ involvement in the KES arena also serve as the starting point for the trend analysis of Chapter Three, which examines and evaluates post-1990s or post-WTO changes to government KES.
Thesis outline

To set out an analytical framework that advances the understanding of how and why governments’ foreign economic policy capacities concerning export support may change when faced by global pressures, Chapter One highlights constraining and enabling impacts of the global trade regime and other trade liberalisation forces on government capacity in terms of its ability to provide export support mechanisms. This chapter also reviews existing globalisation theories, establishing that to date, only a few arguments have been put forward, according to which the WTO can in fact catalyse – not only restrict – certain government policies. However, this catalysing impact has not been systematically explored in the context of export support.

Chapter Two examines governments’ export support prior to the 1990s. After developing a typology and classification for governments’ institutionalised approaches to export support involvement, this chapter demonstrates that in the pre-1990s period, some governments took much more ‘hands-on’ approaches to export support than others. The institutionalised, qualitative differences between governments’ active and passive roles in the national export support arena may influence the outcomes of post-1990s changes to government export support.

These post-1990s changes are described and quantitatively analysed in Chapter Three. This chapter demonstrates that the simultaneous growth in governments’ export support has taken place irrespective of governments’ traditionally active versus passive roles in the national export support arena. Trend analyses of governments’ export support funding, number of programmes, size of trade promotion organisations, and other forms of government export support involvement show that no dimension of government export support growth can be exclusively associated with governments that have traditionally taken the lead role in the national export support arena.

Drawing on the finding that all governments have simultaneously increased their export support, Chapter Four investigates why only since the 1990s has this phenomenon taken place. It scrutinises countries’ export performance, trade-related political pressures on governments, the enhanced capacities of the world trade regime and policy diffusion
throughout the 1990s and 2000s. Although export performance and policy diffusion may have driven certain elements of governments’ increasing export support, this chapter argues that it is the enhanced capacities of the WTO that have been able to act as the main force behind governments’ export support changes since the 1990s.

Chapter Five elaborates the finding that the paradoxical growth of government export support in the era of intensifying trade liberalisation is driven by the enabling and catalysing forces of the WTO. These compel governments to rely ever more heavily on export support areas that are still permitted by the world trade regime – to offset their countries’ increased economic vulnerability; and to increase their assistance to firms that are exposed to more severe difficulties due to the heightened global competitive environment.

The last chapter thus answers the main research question, how globalisation theories can account for governments’ increasing export support. It argues that the heightened trade liberalisation pressures of the WTO have, unexpectedly, worked as a catalyst for the across-the-board increasing government export support. I put forward that, in the case of government export support, the enabling faces of globalisation (as termed by Weiss 2005a) have prevailed.
Chapter 1 –

Constraining and Enabling Impacts of Globalisation
This chapter investigates the research question: whether and how existing globalisation
theories can account for the paradoxical growth of government export support when in-
ternational trade is supposedly becoming government-free.

In the era of globalisation, a predominant imagery associated with global pressures is of a
change in economic governance (Clark 1998). As Weiss (1999a) notes, a number of
studies have anticipated that globalisation must entail less room for the government in
terms of decision-making in the economy\(^{(19)}\). This is explained by global pressures’ in-
creasing imposition of complex non-interventionist logic, for which there is little alterna-
tive for the government (Schmidt 2002). In the field of export support, numerous studies
have referred to governments’ reduced capacities to help exporters (Milner 1990; Sering-
regulated by international institutions such as the WTO, unless governments are ‘flexible’
in interpreting agreements, there is only so much they can do to assist exporters”. Bora,
Lloyd & Pengestu (2000: 553) also note that “direct intervention by governments to boost
exports is increasingly restricted by WTO rules”.

The first section of this chapter demonstrates that, despite the disagreements and diverg-
ing focuses of studies in the ‘great globalisation debate’, an increasing number of studies
agree that globalisation has led to shifts and transformations, rather than across-the-board
retrenchment of national economic governance\(^{(20)}\). In the second section, implications of
the pressures of trade liberalisation forces for governments’ foreign economic policy
changes are reviewed, focussing the causes and extent of policy changes. Acknowledg-
ing the governments’ room to move in foreign economic policy decisions, the third sec-
tion discusses which export support channels of governments are still permitted, and
which are prohibited by the global trade protocol. The last section provides an overview
of major theories, according to which the WTO may be the catalyst for governments’ in-
creasing export support involvement.

\(^{(19)}\) Bairoch & Kozul-Wright (1996) also note that government roles in managing economic activities are widely assumed to have
diminished under global pressures. Studies suggesting such a decline in governments’ economic management include Andrews
(1996) and Strange (1994), for instance, basing their arguments on financial pressures’ impacts on macro-economic policies; as
well as Cerny (1996) and Boyer & Drache (2002), coming to similar conclusions investigating welfare pressures.

\(^{(20)}\) The expression the ‘great globalisation debate’ was coined by Kalb, Pansters & Siebers (2004).
Foreign economic policies faced by global pressures

This section first demonstrates that although the focus of globalisation research differs across disciplines and changes over time, recent studies in the globalisation debate increasingly agree that global pressures – rather than by and large reducing governments’ powers – have stimulated shifts and transformations in national economic governance. Next, the diversity of approaches is analysed in terms of how, to what extent and with what kind of outcomes governments’ foreign economic decision-making capacities have changed when faced by global pressures, demonstrating that government autonomy and control in foreign economic decision-making may be sustained, or even increasing in some areas.

The impacts of globalisation on national economic management

In a political economist’s dictionary, one of the processes always included in the meaning of globalisation is the accelerated internationalisation of production and sales, which is stimulated by pressures emerging from supranational organisations’ multifaceted impacts (Strange 1999; Schmidt 2002). A number of political economy studies, such as Held & McGrew (2000a), have depicted globalisation as a unique phenomenon of contemporary history. Others have argued that it is simply the continuation of internationalisation processes interrupted by the two world wars (Hirst & Thompson 1996; Williamson 1998). Some have presented globalisation as a ‘one-size-fits-all’ development bringing about uniform alterations (Friedman 1999), while others have highlighted the ‘global variety’ of changes (Mann 1997). Some present globalisation as inevitable, but for others it is contingent (Hay & Rosamund 2002). A further dividing line exists between those arguing

that globalisation is reversible (Helleiner 1994, 1995), and those saying it is irreversible (Clark 1998). 

Whether unique and new, or long existing; uniform, or diverse; inexorable or contingent; or reversible or not, globalisation has increasingly been portrayed as a phenomenon having significant impacts on national economic management. Especially since the early 1990s, studies applying globalisation theories to explain changes to national economic governance have proliferated in political economy. Claims about diminishing, declining, retreating national governance were frequently made throughout the 1990s. Some of these studies even depict a crisis and eclipse of national governance. According to Dent (2003a), these views found both widespread expression and a willing audience during the early post-Cold War period, when ‘globalisation fever’ seemed to grip many commentators. However, in the late 1980s, theories on governments’ transformation, rather than their loss of power, emerged and became well-entrenched as a counterpoint to studies referring to governments’ ‘hollowing out’ (Shaw 1997). As a result, extreme claims about governments’ emergency situations and fading significance have become widely discounted (Scholte 2004; Haigh 2004), and ‘death notices’ of national governance have been labelled as ‘fundamentally misplaced’ and ‘recklessly premature’ (Ruggie 1993; Scholte 2000).

The ‘great globalisation debate’ has in the meantime moved in a new direction (Kalb, Pansters & Siebers 2004). By the late 1990s, the debate no longer centred on whether

22 A similar juxtaposition of different perceptions and impacts of globalisation can be found in Schmidt (2002).
23 Besides academic studies, a number of non-academic discussions have also been published on how government roles in economic management have changed in the era of globalisation. See, for instance, in UNRISD (1995) and World Bank (1997).
24 However, as Clark (1998) notes, the utility of globalisation as a theoretical concept has also been disputed (Clark 1998). Strange (1996; 1999), for instance, argues that globalisation theories rely on ‘vague and woolly words’ and have only limited explanatory power (Strange 1996).
26 For instance, Ohmae (1990), Horsman & Marshall (1994), Dunn (1995), Ohmae (1996), Kahn (1996) and Bauman (1998) refer to the crisis of national governance. Of these studies, perhaps the most extreme views can be found in Ohmae (1996), which even claimed the soon-coming extinction of nation states.
27 In 1985, for instance, Evans, Rueschemeyer & Skocpol (1985) emphasised the transformed but increasing roles of governments. Iconising the concept ‘bringing the state back in’, this study discussed changes to governance. The concept ‘bringing the state back in’ appeared in later studies on governments’ national management, for instance, in Helleiner (1995), Jessop (2001), Weiss (2003) and Drezner (2004).
28 This is, however, not to say that studies claiming diminished or hollowed-out governments have entirely disappeared from the spate of academic publications. Even in the early 2000s, there are scholars claiming the declining authority of national governments, see examples for national governments’ ‘losing significance’ (Suter 2000), and ‘reduction in national government power’ (Suter 2003). For a critical analysis on Suter (2003), see Molnar (2004: 457-458).
governments remained ‘colossal’ (Micklethwait & Wooldridge 2001); and crucial to political and economic life (Scholte 2004)\(^{29}\). Rather, the emphasis of this new wave of the debate has been on questions such as what kind of shifts, how, and why globalisation has stimulated in relation to national governance (Scholte 2000; Busch 2002). As Weiss (2005b) notes, “nowadays, political analysts talk less of the decline of [governments], and even less of their continuing potency, than of their transformation” (Weiss 2005b: 345). Two – greatly overlapping – issues of central importance have concerned the impact of pressures emerging from supranational organisations’ influences upon governments’ autonomy and control in specific fields of the national economy.

Governments’ autonomy in the national economy refers to their ability to make decisions independently, without regard to external forces and actors (Schmidt 2002). A number of studies focus on what has been lost, while others discuss what has been retained or gained of governments’ national autonomy. An expansive literature on changes causing decreasing government autonomy includes studies such as Andrews (1994) and Strange (1996), basing their arguments mainly on financial pressures’ impacts on macro-economic policies; as well as Cerny (1994) and Boyer & Drache (1996), coming to similar conclusions investigating welfare-related pressures\(^{30}\). On the other hand, a range of studies focus on areas where government autonomy has been retained, or even expanded. Garrett (2000) argues that governments are still autonomous actors – able to make decisions without externally curtailed sovereignty – in areas including competition measures, labour-market issues and business regulation. Vogel (1996) also concludes that governments have ‘re-regulated’, as opposed to de-regulated national economies, suggesting that their regulatory autonomy is not significantly restricted by external pressures. By the early 2000s, besides those claiming that government autonomy has declined due to growing influences

\(^{29}\) Schwartz (2004) notes that an increasing number of studies answer with a consistent ‘yes’ to questions on governments’ decreasing powers (Schwartz 2004).

\(^{30}\) Studies that discuss policy areas in which government authorities are claimed to be declining include Morse (1976) and Block (1996), mainly examining financial policy areas that reflect governments’ decreasing autonomy and control. Cerny (1994; 1996b) also focuses chiefly on financial areas in relation to governments’ ‘eroding’ capacities, while claiming in Cerny (1995) that governments’ “authority, legitimacy, policymaking capacity, and policy-implementing effectiveness” are likely to be further eroded and undermined as a consequence of globalisation (Cerny 1995: 621), and in Cerny (1999), that democratic states are “losing the policy capacity necessary for transforming democratically generated inputs into authoritative outputs” (Cerny 1995: 1). In addition, Levy (2003) argues that governments’ capacities to make decisions at odds with financial orthodoxy have been significantly undermined. Studies discussing different elements of ‘welfare state retreatment’ include, for instance, Tilly (1995), Mishra (1996) and Clayton & Pontusson (1998), arguing that global pressures have led to relinquishing government autonomy in social security policy-making. Strange (1996) investigates empirical evidence from a range of industry areas in which governments’ authorities, according to this study, have diminished significantly (Strange 1996).
of supranational organisations, an increasing number of studies have argued that global pressures have not necessarily undermined, rather, at times increased government autonomy for national economic decision-making\(^{(31)}\).

It is often hard to differentiate government control from autonomy when national decision-making capacities are explained. According to Schmidt’s (2002) approach, the term government control refers to governments’ power to influence economic forces and actors operating in domestic territory. Numerous studies have investigated governments’ control along with their autonomy, particularly their changes facing international pressures. Ever since the 1970s, arguments have been frequently made that increasing transnational relations create a gap between governments’ aspirations for power over an extended range of economic matters, and their capability to achieve it (Keohane & Nye 1972)\(^{(32)}\). As Weiss (2005b) observes, many commentators have described governments as “tightly constrained by exposure to global capital markets, the exit power of multinationals, participation in the multilateral trade regime and, in specific cases, European integration”, which all lead to their ‘straitjacketed’ autonomy and control (Weiss 2005b: 345). However, other commentators argue that policy constraints generated by global forces are weaker and less pervasive than is often presumed (Garrett 1998b)\(^{(33)}\).

Overall, contrasting such a colourful variety of theoretical approaches illuminates how difficult it is to make the case that globalisation constraints are pervasive for government autonomy and control in the national economy (Garrett 1998b). Political economists – although they agree that certain shifts have occurred in national economic governance – fail to agree in the direction, extent, and causes of these shifts. Nevertheless, an increasing number of studies argue that caution must be exercised against the acceptance of a

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\(^{(31)}\) Quinn (1997), for instance, contends that governments’ autonomy may have been enhanced in some areas of financial decision-making. Others, such as Rhodes (1998) and Swank (2002), argue that governments’ capacities in the social security system may have been enhanced by maintaining and encouraging national bargains on social and economic priorities.

\(^{(32)}\) As Ostry (1998) notes, the term globalisation was first used in 1986 (Ostry 1998a). Before that, terms such increasing transnational relations, intensifying internationalisation, and growing interdependence were frequently applied in academic studies with an international focus.

\(^{(33)}\) Schmidt (2002) agrees that claims on governments’ decreasing control are often exaggerated. In the context of financial policy constraints, for instance, Evans (1998) argues that international financial markets may punish deviant governments, however, in the long run, their returns depend on the existence of a ‘system’ constituted by national economies, under the authorities of national governments. In welfare policies research, Fligstein (1999) concludes that the alleged loss of government capacities only means that governments have made minor adjustments to their benefit systems. According to similar reports, the ‘new’ politics of the welfare system is not significantly different from the ‘old’ (Pierson 1996; Palier 2000), and while governments may have lost some of their control in terms of expanding social spending, this is largely due to their inability to sustain growing public deficits, and they remain the ‘principal architects’ of welfare systems (Rhodes 1998).
‘grossly oversimplified’ vision of changes to government autonomy and control in national economic management (Iversen 1999; Deacon 2000). In the specific field of foreign economic decision-making, the next section demonstrates the diversity of academic approaches on how globalisation has changed governments’ capacities.

‘Room to move’ in foreign economic governance

A number of studies focussing on foreign economic policy – a hybrid of foreign, trade, and economic policy embracing government measures to organise trade and investment so as to maximise national income (Cohen 1991) – have found that government autonomy and control have declined due to increasing policy restrictions of supranational forces, such as the WTO, regional trade agreements, and the integrating forces of the European Union. However, an increasing number of studies claim that global pressures emerging from supranational trade organisations’ restrictions have not necessarily resulted in governments’ decreasing capacities in foreign economic decision-making. Rather, they may have even increased due to such global pressures.

Governments’ foreign economic decision-making is domestic as well as foreign in its policy content. Because of its dual nature, research on governments’ foreign economic control has traditionally taken account of both domestic and international determinants. 

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34 A number of studies emphasise that globalisation’s impacts for governments’ national autonomy and control, far from being general, have been mediated by domestic institutions (Swank 1998, 2002; Garrett 1996, 2000). Rather than causing similar losses to government control, globalisation has spurred ‘path-dependent’ (explained later) responses in governments’ policy decisions (Verdier & Breen 2001), whereby institutions remain central to the selection and implementation of government strategies (Mosley 2000). As Clark & Hallerberg (2000) contend, national institutional features alter the dynamics of governments’ economic policy-making process and influence the outcomes produced. Due to different domestic institutions, Scharpf (2000) and Steinmo (2005) also agrees that governments continue to differ in what they spend, in how they spend, and in how much they spend for instance, for welfare programmes (Scharpf 2000; Steinmo 2005).

35 As Cohen (1996) and Evans (1997a) note, because expectations and explanations regarding the influence of global pressures on government economic policies are so different, there is still a considerable diversity in the debate, in terms of both the causes and the consequences of financial globalisation for government control (Cohen 1996; Evans 1997a).

36 McMichael (2000), Mortensen (2000) and McGinnis (2004), for instance, argue that the WTO has significantly curtailed governments’ foreign economic policy autonomy and control. More detail is provided later in this section.

37 For instance, Anssden (2000), Schmidt (2002) and Weiss (2005a; 2005b) analyse the WTO’s impacts on governments’ foreign economic policies, concluding that the alleged loss of autonomy and control tends to be exaggerated in a number of studies. These and other arguments are further explored later in this section.

38 However, some studies claim that policy areas with domestic and foreign nature are no longer clearly separable. For example, Devetak & Higgott (1999) note that “domestic and foreign economic policy issues become increasingly blurred, as the domestic economy becomes increasingly detached from the sovereign state” (Devetak & Higgott 1999: 488).
nants (Solomon 2000). Therefore, even before it became ‘fashionable’ to discuss national governance in light of globalisation, foreign economic policy had often been examined as one shaped by foreign forces. With the increasingly intrusive impacts of global pressures and the complexity of these impacts, even more commentators have analysed governments’ foreign economic policy responses in reflections of globalisation. They generally agree that global pressures have come to constitute a key variable in determining governments’ foreign economic policies (Geske 2000). At the same time, besides using globalisation theories, a number of studies have made reference to not only global factors, but also domestic determinants, as well as to how each affects the other.

Studies on globalisation-induced changes to governments’ foreign economic policy range from those arguing that globalisation – identified through the emergence and strengthening of the WTO regime’s multifaceted influences – has had major restricting impacts on governments’ foreign economic autonomy and control; to studies denying that significant changes have taken place. Other studies argue against globalisation’s by-and-large constraining, rather emphasising its enabling effects on governments’ foreign economic policies. In the following discussion, some of these studies are briefly reviewed.

Numerous studies argue that the GATT/WTO regime, but mainly the WTO’s rules and regulations, have constrained governments’ foreign economic policy to a great extent. As McMichael (2000) notes, the WTO provides a framework to restrict, or even eliminate, governments’ rights to determine policies such as those concerning investment and trade support. McGinnis (2004) describes the WTO as a ‘force for limited government’, which resonates with Mortensen’s (2000) study, also agreeing that a ‘governance approach’ on globalisation acknowledges that global pressures embodied in the WTO’s trade regime entail “forceful market dynamics which constrain – or even prevent – [governments] from making certain policy choices” (Mortensen 2000: 184). Furthermore, according to Nzelibe (2004), critiques of the WTO claim that global trade governance embodied in the WTO regime gradually usurps domestic regulatory rights of sovereign governments.

39 For instance, before World War I, theorising about national politics – including foreign economic decision-making – in light of increasing international capital movement was a dominant line of political economy studies (a classic example is Angell 1913), which was then interrupted by the wars (Berger 2000).

40 The complexity of global influences on governments’ foreign economic policy choices is analysed in Solomon (2000), in terms of state-centred, societal-oriented and institutional approaches to foreign economic policy-making (Solomon 2000).

41 On globalisation’s enabling as well as constraining impacts, see detailed discussion in Weiss (2003; 2005b).
Other studies, besides discussing the WTO’s disciplinary impacts in general, seek to make the point that developing countries’ governments are the most disadvantaged by the WTO’s recent regulations (Hoekman 2005; Echeverri-Gent & Armijo 2005). Wade (2003), for instance, claims that “developing countries today, as a group, are being ever more tightly constrained in their national development strategies by proliferating regulations formulated and enforced by international organizations” (Wade 2003: 621). Whether focussing on developing or industrialised countries, as Weiss (2005b) notes, it has been widely expected that the WTO crushes governments’ policy capacities in many areas.

Commentators arguing along these lines emphasise that the WTO regime has compelled governments to relinquish many of their instruments, such as most tariffs and non-tariff barriers, as import protective measures; as well as financial export subsidies (which are discussed in the following section). In addition, since the early 2000s, trade-related intellectual property rights, trade in services and trade-related investment measures have also been regulated by the WTO (WTO 2005a). These rules and regulations, according to Mortensen (2000), McMichael (2000), McGinnis (2004) and others, have ‘pushed’ governments towards the use of analogously limited foreign economic policy instruments, while relinquishing policies that favour domestic industry development and associated trade-related strategies designed to achieve an export advantage.

On the other hand, a number of studies have emphasised that the globalisation-induced loss of government decision-making capacities is erroneously depicted by many. Firstly, Schmidt (2002) and others observe that the impacts of globalisation – embodied in the WTO’s influences – have been exaggerated and ‘greatly overplayed’ (Weiss 1999b) in numerous studies, “with much less change in national policies, practices, and politics

\[42\] Globalisation-induced ‘pushes’ on governments’ economic management have been often analysed in the context of financial and welfare policies. For instance, Schmidt (2002) argues in the following way: “Because governments have feared that negative reactions from the financial markets to expansionist, neo-Keynesian monetary policies would result in economic downturn, rising unemployment, decreases in income, and, ultimately, loss of their own popularity and legitimacy, they have felt pushed to balance national budgets, [...], reduce public deficits, and guard against inflation” (Schmidt 2002: 22). In the context of welfare policies, according to Steinmo (2005), capital mobility may lead to capital flight from high to low tax countries in such large amounts, that governments feel ‘pushed’ to keep tax levels low, or even reduce tax levels. This then deprives the government’s tax base and, as a consequence, it is compelled to cut back on welfare spending (Schjelderup 1993). Weiss (2005a) criticises Held et al. (1999) and Ostry (2000) in similar words, for their overly simplified views and expectations that economic governance will recede to the margins (Weiss 2005a: 724).

\[43\] Weiss (2005a) criticises Held et al. (1999) and Ostry (2000) in similar words, for their overly simplified views and expectations that economic governance will recede to the margins (Weiss 2005a: 724).
than assumed” (Schmidt 2002: 1)(44). For instance, Sprance (1998) argues that autonomy and control that WTO member governments relinquish can be analogised to “the sovereignty an athletic team surrenders when it plays a game judged by a referee” (Sprance 1998: 1231).

Secondly, Hay & Rosamund (2002) and other studies argue that although policy changes have taken place, globalisation has not always been the major force behind them, as these have largely been the consequence of internal impacts(45), while globalisation has been used in political discourses as a “rhetorical device to justify reforms” (Hay & Rosamund 2002: 157)(46). In these instances governments have used globalisation almost as an ‘excuse’ when taking measures which had real or potential negative consequences for some economic groups.

Thirdly, several commentators have also reported that, unlike in the case of ‘strictly’ prohibited policy measures such as tariffs and financial export subsidies, the extent to which governments’ foreign economic policy-making is ‘proscribed’ by the WTO regime is unclear (Stanford 2003; Weiss 2005a). Weiss (2005a, 2005b) also emphasises that a number of measures are still permitted, or at least not explicitly prohibited, ensuring that governments are still able to align their nationally-based economic goals with a significant and potentially increasing degree of foreign economic policy autonomy and control. Amsden (2000) points out that governments may take advantage of the fact that the “liberal bark of the WTO appears to be worse than its bite” (Amsden 2000), and even, as Weiss (1999a) contends, governments’ foreign economic decision-making capacities may have been stimulated by the multifaceted impacts of the WTO.

44 Besides foreign economic policies, a number of studies discuss government welfare involvement, criticising the claims that governments’ welfare policies have been strongly restricted by supranational organisations. These studies contend that globalisation has not been associated with significant welfare state retrenchment, and governments’ welfare policy is not in decline or crisis (Garrett & Mitchell 2001; Steinmo 2005). For earlier works arguing that claims on ‘welfare state’ facing major threats are greatly exaggerated, also see Garrett & Lange (1995), Pierson (1996), Hafler (1997) and Rhodes (1998).

45 In areas other than foreign economic policies, for instance, in terms of financial policy changes, a number of studies have come to the conclusion that rather than being ‘pushed’ by global forces, governments’ financial policy is mainly an outcome of domestic interest groups’ pressures (Li & Smith 2002). In terms of welfare policies, Fligstein (1999) and Iversen (1999) argue that welfare reforms are still the consequence of individual governments’ own decisions, constituting ‘national politics’, including the impacts of prevailing partisan politics when redistributing social risks.

46 Hay & Rosamund (2002), nevertheless, do not explicitly discuss foreign economic policy changes, rather focusing on the deployment as political rhetoric of discourses of globalisation and European integration, as a strategic and heterogeneous way of government ‘communication’, in the context of contemporary United Kingdom-based, French, German and Italian governments.
A number of studies suggest that, when examining how external forces such as the world trade regime’s impacts on governments’ foreign economic policies, one also needs to consider pre-existing domestic institutions and determine what role these have in shaping foreign economic outcomes (Immergut 2005). Some of these studies, such as Berger (2000), argue that despite common pressures, foreign economic policy changes may differ significantly because institutional and organisational differences between countries ‘refract’ these pressures in different ways.

The figure below demonstrates the diversity of approaches in the context of advanced industrialised governments’ foreign economic decision-making capacities.

Figure 3 – Theories explaining global pressures on economic governance

The highlighted theory allows governments’ autonomy and control to both increase and decline – depending on the areas investigated – while ensuring that governments still have room to manoeuvre in the national economy. This theory will be analysed further in the following sections.

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47 Investigating domestic institutions’ roles in shaping governments’ foreign economic policies has long been a central research topic. For instance, Katzenstein (1978), investigated how differences in countries’ institutional bases shape governments’ divergent foreign economic policy strategies in a six-country comparative context.
The WTO and government export support

Drawing on the previous review of theoretical approaches on how the GATT/WTO regime’s impacts have limited some of the governments’ foreign economic decision-making choices, this section first discusses which particular export support measures are considered trade-distorting and thus are prohibited by the WTO, and which are the ones still permitted. After illuminating that governments’ KES is still allowed under the WTO protocol, it is also clarified that the lack of discipline alone does not cause governments to increase their export support involvement. Hence, the assumption of the thesis, that industrialised governments’ export support has simultaneously increased, asks for complex explanations and elaboration of the already established (by Weiss 2005a) general point that the WTO may catalyse some areas of foreign economic decision-making.

**Trade-distorting export support measures, loopholes and benefits**

In terms of foreign policy decisions concerning governments’ export support, one may expect that the GATT/WTO regime’s rules and regulations would compel governments to relinquish all forms of export support measures that interfere with free trade principles and practices – that is, measures that are considered trade-distorting. In the following, firstly governments’ most regulated export support channel, export subsidies, are discussed. Then they are contrasted to the undisciplined nature of governments’ KES.

The question of export subsidies – an important channel of governments’ direct ways of export support – has been a recurring topic in GATT/WTO negotiations. Although Articles VI and XVI of the General Agreement and the Subsidiaries Code in 1947 introduced some restrictions on government subsidies for exports (WTO 2001)\(^{48}\), these were rather unclear, and hence the treatment of subsidies in pre-Uruguay years was historically con-

\(^{48}\) On export support-related regulation in the Articles VI and XVI of the General Agreement and the Subsidiaries Code, see details in de Gorter (1999), Hibbert (2000b) and UNCTAD (2003), for instance.
troversial\(^{(49)}\), and the disciplines weak (UNCTAD 2003)\(^{(50)}\). In 1955, the extended Article XVI prohibited governments’ export subsidisation in the case of non-agricultural products (Aksoy 2004). However, as the definition of subsidy remained ambiguous, and also because agricultural export subsidies continued to be undisciplined, government export subsidisation was maintained to a variable extent in most industrialised countries.

The 1994 Agreement on Subsidies and Countervailing Measures (hereafter the SCM Agreement) was the first to contain a precise definition of a government subsidy, and introduced the concept of ‘specific’ subsidies: prohibited, permissible actionable and permissible non-actionable subsidies (WTO 2003)\(^{(51)}\). The WTO’s reason for allowing governments to continue to offer a wide range of (permissible) subsidies is that it is not the subsidy \textit{per se} that is subject to regulations\(^{(52)}\), there must also be an effect on exports that distorts normal trading patterns (Hibbert 2000b). The SCM Agreement singled out government subsidies that increase exports in a manner that causes, or threatens to cause, serious prejudice to the interests of other countries\(^{(53)}\). For instance, direct financial subsidies for exports and ‘dumping’ fall into this category, and thus are prohibited\(^{(54)}\). Furthermore, in the same year, agricultural export subsidies were addressed in another form as well, in addition to the SCM Agreement: in the Uruguay Round Agreement on Agriculture (WTO 2001). This Agreement on Agriculture – amongst a range of other measures – banned new agricultural export subsidies (Steinberg & Josling 2003). Essentially, the Agreement on Agriculture placed limits on export subsidies for individual commodities, but still allowed some flexibility (Aksoy 2004).

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\(^{49}\)Major ‘rounds’ of GATT/WTO negotiations, and significance of the Uruguay Round will be discussed in Chapter Four.

\(^{50}\)Although a Subsidies Code was agreed upon in the Tokyo Round, it did not result in significant improvements, as it ‘skirted’ around important issues (UNCTAD 2003).

\(^{51}\)As Ahuja (2001) notes, not all financial export incentives are regarded as subsidies under the WTO regime, nevertheless, the SCM Agreement clearly specifies what export incentives constitute a subsidy and hence subjected to its disciplines (Ahuja 2001). An in-depth analysis on prohibited, permissible actionable and permissible non-actionable export incentives is available in Weiss (2005a).

\(^{52}\)Ahuja (2002) reports that the WTO regime’s rules on subsidies concern both production and export subsidies, although export subsidies, according to Ahuja (2002), distort trade significantly more that production subsidies. In Weiss’ (2003; 2005a) studies, some of these permissible subsidies are discussed, such as those ranging from the funding of research and development by firms, higher-education institutions, and research establishments on a contract basis with firms, to subsidies for sub-national regions designated as disadvantaged, and for environmental upgrading. The reason why these are permitted is because they are not considered direct financial subsidies for exports.

\(^{53}\)Hibbert (2000b), for instance, emphasises what is permitted, while de Gorter (1999), for instance, mainly analyses what is prohibited under the WTO regime’s subsidisation rules.

\(^{54}\)‘Dumping’, according to New Zealand MFAT (2004), refers to a situation in which goods are exported at a price lower than the price a company normally charges on the domestic market.
Since the 1994 ratification of both the SCM Agreement and the Agreement on Agriculture, WTO member governments have bound themselves to avoid using prohibited forms of export subsidies, however, as Finger & Nogués (2002) note, in the early 2000s, significant reduction of export subsidies is still to be negotiated. According to Aksoy (2004), lower tariffs and the move toward direct production subsidies are beginning to reduce the need for export subsidies in agriculture, nevertheless, export subsidies continue to distort world markets.\(^{55}\)

Although governments’ export subsidisation has been the only government export support channel constrained by the WTO, and even this channel is not entirely eliminated, governments’ export support opportunities are generally perceived to have been markedly reduced, as cited in many studies (Milner 1990; Seringhaus & Rosson 1990; Crick & Czinkota 1995\(^{56}\)). For instance, Bora, Lloyd & Pengestu (2000) note that “direct intervention by governments to boost exports is being increasingly restricted by WTO rules” (Bora, Lloyd & Pengestu 2000: 553), leaving less room to manoeuvre in the arena of export support. These claims are in line with the range of studies (reviewed in the previous section), arguing that in relation to overall foreign economic policy autonomy and control, the WTO represents a ‘force for limited government’.\(^{57}\)

Nevertheless, under the GATT/WTO protocol, governments have been allowed to maintain a large part of their export support channels. This is despite the potentially trade-distorting impacts of governments’ export support, which are discussed by Camino (1991), Diamantopoulos, Schlegemilch & Inglis (1991) and Abraham & Dewitt (2000), for instance. Camino (1991) observes that government export support – including KES – often poses a form of ‘unfair competition’ in international markets. Diamantopoulos, Schlegemilch & Inglis (1991) also refer to governments’ export support involvement as a potential ‘stumbling block’ to free trade, while Abraham & Dewitt (2000) report that proponents of free trade frequently argue that government export support distorts competition and undermines the multilateral trade system.

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\(^{55}\) Some countries (and country groups) use far more export subsidies than others. For instance, in 2004, the European Union accounts for almost ninety per cent of all OECD export subsidies (Aksoy 2004: 49-50).

\(^{56}\) As Crick & Czinkota (1995) note, “since trade policy is regulated by international institutions such as WTO, unless governments are ‘flexible’ in interpreting agreements, there is only so much they can do to assist exporters” (Crick & Czinkota 1995: 61).

\(^{57}\) The WTO as a ‘force for limited government’ is described by McGinnis (2004). Similar arguments can be found in McMichael (2000) and Mortensen (2000) as well.
However, governments’ roles as KES providers for domestic companies, as well as their capacities to become involved in a number of further ways in the arena of KES are still allowed by the WTO regime’s rules and regulations. This relative ‘leniency’ of the WTO can be seen as a possible loophole (58), which has its roots mainly in the regime’s underlying intention to support – or at least not hinder – KES development of developing countries (Seringhaus 1991). According to Seringhaus (1991) and the 1994 publication of the International Trade Centre (which was then co-governed by the United Nations Conference on Trade and Development or UNCTAD and the GATT), in the name of development-cooperation, KES of developing countries’ governments has been permitted, as well as often deliberately encouraged and financially assisted by the GATT/WTO regime (59). This means that the global trade regime has provided assistance for developing countries’ governments to establish and maintain their TPOs, while also providing guidelines for developing countries’ TPOs to help them develop well-functioning KES programmes and services (ITC UNCTAD/GATT 1994; ITC UNCTAD/WTO 2004a) (60).

Once allowing, and even, facilitating for developing countries’ governments to form TPOs and provide KES, it would have been against the global trade regime’s non-discrimination principle to prohibit the same for industrialised governments (61). Therefore, in the mid 2000s, there is no indication that the WTO would ban governments’ KES in either developing or developed countries.

Importantly, there are significant differences between developing and developed countries’ government involvement in KES. In developing countries, governments’ export services are not only viewed as one of the necessary structures of economic and trade development, but also as the export support channel with arguably the most comprehensive base for trade creation (Williams 2005), generally considered vital for developing coun-

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58 However, the term ‘loophole’, in relation to the GATT/WTO rules and regulations, is usually used in a different context. For instance, in some GATT/WTO Agreements leave some rules unclear. As Sykes (2003) reports, GATT Article XVI contained a ‘loophole’ for subsidies on primary products, which include all basic agricultural commodities.

59 Referring to development-cooperation when assisting developing countries’ KES may sound rhetorical, as the WTO – in areas other than governments’ KES – have put significant constraints on developing countries. See related discussions in Bernal (2004), arguing that developing countries often suffer from import surges related to subsidised imports from industrialised countries. Langhammer & Lücke (2001) and Liou & Ding (2004), amongst others, also analyse how and why developing countries are disadvantaged under contemporary global trade regimes.

60 The point also must be made here that developing countries are claimed to have much of their exports blocked by industrialised countries’ agricultural subsidies and textile protection. See, for instance, Wade’s (2003) study for more detail.

61 As Bagwell & Staiger (2001) notes, the GATT/WTO regime’s non-discrimination principle refers to the ‘elimination of discriminatory treatment in international commerce’ (Bagwell & Staiger 2001: 282, quoted from GATT 1947 Preamble).
tries’ ‘economic survival’ (Seringhaus & Rosson 1991a, 1991b). On the other hand, for industrialised countries, the main goal of export support is one of only ‘strengthening the competitive competence’ of individual companies through contributing to their export performance (Seringhaus & Rosson 1991b). While in developing countries, governments have been the only force capable – with international assistance \(^{(62)}\) – to provide KES, in developed countries, besides the government, the private sector has also been able to establish and manage TPOs.

The GATT/WTO regime’s decision to allow governments’ KES is thus a ‘must’ from developing countries’ perspectives, while in developed countries, governments’ opportunity to be involved in KES – in an arena that could be controlled by private forces without major government involvement – is a ‘benefit’. Nevertheless, the fact that government involvement in KES is more crucial for developing than for developed countries does not imply that developing countries have fought for the WTO’s permission for governments’ involvement in KES. Rather, as Weiss (2006) suggests, the regime’s such permission in both developing and developed countries, may have been presented as a ‘concession’ for all countries, but in effect it is a ‘concession’ only for developed countries. Following Weiss’ (2005a) observation that industrialised governments “seek the benefits of multilateralism whilst finding convenient loopholes and escape routes from its policy constraints” (Weiss 2005a: 723), the fact that KES is permitted by the WTO may be seen as one of such benefits in the developed world.

Overall, it must be emphasised again that in both developing and developed countries, there is still room for governments’ KES, including room also for increasing government involvement in KES. However, because the lack of rules and regulation alone does not cause governments to increase their involvement in export support, the assumption that industrialised governments’ export support has simultaneously increased asks for a more complex explanation, or multiple explanations.

\(^{(62)}\) In the majority of developing countries, governments have not had sufficient resources to establish and maintain trade promotion organisations. They have generally required financial and operational assistance from international organisations, such as the World Bank and the International Trade Centre. The latter organisation, operated jointly by the United Nations Conference on Trade and Development or UNCTAD, and the GATT (from 1996, the WTO), has played a distinctive and very active role in assisting developing governments to set up trade promotion organisations. For more analysis, see Helleiner (2002).
Catalyst for increasing government export support?

As the previous sections have demonstrated, numerous authors, such as Mortensen (2000), McMichael (2000) and McGinnis (2004), have only (or mainly) focussed on the WTO regime’s direct, restricting impacts on national economic governance in general, and foreign economic policy capacities in particular. However, if one takes a more nuanced approach, and also considers the WTO’s indirect impacts on governments’ economic management, the ‘picture’ becomes more complex. Weiss (1999a) contends that globalisation, including the multifaceted impacts of the global trade regime, has also increased the need for certain forms of government involvement in the national economy, rather than simply undermining government capacities for economic management (Weiss 1999a).

Such a nuanced view, in the area of export support, takes into account macro-economic implications, such as governments’ intentions to offset the WTO-induced loss of some foreign economic policy tools by intensifying other, unrestricted tools, in order to sustain or improve their capacities to alleviate increased economic difficulties and vulnerability. As the WTO regime’s constraints compelled governments to dismantle formerly imposed tariffs and export subsidies, governments have suffered losses in terms of their foreign economic policy autonomy and control. The restrictions and elimination of several foreign economic (and other) policy tools have led to governments’ heightened difficulties when they react to uncertainties and cope with economic ‘shocks’ – which are ever more likely, as greater exposure to the world economy implies more exposure to international market uncertainties (Li & Smith 2002)(63). Therefore, constraints imposed by the WTO regime on governments’ foreign economic policies have also entailed the increasing economic vulnerability of the national economies (Schwartz 2003). In response to such increased vulnerability, as Weiss (2005b) reports, industrialised governments may choose to strengthen other foreign economic policy tools. These include national support

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63 As Berger (2000) notes, these constraints have especially negative consequences, for instance, when rapid economic growth is accompanied by inflation, and governments are no longer able to limit the consequences by obstructing the entry of foreign goods that compete with more expensive domestic products (Berger 2000). Further explanations on uncertainties posed by highly open economies can be found in Katzenstein (1985).
mechanisms for exporters, which, as the previous section has established, are largely unrestricted by the WTO regime.

Firm-centred implications of the global competitive environment are also incorporated in the analysis of complex global influences, including governments’ recognition that due to the WTO’s enhanced enforcement of free-trade principles, domestic firms are increasingly exposed to international competitiveness pressures. Schmidt (2002) notes that the indirect impacts of globalisation heighten governments’ “awareness of the need to increase the international competitiveness of their businesses” (Schmidt 2002: 18). In the field of export support, governments’ heightened awareness and policy initiatives to improve firms’ international competitiveness are related to compensation or solidarity theories. As explained by Garrett & Mitchell (2001), governments have increasingly sought to compensate the productive private sector for the increased insecurity and inequalities of businesses.\(^\text{64}\) Theoretical roots of such arguments can be found, for instance, in Cameron (1978), who reports that increased economic integration heightens, rather than reduces, pressures for government intervention in the national economy. Furthermore, as Ananiadis (2003) adds, internal solidarity dilemmas remain key to understanding industrialised governments’ policy responses to global pressures. Acknowledging the importance of historically endorsed solidarity and social partnership, this thesis investigates the global competitive environment as a potential driver, in diverse countries’ view, of what and how government export support has to offer.

The nuanced approach of this thesis on the global trade regime’s influences on government export support also takes into consideration governments’ institutionalised behaviours in the national export support arena, drawing on institutionalist frameworks, such as those put forward by Berger (2000) and Immergut (2005). Governments have had historically based approaches on whether and how to intervene in domestic and foreign economic areas. Global pressures have been ‘transmitted’ onto governments’ foreign eco-

\(^{64}\) Garrett & Mitchell (2001) do not specifically discuss foreign economic policies, mainly focussing on welfare measures, and their changes as a consequence of increasing global pressures. In the context of welfare policies, the argument that globalisation creates incentives for governments to compensate the private sector for the increased insecurity and inequalities has also been supported by Hicks & Swank (1992) and Huber, Ragin & Stephens (1993). In addition, Manow (1999) notes that governments are inclined to increase their control in the social security system. In this sense, global pressures, mediated by domestic groups, may increase the demand for governments’ welfare provision (Iversen 1999). These arguments are also applicable for the area of governments’ foreign economic policies, including their export support measures.
nomic policy decisions through such institutional bases or designs. Countries’ diverse institutional designs for government export support are viewed in this thesis as mediating factors between global pressures and governments’ foreign economic decision making regarding their export support changes.

Another aspect to add into this more nuanced view is the regime’s direct and indirect impacts on countries’ trade performance, which is a key factor when governments formulate their export support policies. The mutually inter-related nature of export support policies and trade performance is pointed out by Crick (1992), who proved a correlation between decreasing government export support and the country’s deteriorating trade deficit. Drawing on this correlation, if, for instance, trade liberalisation negatively impacts on a country’s trade performance, this may lead to the government’s increasing export support to offset these negative impacts. National trade performance, and related political pressures on the government will be investigated as intermediary factors between trade liberalisation and government export support policy – influenced by the former, and influencing (as well as influenced by) the latter \(^{65}\).

The final element of this thesis’ view on the global trade regime’s implications for governments’ export support includes theories of policy diffusion, as put forward by Dolowitz & Marsh (2000) and Simmons & Elkins (2004). In the frameworks of the GATT/WTO-induced multilateral discussions, governments have interacted more and more with one another and shared ideas in relation to foreign economic policy-making. Some governments’ foreign economic policy changes thus may have been emulated by others. This thesis looks at policy diffusion as a factor that may be relevant to account for the global trade regime’s influences on governments’ foreign economic, including export support policies. However, it is also recognised in this thesis that although policy diffusion may explain the transmission of particular policies, it cannot account for why those policies came about in first place.

The figure below summarises the set of direct and indirect effects of the WTO’s rules and regulations on governments’ export support decision making, including KES.

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\(^{65}\) This thesis recognises that trade performance can be both the cause and effect vis-à-vis national export support.
Globalisation embodied in the WTO’s multifaceted influences

Complex indirect impacts:
- **Increased macro-economic vulnerability** that illuminates the need to enhance permitted foreign economic policies
- **Firms’ growing international competitiveness pressures** that highlight the need to better assist them

Direct, mainly policy restricting impacts

**Figure 4 – The WTO regime’s impacts on governments’ export support policies**

Source: developed by the author

These ideas and assumptions resonate Weiss’ (2005b) argument that “globalisation has two logics, not just one: as well as a constraining impact, it produces a strong enabling dynamic that operates along parallel lines” (Weiss 2005b: 347). Besides direct policy-restricting implications, the global trade regime (as well as other trade liberalisation forces, such regional trade agreements, and the integrating forces of the European Union) may provide macro-economic vulnerability-related and firm-centred stimuli for governments to change their export support policies. These stimuli are mediated by countries’ institutional design for government export support, as well as by prevailing export performance, trade-related political pressures and policy diffusion amongst governments.

Hence, export support may be an area of governments’ foreign economic decision-making, in which the outcomes of global pressures are at odds with the widely shared assumptions of government retrenchment, and governments’ capacities to manage the national economy have even increased as a response to global pressures (Weiss 2003, 2005a, 2005b). In the context of governments’ KES involvement, this thesis aims to establish that the enabling logic of globalisation has prevailed, and the WTO regime’s rules and regulations, which have constrained some foreign economic policy tools, have – unintentionally – caused governments to intensify their involvement in other foreign economic policy areas, such as export support.
Conclusions

This chapter has sought to establish whether and how existing theories on globalisation explain the paradoxical increase in governments’ KES involvement when international trade is meant to be approaching a government-free state.

It has initially demonstrated that there are a number of, often conflicting, approaches as to how global pressures – embodied in the rules and regulations of the WTO regime – have impacted on governments’ national economic management in general, and foreign economic decision-making autonomy and control in particular. A comprehensive theory with scientifically grounded insights and implications is that global pressures, mediated by domestic institutions, may restrict some, while catalysing other policy elements.

Drawing on these insights, this chapter has also specified which export support channels are prohibited within governments’ foreign economic policy tools, emphasising that governments’ KES involvement is not restricted by the WTO. Nevertheless, as the lack of discipline alone does not cause governments to heighten their export support involvement, the assumption of this thesis – that industrialised governments’ export support involvement has analogously increased – asks for more complex explanations that are common to all countries.

The last section has highlighted major theories behind such complex explanations, and pinpointed the ways this thesis will systematically review and analyse the phenomena of changing export support in the light of globalisation arguments. It created theoretical frameworks to investigate how direct, mainly policy constraining impacts of the global trade regime have led to governments’ more intense policy constraints since the 1990s; and how they have also been complemented by indirect impacts such as heightened macro-economic vulnerability, firms’ increased international competitiveness pressures; and new export market opportunities, which may have enabling rather than constraining implications for government export support. Domestic institutions, trade performance and related political pressures, as well as policy diffusion are also part of this framework,
as these mediate between the impacts of the global trade regime and governments’ export support policies.

In conclusion, this chapter has found that currently existing globalisation theories are unable to account for the paradox of increasing government export support in an era of deepening trade liberalisation. There is need to refine these theories and create new avenues of the globalisation debate, which help explain changing government-business relations in the context of export support. To this end, after investigating a range of research propositions to ensure a clear view on governments’ simultaneously growing KES involvement, this dissertation will reinvigorate theories associated with the WTO-induced ‘deeper integration’ of the post-1990s years.
Chapter 2 –

Governments’ institutional design for export support
The aim of Chapter Two is to investigate the proposition that governments have had different institutionalised ways to support exports, with some traditionally taking the leading KES roles, others secondary KES roles behind the private sector.

The impacts of global pressures on government export support can only be entirely understood if it is clear at what point the changes to government export support began. The global trade regime has undergone major overhaul, gaining new powers since the 1986 launch of the Uruguay Round. This coincides with the period when, as numerous studies have pointed out, key changes to industrialised governments’ KES measures began to take place.\(^{66}\)

By the start of these changes, the late 1980s, governments had institutionalised approaches and ways of behaviour in the national KES arena – which can exist without government intervention, solely controlled by private organisations. In fact, a number of studies suggested that the optimal KES arrangements assume only little government involvement, wherein the role of governments does not go beyond fostering awareness of foreign market opportunities (Czinkota & Ricks 1981)\(^{67}\). This chapter aims to demonstrate that governments in some countries indeed took such an institutionalised ‘back-seat’ position in the national KES arena, while others took the clear leading role.

The first section introduces key dimensions of the government’s institutional design for KES. A typology and classification are established that arrange countries into three groups based on governments’ decisions whether or not to establish and manage their own TPO, and whether or not to go even beyond providing export support in the frameworks of this organisation: countries with ‘No TPO’, ‘TPO Only’ and ‘TPO Plus’ institutional design for government KES. The second section describes case-studies’ institutional design for KES in the pre-1990s period. This is followed by a synthesis of major patterns in governments’ institutional design, to reveal that governments with ‘No TPO’ design exhibited by-and-large passivity in the national KES arena, beyond the fact that they did not establish a TPO.

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\(^{67}\) The view assuming relatively low government involvement in industrialised countries’ KES arrangements was, nevertheless, diametrically opposed already in the 1980s, by studies such as Cavusgil (1983) and Seringhaus (1986).
Typology and classification of government KES

Institutionalist theories on governments’ historically-based behaviours in economic governance, such as those put forward by Katzenstein (1978), Ikenberry, Lake & Mastanduno (1988) and Trubowitz (1998), argue that governments in certain countries are more likely to intervene, or intervene differently in economic matters than others. Such traditional differences in terms of government-private relations are also pointed out by Bell (1997a), Hall & Soskice (2001) and Allen (2005), who investigate a wide range of differences in governments’ economic management in capitalist economies, using the framework of liberal versus coordinated market economies. In light of such theories, this chapter investigates whether and what have been the institutionalised differences between governments’ active and passive KES roles and behaviours.

A clear indication of governments’ intention to take the dominant role in the national export support arena is when they establish and manage their own TPOs. Nevertheless, this section will show that governments – beyond creating and operating a TPO – may become involved in KES in various other ways as well. For instance, governments that do not run their own TPO may provide funding for private TPOs, or be the decision makers regarding new KES programmes. Therefore, governments’ ‘back-seat’ position in the national KES arena can only be established after carefully examining all of the major export support areas in which they may be involved in.

This section provides a typology by explaining the dimensions along which governments may participate in the national arena of export support; and a classification, by synthesising and grouping types of government KES involvement into three classes of institutional design for government export support. The analytical purpose of the typology and classification is twofold: they will be used in this chapter, focussing on qualitative differences in pre-1990s governments’ export support, and also in the next chapter, discussing quantitative changes to government KES since the late 1980s.

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68 Typology may be also referred to as pattern codes (Miles & Huberman 1994), descriptive coding (Strauss & Corbin 1998), or pattern-matching logic (Yin 2003), generated for the case studies.
The presence of a government TPO – the base of governments’ institutional design for KES

In highly industrialised countries, private forces are capable and strong enough to establish TPOs and provide KES (Seringhaus & Rosson 1991b). They simply follow business principles when providing KES programmes and services against fees. However, governments may also decide to establish and maintain their own TPOs, and thus become actors in the arena of KES to complement or dominate private forces’ KES provision. Because operating their own TPOs involves major government resources allocated for KES programmes – in an arena that may be controlled simply by private forces without government resources – governments’ decisions whether to establish TPOs is fundamental in the overall institutional design for government KES. As Bonvicini, Falautano & Farella (1998) note, a number of studies contend that the presence of a government TPO and priority accorded to KES as a policy field mutually explain one another.

Due to its importance, the presence of a government TPO is taken in this thesis as the starting point for the classification of governments’ institutional design for export support\(^{(69)}\). Based on the presence of a government TPO, the two fundamental classes of the case-studies are those in which pre-1990s governments did not operate a TPO, and those where they did. Governments in the former category will be referred to as those with ‘No TPO’ institutional design for KES.

Within the latter category, among countries in which governments did establish and manage their own TPO in the pre-1990s, two further classes or groups may be created: those in which the government administered its own TPO, allocating government budgets for export support and providing KES programmes for exporters, however, did not exhibit involvement in any other dimensions of the KES arena – these will be referred to as governments with ‘TPO Only’ KES design; and those in which the government did not only run its own TPO, but also exhibited involvement in other dimensions of the national KES arena as well – these will be referred to as governments with ‘TPO Plus’ KES design.

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\(^{(69)}\) This approach is adapted from Seringhaus’ (1991a) conceptual framework for classifying national KES arrangements. Seringhaus (1991a) groups industrialised countries into three classes: those in which the government has the leading KES role through its TPO; those in which KES is provided by both government and private TPOs, without an overpowering dominance of either; and those in which leading KES forces are constituted by private TPOs.
Functional dimensions of governments’ institutional design for KES

If governments establish their own TPO, they automatically fund it as well. Nevertheless, governments may also provide funding for other, privately managed organisations to assist their KES provision. This may occur with or without the government’s further intervention in private TPOs’ operations, such as setting conditions or requirements against government funding.

Through their own TPOs, governments certainly participate in the actual provision of a number of KES instruments, programmes and schemes. They may also assist or intervene in private TPOs’ KES delivery, providing regulations and guidelines for their operations and establishing goals to be achieved. This may take place, for instance, when private TPOs provide particular KES services on behalf of the government.

In addition, governments may fund and provide KES services not only through an established TPO, but also in more ad-hoc ways as well. This may occur, for instance, in the organisational frameworks of embassies and consulates (diplomatic missions). Even though, conventionally, provision of KES has not been diplomatic missions’ central goal, they may still deliver KES, typically on a temporary basis in a non-standardised way, in which case diplomatic missions may become seen as governments’ quasi-TPOs.

Structural dimensions of governments’ institutional design for KES

Governments may introduce coordinative mechanisms that aim to reduce duplications in KES provision of various TPOs. These mechanisms may result in the creation of consultative and informational networks between TPOs; or they may even lead to the establishment of a one-stop-shop environment, where several TPOs’ KES are delivered in a logistically coordinated way ‘under one roof’ (Gannon 1996).

Another type of KES-related regulatory measures is governments’ creation of KES-specific legal frameworks that facilitate or regulate TPOs’ activities. TPO operations always involve basic legal arrangements. Government TPOs are created and controlled by a statute, whereby their KES delivery is legally regulated. At the same time, private
TPOs’ activities are subject to general business regulations and laws. Beyond these elements of the basic legal frameworks for KES, the government may also create extra KES-specific laws. Some examples of this are governments’ introduction of laws that assign private organisations with specific responsibilities for KES delivery, or those that officially regulate funding arrangements or across-the-board delivery of KES programmes. These legal amendments may also have detailed guidelines for both government and private TPOs’ operations.

Governments’ may decide to address KES as a distinctive field of their overall foreign economic policy. This may manifest in providing directions and allocating resources for KES within a government’s trade, foreign, or industry policy. Importantly, governments may actively participate in the provision of KES services – for instance, managing a TPO, providing funding in an ad-hoc way for private bodies with KES responsibilities – without having an articulate KES policy, addressed by one or several ministries or government departments. In this case, as put by Bonvicini, Falautano & Farella (1998), governments do not consider KES as a decisive factor in the country’s overall foreign policy design. Potentially, it may be unclear whether particular governments’ emphasis on KES is genuine, or rhetorical. Due to this ambiguity, governments’ choices to accord priority to KES as a policy field are treated with caution in this thesis.

Furthermore, governments may decide to coordinate different ministries or government departments’ KES and related policies. This serves to have a more effective ‘whole-of-government’ internationalisation promotion, including KES policy. In other words, government bodies may become re-organised to augment their capacity to manage KES. Such efforts of governments suggest that KES is a policy priority. As a more ‘advanced’ policy measure, governments may formulate a detailed, nation-wide KES plan with specific, enumerated goals for TPOs to achieve, and detailed programmes through which targets are to be achieved. This manifestation of the government’s KES involvement implies a strategic approach to KES.
Typology summary

Dimensions of government involvement in the national KES arena are summarised in the table below. This typology will be consistently applied throughout the empirical investigation.

Table 2 – Forms of government KES involvement

<table>
<thead>
<tr>
<th>Types</th>
<th>Manifestations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government TPO establishment (1)</td>
<td>Government decision whether or not to establish and manage a TPO; if it does, it decides about the government TPO’s ‘design’ (whether to have posts domestically and/or abroad)</td>
</tr>
<tr>
<td>Governments’ further functional involvement in the arena of KES, concerning…</td>
<td>The government provides funding for KES provision of government TPOs, private TPOs, or both government and private TPOs</td>
</tr>
<tr>
<td>… funding arrangements for KES provision (2)</td>
<td>In the frameworks of conventional government and/or private TPOs, the government in effect participates and/or intervenes in the KES provision, through developing and providing KES programmes for firms (automatic in government TPOs, optional in private TPOs)</td>
</tr>
<tr>
<td>… effective participation/intervention in KES provision (3)</td>
<td>Outside conventional TPO frameworks, the government chooses to participate in KES provision in ad-hoc ways (mainly through diplomatic missions abroad)</td>
</tr>
<tr>
<td>… KES provision outside TPO structures (4)</td>
<td>To reduce duplications and increase the effectiveness of KES provision, the government ensures a cooperative environment by coordinating across TPOs’ KES provision</td>
</tr>
<tr>
<td>… coordination of KES provision (5)</td>
<td>The government introduces specific extra legal frameworks for TPOs, regulating KES programme development and provision</td>
</tr>
<tr>
<td>… legal framework for TPOs (6)</td>
<td>Addressing KES as an emphasised field within foreign economic policy, involving overall goals and dedicated resources allocated for export support (7a) -- 2 specific forms:</td>
</tr>
<tr>
<td>… policy emphasis on KES (7)</td>
<td>The arena of KES is treated as a harmonised policy field: ministries address KES and related policy fields in a coordinated way (7b)</td>
</tr>
<tr>
<td></td>
<td>Strategic nature of governments’ KES: establishment of a strategy with enumerated goals and detailed action plans for KES (7c)</td>
</tr>
</tbody>
</table>

Source: developed by the author

In the pre-1990s, governments with ‘No TPO’ institutional design for KES may have exhibited involvement in the national KES arena in any of the above dimensions, apart from the first one, which is the actual presence of a government TPO. Governments with ‘TPO Only’ design exhibited involvement in the first three dimensions, but no further ones, signalling that their KES involvement only embraced funding allocation and KES programme provision within the frameworks of their TPO. Governments in ‘TPO Plus’ design exhibited involvement in the first three dimensions, as well as further ones. The table below summarises these three major classes.
Table 3 – Classification of governments’ institutional design for KES

<table>
<thead>
<tr>
<th>Aspects of class-determination of pre-1990s national KES arrangements</th>
<th>Classes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-1990s KES arrangements with no government TPO</td>
<td>Countries with ‘No TPO’</td>
</tr>
<tr>
<td>-- No involvement in (1) and involvement in any of (2) – (7)</td>
<td>government KES design</td>
</tr>
<tr>
<td>Pre-1990s KES arrangements with government TPO...</td>
<td>Countries with ‘TPO Only’</td>
</tr>
<tr>
<td>...and no other form of government involvement</td>
<td>government KES design</td>
</tr>
<tr>
<td>-- Involvement in (1), (2) and (3) only</td>
<td>Countries with ‘TPO Plus’</td>
</tr>
<tr>
<td>...and other forms of government involvement</td>
<td>government KES design</td>
</tr>
<tr>
<td>-- Involvement in (1), (2), (3) and at least one of (4) – (7)</td>
<td></td>
</tr>
</tbody>
</table>

Sources: developed by the author

This classification is thus based on the presence of government TPOs, as well as on whether governments participated in dimensions other than those directly related to providing KES services and programmes within the frameworks of their TPO in the pre-1990s. In other words, it is based on the incidence, rather than the extent of government involvement in any of the above dimensions. Through this differentiation, the classes reflect qualitative, rather than quantitative differences between governments’ approaches how to intervene in the national KES arena – which can be controlled solely by private forces, without any government involvement.

At the same time, the typology or dimensions on which the classification draws allows the development of quantitative research insights. For functional dimensions of governments’ KES involvement, changes will be identified and quantified in all case-study countries. For the structural dimensions of governments’ KES involvement, quantification is not possible, however, the very emergence of government involvement in any of the structural dimensions indicates increasing export support activism.

The typology for governments’ forms of KES involvement facilitates quantitative analysis within and across the three classes of countries’ institutional design for government export support (which are the result of qualitative grouping).
Pre-1990s forms of government KES

This section describes dimensions along which the investigated governments were involved in the national KES arena prior to the 1990s. It applies the typology and a classification developed in the previous section and reveals the institutionalised ways of KES behaviour for each government.

First, the major actors – the TPOs – of each country are described, then the government’s specific forms of KES involvement are investigated, according to the typology. This is a purely descriptive section, providing the foundation for the next section’s pattern analysis that will compare governments’ with different institutional designs for export support to establish whether governments with ‘No TPO’ institutional design for KES ‘truly’ took a ‘back-seat’ position in the national export support system in the pre-1990s.

‘No TPO’ design: Austria, Finland, Germany and Switzerland

Austria

Major actors in Austria’s pre-1990s KES arena

In the investigated period prior to the 1990s, the leading Austrian TPO was the organisation Austrian Trade or AWO\(^{70}\), a sub-organisation situated within the frameworks of the association of Federal Economic Chambers or WKÖ\(^{71}\). In the WKÖ, established in 1848, all Austrian companies’ membership was obligatory, leading to the WKÖ’s position as the legal representative of the entire Austrian business community (AWO of WKÖ 2004a). Established by public law, the WKÖ was exclusively business driven, financially self-sufficient and managed through democratic self-governance. This made the WKÖ ‘fully independent’ from government (ITC UNCTAD/GATT 1994).

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\(^{70}\) The abbreviation AWO is based on the sub-organisation’s German name: Aussenwirtschaft Österreich.

\(^{71}\) The abbreviation WKÖ is based on the organisation’s German name: Wirtschaftskammern Österreichs.
The WKÖ was responsible for providing a number of business-related services for its members. Within the WKÖ, the AWO was established in 1946, as the body exclusively in charge of KES (24.7.1946 BGBl 182). It constituted an integral, but largely autonomous foreign division of the WKÖ (hereafter AWO of WKÖ). Immediately after its foundation, the AWO of WKÖ became the key player in export matters, mainly in ‘non-financial export promotion’ (UNIDO 1996)\(^\text{72}\). The AWO of WKÖ’s home network included a head office located in Vienna, which had a coordinating and controlling role over the AWO of WKÖ’s Austrian-based regional, as well as foreign-based KES provision (AWO of WKÖ 2004a). Its regional or provincial network consisted of KES experts working in the nine provincial Chambers. These officials (at least one at every Chamber) were responsible for providing assistance for both existing and aspiring exporters. Outside Austria, the AWO of WKÖ’s foreign network comprised around ninety foreign trade offices in fifty-two countries around the world (ITC UNCTAD/GATT 1994).

The AWO of WKÖ, both within and outside Austria, provided wide-ranging KES services: from information provision on markets and products, through to counselling for exporting or new-to-export companies, seminars, matchmaking, export clubs, assistance in trade-fair and trade mission participation, to provision of marketing-related financial assistance (Elvey 1990). Importantly, the AWO of WKÖ provided these services against service fees based on business principles, without governments’ financial assistance (AWO of WKÖ 2004a).

Besides the AWO of WKÖ, industry associations also participated in the arena of KES. In the late 1980s, there were approximately one hundred industry-specific trade associations in Austria (ITC UNCTAD/WTO 2004a). Nevertheless, their KES provision was rather limited compared to those of the AWO of WKÖ. It included buyer-seller contacts, as well as study visits or trade missions to export markets, but no instruments of export motivational nature and no standardised services (Seringhaus & Botschen 1991).

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\(^{72}\) The International Trade Centre reconfirms that the AWO of WKÖ is the official TPO in Austria, describing it as the key institution responsible for KES nationwide (ITC UNCTAD/GATT 1994; ITC UNCTAD/WTO 2004a, 2004b).
Austrian governments’ pre-1990s KES involvement

In Austria, governments traditionally played a fairly passive role in the arena of KES. The only forms of governments’ KES involvement were their cooperation with the foreign trade offices of the AWO of WKÖ in their KES provision outside Austria, and the creation of an internationalisation-specific legal framework to facilitate the operations of private TPOs.

In 1946, the government introduced a comprehensive law to regulate Chambers’ operations. This law established the WKÖ as a centralised, federal system of Chambers of Commerce by incorporating provincial professional associations into a coherent Chambers network (24.7.1946 BGBl 182 1946; AWO of WKÖ 2005). In addition, this law founded the AWO within the WKÖ, and assigned it with broad KES responsibilities.

A further element of the 1946 law was that governments allowed and encouraged the AWO of WKÖ’s foreign trade offices to locate their outlets within diplomatic mission posts, which were under the auspices of the Foreign Ministry (AWO of WKÖ 2004a). This implication of the law demonstrated that the Foreign Ministry was willing to cooperate with private KES forces. Nevertheless, logistic integration of AWO of WKÖ foreign posts and diplomatic missions took place in only a few cases. Most foreign trade offices had their own office space, and did not intend to obtain infrastructure or facilities from the government. Even when the foreign trade offices indeed shared office space with diplomatic missions, the government had no tangible influence over their KES operations (Austrian FM 2003). Therefore, this form of interaction between government and private KES actors was symbolic rather than involving substantive cooperation.

Beyond this symbolic arrangement with the foreign trade offices of the AWO of WKÖ, the Foreign Ministry did not traditionally address KES matters – either in terms of emphasis on KES as a policy field, or participating in effective KES provision. Hence, KES

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73 The 1946 ‘Chambers law’ specified individual Chambers’ public-law status and obligatory membership. This regulation had been unchanged until 1995, when a referendum was held on Chambers’ membership arrangements. The referendum resulted in a majority (eighty-two per cent) vote in favour of obligatory membership in Chambers, therefore the system remained unchanged (UNIDO 1996; AWO of WKÖ 2005). In 2001, the government carried out major reforms to the Chambers system.

74 A further internationalisation-related law came into force in 1981 (see BGBl. Nr. 216/1981). This, however, only regulated export financing, mainly undertaken by major commercial banks and export credit agencies, which is not in the scope of this research.
was largely ‘missing’ from the Austrian foreign policy palette (Pointon 1978; Austrian FM 2003).

Besides the Foreign Ministry, the Ministry of Economy and Labour was the other government body with ‘natural’ capacities to address KES. Nonetheless, the foreign economic branch of the Ministry of Economy and Labour did not emphasise KES matters either, limiting its involvement to multilateral aspects of foreign economic policy (Elvey 1990; Austrian MEL 2005a)\(^{(75)}\). In fact the Ministry traditionally referred internationalisation-related issues to the AWO of WKÖ (Austrian MEL 2001).

**Summary**

In Austria’s pre-1990s KES arrangements, governments exhibited ‘very little’ involvement (Pointon 1978; Seringhaus & Botschen 1991; Seringhaus & Rosson 1991a; Schuster & Lundstorm 2002). The only forms of government KES involvement were the introduction of extra KES-specific laws to facilitate TPO operation; and their rather symbolic collaboration with the foreign trade offices of the AWO of WKÖ outside Austria. Overall, the private sector, mainly through the AWO of WKÖ, traditionally dominated the arena of KES, while governments, choosing to be a minor player, provided only ‘token support’ (Pointon 1978; Elvey 1990).

**Finland**

**Major actors in Finland’s pre-1990s KES arena**

Prior to the 1990s, the leading TPO was Finpro, a private association wholly owned by Finnish companies (Finpro 2005a). Finpro, the ‘most important’ institution to deliver KES services, had long traditions (Holstius & Seringhaus 1994). Its predecessor, the Finnish Export Association, started providing export-related assistance in 1919\(^{(76)}\). The

\(^{75}\) The Ministry of Economy and Labour did not provide financial support for either for the WKÖ in general, or for the AWO of WKÖ or industry associations in particular for KES purposes. Essentially, all Chambers were financed by fees and other charges and – where this was not sufficient – by obligatory contributions paid by member enterprises (AWO of WKÖ 2005).

\(^{76}\) For a detailed historic overview on Finpro’s organisational and operational changes, see Finpro (2005b).
organisation changed names in 1938 and then in 1997, to become Finnish Foreign Trade Association and then Finpro, respectively (77). Throughout the name and moderate organisational changes, nonetheless, Finpro’s goals displayed a great deal of continuity in terms of objectives and KES instruments (78).

Finpro’s KES services were mainly provided by its Helsinki-based headquarters (79) and an extensive foreign network. By the late 1980s, Finpro’s foreign representations included around sixty offices (ITC UNCTAD/GATT 1994). Finpro’s major activities were divided into four groups: information and networking services, consultancy, innovation programmes and international business event management (Finpro 2003a). Approximately sixty per cent of Finpro’s operational expenses were covered by private firms, the rest by the government (ITC UNCTAD/GATT 1994).

Besides Finpro, organisations with significant KES responsibilities included the Association of Finnish Chambers of Commerce and the Confederation of Finnish Industries. A distinguished role of the Association of Finnish Chambers of Commerce – where companies’ membership is optional – was to facilitate international trade and establish contacts between companies in Finland and companies all over the world (FCCC 2005). Chambers located in Finland had a centrally organised operational structure, with headquarters in Helsinki. This head office coordinated individual Chambers’ KES activities, which thus constituted a standardised system of KES provision, including services such as counselling on export regulations and documents, arranging trade missions to foreign markets and hosting visiting commercial attachés and foreign buyers (Holstius & Seringhaus 1994). In contrast to Finland-based Chambers, Bilateral Chambers did not have centralised KES arrangements. These varied to a great extent in terms of both quality and quantity (FCCC 2005).

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77 From this point onwards, Finpro will refer to either Finpro (as the current, mid-2000s form of the organisation), or its predecessors (i.e., the Finnish Export Association), unless otherwise stated.

78 As noted in Finpro’s corporate documents: “Even after 85 years, the basic task for Finpro remains the same: to speed up the internationalization of Finnish companies, and to help companies in avoiding the pitfalls in global markets” (Finpro 2004).

79 Even though Finpro’s KES instruments were domestically mainly delivered in the Helsinki headquarters, in the late 1980s KES services were extended to the provinces of Finland through regional offices where ‘joint export managers’ were designated to deal with the internationalisation-related needs of small and medium-sized enterprises (Finpro 2005b).
The other major actor in Finland’s KES arena was the association now called the Confederation of Finnish Industries. The Confederation constituted a leading business organisation, representing the entire private sector (Confederation of Finnish Industries 2005). In terms of KES provision, the Confederation became one of the members of Finpro as a ‘member association’ over the 1970s (Finpro 2004). Therefore, the Confederation is not considered in this thesis as an autonomous actor in the Finnish arena of KES.

**Finnish governments’ pre-1990s KES involvement**

Finnish governments traditionally played a passive role in the arena of KES. This was evidenced in that the only forms of governments’ involvement included government funds provided for the country’s leading private TPO, Finpro, and the Ministry of Foreign Affairs’ ad-hoc delivery of a few basic KES services. In addition, the Ministry of Trade and Industry addressed KES as a policy field, however, this mainly meant rhetoric, rather than genuine policy priority.

Finnish governments’ KES involvement manifested itself in that – although they did not establish and manage their own TPO – they continuously funded Finpro since 1970 (Finnish SAO 2004). Beyond this financial support, nevertheless, governments did not intervene in Finpro’s KES provision. The result of this was that the planning, preparation and execution of KES activities was entirely Finpro’s responsibility, without the government playing any role in operational decision-making processes (Finpro 2005b). Along with Finpro, governments also chose not to intervene in other TPOs, such as Chambers’ KES provision (FCCC 2005): they did not financially support Chambers’ business operations in general, or their KES provision in particular in the pre-1990s period. In addition, Finpro and other private TPOs operated as ‘normal’ business entities, subject to general business regulations, as governments did not establish KES-specific legislation for TPOs either (Nuolimaa & Timonen 2000).

Government bodies with potential KES responsibilities included the Ministry of Trade and Industry and the Ministry of Foreign Affairs(80). The Ministry of Trade and Industry traditionally represented itself as the government body that “bears the overall responsibil-

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(80) For the sake of simplicity, the early 2000s names are used for the respective ministries.
ity for business environment policy, as well as promotion of exports and the internationalisation of enterprises” (Finnish MTI 2004a). However, the Ministry did not develop specific KES policy guidelines in the pre-1990s period (Finnish SAO 2004). In fact, the Ministry’s only genuine KES responsibility lay in providing funding for Finpro (Finnish MTI 2003).

The KES involvement of the Ministry of Foreign Affairs took place only on a ‘very general level’ (Holstius & Seringhaus 1994), concerning the delivery of a few KES services. For instance, the Ministry operated a Trade Commissioner network, including government office-holders responsible for export-related matters at Finland’s diplomatic missions. However, neither the tasks of these Trade Commissioners, nor their connection with other actors of Finland’s KES arena was defined, which led to the Trade Commissioner network’s rather ad-hoc operations (Finpro 2004). In addition, official documents of the Ministry of Foreign Affairs on Finland’s foreign policy priorities did not mention KES until the 1990s (Finnish MFA 2000). This suggests that, despite the fact that Trade Commissioners did provide KES at diplomatic missions, the Ministry of Foreign Affairs did not accord priority to KES as a foreign economic policy field.

Summary

In Finland’s pre-1990s KES arena, private forces rather than the government played the dominant role (Holstius & Seringhaus 1994; Finnish SAO 2004). The most noteworthy form of governments’ KES involvement was their financial support to Finpro. Nevertheless, this did not involve any further forms of government intervention in Finpro’s activities. Government also participated in KES delivery through diplomatic missions, although only in a rather ad-hoc way.
Germany

Major actors in Germany’s pre-1990s KES arena

The leading German TPO in the pre-1990s period was the centrally organised Association of German Chambers of Industry and Commerce or DIHK\(^\text{81}\), established in 1861. The DIHK was the peak organisation for all Germany-based as well as Bilateral Chambers (Führmann 2002). Because every German company was legally obliged to join a local Chamber, the DIHK in effect represented the entire German industry. The DIHK’s dominant role in KES was demonstrated by various government documents, in which the DIHK was referred to as the most significant institution in providing support for companies’ internationalisation (DIHK 2003; German MEL & FFO 2004).

The DIHK’s home network included eighty-one local Chambers, which all had standardised KES services in place, regulated by the headquarters of the DIHK. The DIHK’s foreign operations (since 1888), comprised a close-knit network of approximately one hundred and twenty Bilateral Chambers in more than eighty countries (DIHK 2003). Bilateral Chambers were considered ‘independent institutions’ earning a major share of their income themselves through the services they provide (DIHK 2004). Their KES provision, similarly to Chambers within Germany, was centrally defined with great precision. Importantly, Bilateral Chambers provided KES services for members and non-members alike. KES assistance of the DIHK’s home and foreign networks, that is, by Chambers within and outside Germany, included information provision on markets and products, export consulting, seminars as well as organising missions, fairs and conferences, amongst others (DIHK 2003). These KES services were mainly self-funded, without governments’ budgetary assistance (Führmann 2002).

Besides Chambers, industry associations, under a strong umbrella organisation\(^\text{82}\), and the Federation of the German Export Trade were important actors in the arena of KES.

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\(^{81}\) The abbreviation DIHK is based on the Association’s German name: Deutschen Industrie- und Handelskammertages (DIHK 2003).

\(^{82}\) German industry associations have had centralised organisational structure under a Berlin-based headquarters. Their headquarters operated a Foreign Trade Committee, regulating the KES provision of individual industry associations (Koopmann 1998). Organisation and KES scope of industry associations is discussed in Bundesregierung (2004) and BDI (2004).
Their KES activities included information provision and contact search, however, these were generally less organised than the DIHK’s KES provision. The German Center for Productivity and Innovation should also be mentioned, as a nationwide private firm with business development profile, targeting small and medium-sized companies (RKW 2004). The Center nevertheless had only limited KES focus in its business service portfolio. In addition, due to the unique focus on trade fairs in the German economy, the Association of the German Trade Fair Industry or AUMA(83) operated as a single body with an exclusive responsibility in trade-fair matters (AUMA 2005). Even though the AUMA was not a typical TPO (as it was specialising in only one KES instrument, trade fairs), its high importance for German exporters and its activities to mediate trade fair-related services between government and private companies made AUMA an important KES actor. The German Office for Foreign Trade or BfAI(84) was another actor in the arena of KES. Similarly to the AUMA, the BfAI specialised in only one KES service, namely in export-related information provision(85).

German governments’ pre-1990s KES involvement

In Germany, governments’ pre-1990s KES involvement mainly manifested in ad-hoc KES provision of embassies and consulates; a small number of KES services delivered by the Ministry of Economy and Labour(86), such as export-related information and assistance for companies’ trade-fair participation; and ‘patchy’ KES operations of the Federal Foreign Office or BfAI. In addition, the Ministry of Economy and Labour seemed to accord priority to KES as a policy field.

The two ministries with potential KES roles included the Federal Foreign Office and the Ministry of Economy and Labour. The KES role of the Federal Foreign Office involved ad-hoc and relatively insignificant services of diplomatic missions to assist companies’ exports (Biewer 1995)(87). Each diplomatic mission had an office-holder in charge of

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83 The abbreviation AUMA is based on the organisation’s German name: Ausstellungs- und Messe-Ausschuss der Deutschen Wirtschaft (AUMA 2004).
84 The abbreviation BfAI is based on the organisation’s German name: Bundesagentur für Außenwirtschaft (BfAI 2001).
85 Because the BfAI is a government body, more details on its operations will be discussed in the following section.
86 The German ministry, now called the Ministry of Economy and Labour, has undergone a number of name changes since the 1940s. For the sake of simplicity, in this study Ministry of Economy and Labour refers to its predecessors as well.
87 The Federal Foreign Office attempted to strengthen and centralise diplomatic missions’ KES activities in the 1920s. As Biewer (1995) summarises: “A new Division X (External Trade Office) was created to facilitate the practical promotion of trade and
general economic issues. However, KES responsibilities of these diplomats were not specified. The superiority of Bilateral Chambers in KES provision outside Germany was traditionally recognised by the government:

“[Chambers performed] important tasks in the interest of the German government – tasks which would otherwise have to be performed by state institutions, e.g. the embassies” (DIHK 2004).

The Ministry of Economy and Labour did not have an all-encompassing KES policy. However, it seemed to accord high priority to two specific KES services: trade fairs and export information provision. The Ministry financially supported German companies in their trade-fair participation since 1949 (German MEL 2001a). This service was delivered through the AUMA, under government guidelines and funding. At the same time, the German Office for Foreign Trade or BfAI, as the Ministry’s specialised agency has been responsible for export-related information provision since 1951 (BfAI 2001). The BfAI’s achievements as an important actor in the arena of KES were widely recognised, despite their limited scope compared to KES services delivered by the DIHK. Through the two major KES services of trade-fair participation and export information provision, KES received variable emphasis in foreign economic policy documents throughout the 1970s and 1980s (German MEL 2001b).

Beyond these forms of KES involvement of the Federal Foreign Office and the Ministry of Economy and Labour, German governments did not participate in KES. No financial government support was provided to Chambers or industry associations’ KES delivery. Their activities, including KES provision, were financed by fees and other charges and – where this is not sufficient – by obligatory contributions paid by member enterprises. In addition, German governments did not traditionally address KES matters in legislation concerning business entities with (existing or potential) KES responsibilities (BGBI. I S. 920 1956). Although Chambers’ operations were highly regulated, KES services in Chambers’ activity-portfolio did not receive legal attention.

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84 Some sources referred to the BfAI as the most powerful TPO in Germany’s KES arena (ITC UNCTAD/GATT 1994). In line with this study’s conceptualisation, however, the BfAI’s limited scope does not allow it to be considered as a major TPO.
Summary

German governments’ pre-1990s KES involvement is described as one aiming to improve basic conditions for companies, without getting involved in particular KES areas (German MEL 2001b). Although both the Ministry of Economy and Labour and the Federal Foreign Office exhibited some forms of KES involvement, they did not have the ‘upper hand’ in the pre-1990s arena of KES. Rather, they allowed the private sector to be the dominant KES force. This prevailing policy stance in traditional German foreign economic policy has also been portrayed as ‘token support’ or ‘minimal’ KES involvement (Pointon 1978; Seringhaus & Rosson 1991a; Koopmann 1998)\(^{89}\).

Most KES efforts were channelled through private organisations (Elvey 1990), mainly through the DIHK and Industry Associations (Camino 1991; Vitols 1997)\(^{90}\). These arrangements had long-standing roots in the economy, however, by the early 1990s disapproval was also present: governments were criticised for the lack of an all-encompassing KES strategy which would help achieve “better coordination of activities between government and industry as well as between different government agencies” (Koopmann 1998: 29).

Switzerland

Major actors in Switzerland’s pre-1990s KES arena

In Switzerland, the leading TPO in the pre-1990s was the Swiss Office for Commercial Expansion or OSEC\(^{91}\). Unifying three private organisations with internationalisation-focus\(^{92}\), OSEC was founded in 1927 as a private not-for-profit organisation (Hösly 2002). OSEC was recognised by Swiss governments as well as by international organisa-

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\(^{89}\) Elvey (1990) describes German governments’ ‘surprisingly few governmental export promotion and trade assistance funds’ in her comparative study on KES (Elvey 1990: 127).

\(^{90}\) KES priority of the private sector is acknowledged by a range of studies (see for instance Elvey 1990; Camino 1991; Seringhaus & Rosson 1991a; Naidu et al. 1997, amongst others).

\(^{91}\) The abbreviation OSEC is based on the organisation’s Swiss (French) name: Office Suisse d’Expansion Commerciale (OSEC 2005a). Other English translations refer to OSEC as the Central Office for Trade Promotion (Gabriel & Fischer 2003).

\(^{92}\) The three private organisations constituting OSEC’s ‘parent companies’, included the Swiss Centre for Trade Exhibitions, the Swiss Trade Information Service, and the Industry Bureau (Hösly 2002).
tions as the dominant force in Switzerland’s pre-1990s arena of KES (Blankart 1992; ITC UNCTAD/GATT 1994). Until the 1990s, OSEC undertook business activities primarily within Switzerland in its three offices in Zurich, Lausanne and Lugano, and it did not have an integral foreign network (OSEC 2004b). Yet, OSEC was also cooperating with Swiss diplomatic missions abroad on an ad-hoc basis (Swiss DFA 1993; Gabriel & Fanzun 2003; Gabriel & Fischer 2003). OSEC’s main focus was to help the internationalisation of Switzerland and Liechtenstein-based companies, through its major KES services, including information provision on foreign markets, connecting potential business partners, as well as offering consulting and coaching services in export matters (OSEC 2002). In addition, OSEC facilitated Swiss companies’ participation in international fairs and provided market leads to existing and aspiring exporters (Gabriel & Fischer 2003).

Besides OSEC, major private organisations in the Swiss KES arena included the Swiss Chambers of Industry and Commerce within Switzerland, loosely organised under the umbrella body Swiss Chambers of Industry and Commerce or IHK (IHK 2003), Bilateral Chambers or SwissCham network in foreign countries, and industry associations (Swiss-Cham 2003; Mundi Consulting 2004). The KES provision of Switzerland-based Chambers varied to a great extent in different cantons. Most Chambers had a domestic market development focus, rather than having internationalisation assistance as their main goal (Mundi Consulting 2004). At the same time, Bilateral Chambers traditionally constituted a more close-knit network and had more emphasis on KES than their domestic counterparts (SwissCham 2004). In fact, Bilateral Chambers were seen as important Swiss KES forces outside Switzerland (Gabriel & Fischer 2003). Lastly, industry associations’ KES activities were very different and less comprehensive than OSEC or Chambers’ KES services (Economiesuisse 2005).

93 OSEC was recognised as a ‘totally independent association’ by the ITC UNCTAD/GATT (1994). Regarding its independence from the government, however, it should be seen that OSEC had in fact received government funding since its foundation in 1927 (Hösly 2002). Beyond financial contributions, the government did not intervene in OSEC’s operations.
94 The abbreviation IHK is based on the organisation’s Swiss (German) name: Schweizerischen Industrie- und Handelskammern (SIHK 2003). Swiss Chambers in different cantons operated autonomously, without a strong central body providing guidelines for cantonal Chambers’ operations or standardising their KES provision. Membership in Swiss Chambers has traditionally been optional (Jeker 1992).
95 A review of Swiss Chambers’ pre-1990s KES services is available in Jeker (1992).
96 For instance, in the 1990s, only four of the eighteen cantonal Chambers addressed KES as one of their main areas of responsibility (Mundi Consulting 2004).
97 In the pre-1990s, there were two umbrella organisations for Swiss industry associations: the Swiss Federation of Commerce and Industry (including, for instance, the Federation of the Swiss Watch Industry, and the Swiss Bankers Association) and the Soci-
Swiss governments’ pre-1990s KES involvement

Prior to the 1990s, the KES involvement of Swiss governments mainly included funding TPOs and providing KES in an ad-hoc way at embassies and consulates. In addition, governments created extra KES-related laws.

Governments’ funding arrangements for OSEC, Switzerland’s leading TPO, and the creation of KES-specific extra legal regulations are strongly inter-related, as the proportion of government funding for OSEC’s operations was repeatedly specified in KES laws. The first of these laws was the 1908 regulation on government funding for the Swiss Centre for Trade Exhibitions. When the Swiss Centre for Trade Exhibitions was ‘reborn’ in the form of OSEC in 1927, governments continued providing financial assistance for OSEC (Hösly 2002). Government contribution – making up approximately twenty to thirty per cent of OSEC’s overall budgets – was then incessantly provided until the 1990s, according to unchanged legal arrangements\(^{98}\). Importantly, legal regulations involved ‘unconditional’ provision of government funds, without further government intervention in OSEC’s operations (Hösly 2002; Hösly & Meier 2003)\(^{99}\).

In the pre-1990s period, government departments with major capabilities to address KES included the Federal Department of Economic Affairs and the Federal Department of Foreign Affairs\(^{100}\). Within the Department of Economic Affairs, two major bodies with KES capacities were the Swiss Office for Foreign Economic Affairs and the Swiss Federal Office of Industry, Crafts and Labor. Neither of these Offices addressed KES issues in the pre-1990s period (Gabriel & Hedinger 1998; Gabriel & Fischer 2003)\(^{101}\).

On the other hand, the Federal Department of Foreign Affairs participated in KES delivery mainly through embassies and consulates’ ad-hoc KES provision (Gabriel & Fischer 2003). The few, mainly information-related KES services of diplomatic missions varied to a great extent in terms of scope and reach. In general, outside Switzerland, Bilateral...
Chambers – as opposed to embassies and consulates – were the dominant force in KES provision, which was often acknowledged in government documents as well (Swiss DFA 1993). Like in the case of OSEC, governments traditionally provided funding for Bilateral Chambers’ KES operations (SwissCham 2003). However, Switzerland-based Chambers did not receive financial assistance from the government (Swiss FAO 2005), and governments did not intervene in these private TPOs’ operations in any way in the pre-1990s period (Gabriel and Fischer 2003).

Summary

Switzerland’s pre-1990s arena of KES can be described as one where the private sector dominated (NZZ 1993a), while governments played a secondary role (Elvey 1990; ITC UNCTAD/GATT 1994). Governments’ KES involvement manifested itself in funding for TPOs, which was legally regulated, and the ad-hoc KES delivery diplomatic missions. Swiss governments often reconfirmed the low level of their KES involvement, especially relative to other industrial countries (OSEC 2002). This is claimed to correspond with Swiss mentality and traditions, reflecting the principle of ‘klein, aber fein’:\footnote{102} even though government involvement in KES is ‘small’ (klein) as far as size is concerned, it is indeed ‘fine’ (fein) when it comes to quality (OSEC 2004b).

\footnotetext[102]{102} Quote from David Syz, President of the State Secretariat for Economic Affairs, on government involvement in Swiss KES matters over the 1980s (Syz 2002).
‘TPO Only’ design: Canada

Canada

Major actors in Canada’s pre-1990s KES arena

Prior to the 1990s, the main Canadian TPO was the Canadian Trade Commissioner Service – a wholly government organisation, constituting an integral government body (ITC UNCTAD/GATT 1994). The Trade Commissioner Service was established in 1894, and grew to become the central component of Canada’s international business development network (Potter 2004). Initially, the Trade Commissioner Service was typically foreign based, with a fast-growing number of overseas representations, and its headquarters based in Ottawa (Canadian TCS 2003). By the end of the 1980s, the number of foreign offices was approximately one hundred (ITC UNCTAD/GATT 1994). Major responsibilities of the Trade Commissioner Service included information provision on local companies, as well as more generally on export markets via disseminating publications, organising and assisting trade missions, contact search, face-to-face briefings, tailored KES services, and troubleshooting to advise on and resolve export-related problems (Canadian DFAIT 2002a). The Trade Commissioner Service’s operations were entirely funded by the government (ITC UNCTAD/GATT 1994).

In the pre-1990s KES arena, besides the Trade Commissioner Service, organisations with potentially significant KES responsibilities included the Association of Canadian Chambers of Commerce and the Canadian Commercial Corporation. The Association of Chambers embraced not only individual Chambers – membership of which is optional – but also corporate members, and other business associations as well (ACCC 2003). Nevertheless, these business associations under the umbrella Association of Canadian Chambers of Commerce did not typically provide KES services. For instance, international trade-related queries from Canadian companies were mainly referred to the Trade Commissioner Service (ACCC 2005). Some KES instruments, such as assistance in trade missions or partner search, were occasionally provided by Chambers – mainly by Bilat-
eral Chambers – however, these were rather ad-hoc\(^{103}\). In addition, the Canadian Commercial Corporation was a private company, financially supported by the government, with its main KES-related responsibility to ‘open doors’ to international markets in its role as prime contractor, working for small and medium-sized enterprises to facilitate their exports (CCC 2005). From a KES perspective, however, the Corporation is not considered as a major actor in the Canadian KES arena (CCC 2004).

**Canadian governments’ pre-1990s KES involvement**

Although the leading Canadian TPO was a wholly government organisation, governments were not involved in the arena of KES in areas other than funding and providing KES services in the frameworks of this leading government TPO. At the same time, private forces did not play significant roles in the arena of KES, ensuring rather exclusive government involvement.

Amongst government departments with foreign and economic portfolios, there were three departments with capacities to address KES. These include the prevailing government departments (with frequent name changes) in charge of foreign or external affairs, for international trade and for industry development\(^{104}\). The Department of Trade was in charge of operating Canada’s leading TPO, the Trade Commissioner Service (Canadian TCS 2003). The Trade Commissioner Service was an integral part of the Department, causing the Department of Trade to become the government body with the leading role in the Canadian KES arena. In 1982, nonetheless, the Department of External Affairs – which had previously not addressed KES issues – became the main government body with KES responsibilities, when the Trade Commissioner Service amalgamated with the Department of External Affairs (Potter 2004). The Department of External Affairs was managing the Trade Commissioner Service on a day-to-day basis, however, it did not elaborate strategic directions for KES or place any emphasis on KES as a policy priority.

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\(^{103}\) Bilateral Chambers were not centrally organised, rather constituted an ad-hoc organisational structure. This led to the diverse range of services that individual Bilateral Chambers offered (Canadian-Hong Kong Chamber 2005).

\(^{104}\) Prior to the early 1990s, there were two separate departments in place for external affairs and for trade, which were amalgamated in 1993 (Canadian DFAIT 2005c).
The third department with capabilities to engage in KES matters was the prevailing ministry with industrial development responsibility\(^{(105)}\). This government body, nevertheless, mainly focused on tackling regional inequalities in Western Canada’s economic development – rather than on broad business development, potentially including KES (Garven & Associates 2002). Therefore, prior to the 1990s, along with the Department of Trade since 1982, the Industry Department did not play a major role in the arena of KES either.

With regard to framework arrangements for KES, Canadian governments did not establish KES-specific legal regulations in order to facilitate TPOs’ smooth functioning\(^{(106)}\). For instance, internationalisation matters were not addressed in legislation concerning general business operations (R.S. 1985 c. C-44; Bill S-11 2001). Even in the legal regulations of Chambers, in the ‘Board of Trade’ legislation, the government did not set general KES-related rules for Chambers, neither did it specify their particular KES responsibilities (R.S. 1985 c. B-6).

**Summary**

Due to the lack of private participation, the government’s KES dominance resulted in ‘government-led’ KES arrangements in Canada (Seringhaus & Rosson 1991a; Seringhaus & Botschen 1991). However, beyond funding and operating the leading TPO, the Trade Commissioner Service, governments did not exhibit any more KES involvement.

After the 1982 re-organisation of the Trade Commissioner Service, the single government department with significant KES responsibilities was the Department of External Affairs. This Department, nevertheless, failed to elaborate an overall strategy for the Canadian arena of KES (Potter 2004). Therefore, KES did not emerge as a decisive factor in Canadian governments’ foreign economic policies prior to the 1990s.

\(^{(105)}\) As the predecessors of Industry Canada, the Department of Regional Economic Expansion (1969–1983), the Department of Regional Industrial Expansion (1983–1988) and the Department of Industry, Science and Technology (1988–1993) were the prevailing government departments with industrial development responsibilities (Auditor General of Canada 1994; Industry Canada 2005c).

\(^{(106)}\) In Canada, legal regulation of foreign economic matters is not the exclusive responsibility of the central government. Provincial governments also have the capabilities to establish specific rules concerning companies’ internationalisation (Gouvernement du Québec 2005). Such regional-level legislation with KES focus is not within the scope of this research.
‘TPO Plus’ design: Australia, Italy, the Netherlands, Sweden and the United Kingdom

Australia

Major actors in Australia’s pre-1990s KES arena

In the investigated pre-1990s period, Australia’s leading TPO was the Australian Trade Commission or Austrade. Although its predecessor was founded as early as in the 1920s, Austrade’s more recent legal and organisational structures were created in 1985 (Australian AGD 1985)(107). Its position as a statutory authority within the Foreign Affairs and Trade portfolio meant that Austrade was a wholly government body reporting to the Minister for Trade (Australian DFAT 2004)(108). Austrade’s home network included a Sydney-based headquarter and representatives in over ten locations Australia-wide (ITC UNCTAD/GATT 1994). In addition, Austrade also operated an integrated overseas network, including approximately sixty offices abroad (Austrade 1993). Both domestic and foreign networks first underwent major extensions during the 1960s (Crawford 1968); then continuously grew until the 1990s. Importantly, Austrade’s domestic and overseas operations traditionally constituted a coherent organisational structure, controlled by the Sydney-based headquarters (Barrett & Wilkinson 1988).

Austrade’s main tasks included provision of general export information on markets and products, contact search, tailor-made export strategy and marketing-related financial help (Austrade 2000b)(109). Its operational expenses were almost entirely covered by the government (ITC UNCTAD/GATT 1994; Austrade 2005a).

In the pre-1990s years, there were several private organisations with ‘natural’ KES capacities besides Austrade. These included the Australian Chambers of Commerce and

107 A review on Austrade’s history, including chronological details on Austrade’s early developments are available in Austrade (1993).
108 In 1985, Austrade was created to be attached to the department with industrial responsibilities, rather than the Department of Foreign Affairs and Trade.
109 Details on Austrade’s KES instruments are available in Austrade (2000b; 2003b).
Industry (with optional membership)\(^{(110)}\) and the Australian Institute of Export\(^{(111)}\). The former did not provide standardised KES services – neither within nor outside Australia, in the frameworks of Bilateral Chambers\(^{(112)}\); whereas the latter focussed only on export training (ACCI 2005; AI Group 2005b; AIEX 2005). Private forces thus played relatively weak roles in the pre-1990s KES arena (Welch & Wiedersheim-Paul 1980).

**Australian governments’ pre-1990s KES involvement**

Governments’ pre-1990s involvement manifested itself in governments’ KES funding and delivery in relation to steering Austrade, the country’s leading TPO; the creation of KES-specific extra legal framework; and the discernible priority accorded to KES as a policy field. Private forces’ relatively insignificant KES activities ensured a rather exclusive involvement for governments.

The two government departments traditionally in charge of KES were the Department of Foreign Affairs and Trade and the Department of Industry, Tourism and Resources\(^{(113)}\). Austrade, the country’s leading government TPO, was attached and re-attached to both of these departments several times\(^{(114)}\). Besides handling Austrade, the Department of Foreign Affairs and Trade traditionally provided guidelines for Australia’s KES developments, and directly participated in KES service delivery, mainly through information provision (Australian DFAT 1975, 1992). At the same time, the Department of Industry, Tourism and Resources only addressed KES by occasionally managing Austrade and disseminating export information (Australian DISR 2005a). Nevertheless, neither department had a nation-wide plan or strategy for their KES operations.

Australian governments introduced important KES-related Acts over the 1970s and 1980s. These included the 1974 Export Markets Development Act and the 1985 Austr-
lian Trade Commission Act (EMDG Legislation Amendment Bill 1999; Australian AGD 1985). The former Act regulated the provision of arguably the most important Australian KES instrument, the Export Market Development Grants\(^{115}\), while the latter reformed and re-organised Austrade.

In official trade policy documents, Australian governments never failed to emphasise the centrality of KES from the late 1950s, early 1960s. KES was addressed as a major component of the country’s overall trade policy (Crawford 1968; Snape, Gropp & Luttrell 1998)\(^{116}\). At the same time, views expressed in government reports stressed the need to develop greater export orientation mainly by means of introducing more government incentives (Crawford 1968; Australian DFAT 1975; Welch & Wiedersheim-Paul 1980).

**Summary**

Australia is widely recognised as a country where government has traditionally been the major force in KES (Welch & Wiedersheim-Paul 1980; Elvey 1990; Seringhaus & Rosson 1991a). This is, firstly, due to the fact that Australian governments chose to establish and administer their own TPO, Austrade, whose relative strengths appear even greater considering private forces’ largely insignificant KES activities in the pre-1990s period. Governments provided the clear majority of Austrade’s budgets, covering the operational costs of government KES delivery. In addition, governments created extra legislative frameworks for TPO operations, and clarified that KES was treated as a foreign economic policy priority in both policy statements and actual measures.

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\(^{115}\) The Export Market Development Grants Scheme was introduced in the 1950s (Molnar 2003). The Scheme provides direct financial assistance in the form of taxable grants to small and medium-sized firms to encourage promotion of their products in export markets. This is paid as a fifty per cent subsidy for eligible marketing and promotion expenditures. The Scheme has been reviewed and modified on a number of occasions. For the development and changes of the Scheme, see Productivity Commission (2000a; 2000b; 2001).

\(^{116}\) The early dynamics of Australian governments’ KES involvement – mainly in terms of the ‘weight’ of KES in the overall Australian trade policy – is systematically reviewed in Crawford (1968). This study reveals that the 1950s and 1960s were the decades when export promotion was first addressed by governments. A review of more recent history of government KES involvement is available in Snape, Gropp & Luttrell (1998). Other extensive historic reviews on Australian trade policies, such as Capling, Considine & Crozier (1998) and Capling (2001), however, do not address KES as a trade policy area.
Italy

Major actors in Italy’s pre-1990s KES arena

Prior to the 1990s, the main Italian TPO was the Italian Institute for Foreign Trade or ICE\(^{(117)}\). ICE was founded in 1926, as a statutory organisation responsible to the Ministry of Industry and Trade. With the establishment of ICE, Italian governments’ primary aim was to support agricultural exports. ICE’s responsibilities were then gradually broadened to cover the exporting of all products. To bring government support closer to individual companies, regional ICE offices were first opened over the 1920s and 1930s (Bonvicini, Falautano & Farella 1998). By the late 1980s, ICE was delivering KES instruments in thirty-nine regional offices, besides its headquarters in Rome (ITC UNCTAD/GATT 1994). At the same time, ICE’s first foreign representations were created only after World War II. In the 1950s the number of foreign ICE offices started to increase, and reached seventy-eight by the late 1980s (ITC UNCTAD/GATT 1994)\(^{(118)}\).

ICE’s domestic and foreign operations constituted an integral organisational structure. Activities of both Italy-based and foreign ICE outlets were connected through, and controlled by the Rome headquarters (ICE 2004). ICE’s KES instruments included promotional activities, information provision – ranging from broad export data to market analysis – partner identification and training services for existing and aspiring exporters. Promotional services, in terms of general ‘Italy-promotion’ as well as corporate promotion were highly regarded within ICE’s portfolio. For instance, ICE frequently organised or participated in international trade fairs promoting Italian companies (Bonvicini, Falautano & Farella 1998). ICE’s operations were entirely funded by the government.

Besides ICE, other major actors in the arena of KES included the Association of Italian Chambers of Commerce (with compulsory membership)\(^{(119)}\), Export Consortia and Trade and Industry Associations or ‘Confindustria’. Nevertheless, KES instruments of neither

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117 The abbreviation ICE is based on the Institute’s Italian name: Istituto Nazionale per il Commercio Estero (ICE 2005).
118 Most of ICE’s foreign offices operated autonomously from Italy’s diplomatic missions. Nonetheless, a number of them worked logistically integrated with diplomatic missions’ trade promotion sections (ICE 2005).
119 In Italy-based Chambers, all Italian companies’ membership was compulsory. There were approximately a hundred Chambers within Italy, loosely organised under the national Chamber Agency ‘Unioncamere’. In foreign countries, there were approximately sixty bilateral Chambers operating, under ‘Assocamerestero’ (Unioncamere 2004).
Italy-based and Bilateral Chambers, nor those of Export Consortia and Industry Associations were standardised\(^{120}\). Because KES provision of these organisations was limited in scope and was typically not centrally organised, their KES roles were less dominant than ICE’s.

**Italian governments’ pre-1990s KES involvement**

In Italy, governments traditionally played ‘active’ roles in the arena of KES. This manifested itself in that Italian governments established and managed their own TPO while also intervening in the operations of other, non-government TPOs; delivered KES instruments through diplomatic missions in addition to ICE’s activities; and introducing specific legal arrangements to regulate TPO operations.

One of the governments’ KES measures was the establishment and management of ICE, the leading government TPO. Governments’ efforts to deliver KES services through ICE, however, did not mean that KES received major government attention as a policy field as well. On the contrary, KES as a policy field was traditionally not considered a priority area of Italian foreign economic policy (Elvey 1990; Bonvicini, Falautano & Farella 1998). Governments before the 1990s were criticised for treating KES as an “inevitable consequence of the choices and requirements of Italian business abroad”, as opposed to a decisive factor in the country’s foreign economic policy design (Bonvicini, Falautano & Farella 1998: 121). This is also evidenced in that official documents on the governments’ foreign economic policy did not, until the 1990s, distinguish KES as a policy area in its own right (Italian MPA 2004b).

Three ministries dealt with KES matters in different ways: the Ministry of Foreign Trade, the Ministry of Industry, Trade and Crafts, and the Ministry of Foreign Affairs. The Ministry of Foreign Trade’s KES responsibilities included steering, funding, and supervising ICE as the country’s leading TPO\(^{121}\). Accordingly, the Ministry of Foreign Trade was

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\(^{120}\) Their activities tended to be similar to those of ICE, but each specialised in one particular clientele, and services across the organisations’ individual outlets were not coordinated (Bonvicini, Falautano & Farella 1998).

\(^{121}\) ICE was nonetheless an *autonomous* government institution attached to the Ministry of Foreign Trade, rather than constituting an integral part of the Ministry (ITC UNCTAD/GATT 1994).
generally considered to be the government body with the most capabilities in the arena of KES (Bonvicini, Falautano & Farella 1998).

The Ministry of Industry, Trade and Crafts was involved in KES mainly by disseminating information and promoting companies’ interests abroad. It also operated business development bodies such as the Institute for Industrial Promotion, which occasionally designed internationalisation development programmes with KES implications. KES measures of the Ministry of Industry, Trade and Crafts aimed to supplement the Ministry of Foreign Trade’s KES efforts (Italian MPA 2004a). Notwithstanding this intention, however, KES activities of the two ministries were not linked in any way until the 1990s (Bonvicini, Falautano & Farella 1998).

KES involvement of the third participating government body, the Ministry of Foreign Affairs, included diplomatic missions’ promotional and other, mostly ad-hoc KES activities. Along with the uncoordinated relationships between the Ministries of Foreign Trade and Industry, Trade and Crafts, KES activities of the Ministry of Foreign Affairs were also not in concert with other government bodies (Seringhaus & Rosson 1991a). The lack of harmonisation of KES mechanisms across the three major participating ministries was often criticised, and blamed for perceived inefficiencies in the country’s overall arena of KES (Bonvicini, Falautano & Farella 1998).

Dissatisfaction with governments’ KES was also common in relation to their intervention in private TPOs’ operations and direct KES delivery at diplomatic missions (Elvey 1990). Governments intervened in KES activities of Italy-based Chambers of Commerce by virtue of the Chambers’ public-law and highly regulated status (122). This means that in return for carrying out obligatory functions, governments directly funded Italy-based Chambers’ business support operations while also regulating them (Waters 1999). Government control over Chambers’ activities manifested itself, for instance, in that Chambers’ business development budgets and activity plans had to be submitted to the government for approval (Unioncamere 2004).

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122 Italian Chambers were specifically charged by the government with the task of supporting and promoting local economic growth. They operated as a dual representation of both government and private interests (Waters 1999).
Italy-based Chambers administered several KES services, including general information provision on exports and issuing export certificates (Unioncamere & MICA 2000). Along with their business support programmes, Chambers’ KES activities were under partial government control as well. In addition, specific government regulations on Chambers’ internationalisation-related operations were also introduced as early as the 1950s. The first wave of government regulations addressing Chambers’ KES activities included the 1954 law regulating TPO activities, together with their funding arrangements (Legge 29.10 1954).

Compared to Italy-based Chambers, Bilateral Chambers or Chambers Abroad administered a wider range of KES instruments, including information provision, market analyses, partner search and promotional activities, amongst others. Nevertheless, Bilateral Chambers’ operations were less regulated by the government than their Italy-based counterparts. In fact, they were operating almost ‘freely’, and without being financially supported by the government up to 1970, when the first law introduced government funding for Bilateral Chambers (Legge 1.7. 1970).

Along with the relatively little government control over Bilateral Chambers’ operations, government intervention in Export Consortia\(^\text{123}\) operations was also less significant compared to government regulations for Italy-based Chambers. Consortia in general were inherently more independent from government forces than Chambers, due to their very organisational structure (FederExport 2004). Although not constituting an entirely centralised system, around half of the Export Consortia were organised under the umbrella agency FederExport (UNIDO 1998). The characteristics and KES roles of Export Consortia can be described as follows:

\(^{123}\) Consortia were established by private companies (mainly small and medium-sized enterprises), as a form of self-organisation, aimed to enhance members’ business interests (UNIDO 1998). Consortia’s creation and development thus depended directly on the initiatives of the firms themselves, rather than the government. Amongst different types of consortia, Export Consortia (also referred to as Export Syndicates) were the most common forms. Export Consortia in the Italian economic system has attracted a great deal of research attention. See for instance in UNIDO (1998), Sbrana & Tangheroni (1991), Lanzara, Varaldo & Zagnoli (1991) and Dallago (2001).
“In general, an export consortium is comprised of a group of firms that pay a one-time lump sum to underwrite the consortia’s capital and an annual membership fee to cover operating costs. The export consortia’s task is to promote the member firms’ goods and services abroad and to facilitate the export of these goods and services. Export consortia vary in terms of the services offered, from those providing basic secretarial services, market information collection and translation to those that offer a wide range of services including credit guarantees, merchandising, franchising, acquisition of raw materials, sales using the consortium’s brand name, legal assistance, organization of common initiatives, etc.” (UNIDO 1998: 12).

The importance of Export Consortia in the overall KES arena gradually increased, to become a major force by the late 1980s (Bonvicini, Falautano & Farella 1998; US FAS 1998). Nonetheless, governments did not intervene in Export Consortia operations until the 1990s. Consequently, prior to the 1990s, the only form of government intervention in private TPOs’ operations was the legal directives on Chambers’ KES provision, including regulating their services and funding. The activities of Export Consortia and Bilateral Chambers were also partly funded, but not notably regulated by the government.

Considering the government’s strong control over the KES provision Italy-based Chambers, it appears reasonable for the government to coordinate the KES activities of Chambers with its own KES operations undertaken by ICE and diplomatic missions. However, prior to the 1990s, this did not typically take place. Coordination between government and private TPOs was even less typical in the case of KES activities of Export Consortia or Bilateral Chambers. Thus, similarly to the lack of concertation on the policy level, Italian governments’ failure to integrate private TPO activities was often criticised as well (Elvey 1990).

As another aspect of governments’ KES involvement – which has been briefly discussed in relation to governments’ formal intervention in private KES operations – Italian governments created an extensive legal framework for TPOs. In the Italian economy, companies’ internationalisation in general, and TPO operations in particular have been subject to government legislation since the 1950s. This is essentially in line with the fact that the Italian economy is characterised by the prevalence of legislature in economic matters (Visegrády 2001). The first KES-specific law, ‘Legge 29.10 1954’ was introduced in 1954. This law identified organisations which were officially (by the govern-

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124 By the late 1980s, approximately three hundred and fifty Export Consortia operated in Italy (Confindustria 2005).
ment) recognised as major Italian TPOs, singling out ICE, Export Consortia and Chambers of Commerce\(^{125}\). These organisations became eligible for the government’s financial support for KES provision. Furthermore, this law specified which KES services were entitled to be financially supported by the government, and to what extent (see in Legge 29.10 1954). Another KES-related law, ‘Legge 1.7. 1970’, came into force in 1970, regulating the KES provision of Bilateral Chambers and assigning them with an organisational status through which they officially became an integral part of the Italian Chambers networks. Hence, KES activities of Bilateral Chambers also became regulated, similarly to their Italy-based counterparts (Legge 1.7. 1970).

**Summary**

KES roles of pre-1990s Italian governments were more than ‘just’ operating a TPO. Governments also intervened in the KES provision of private TPOs, by formally regulating and partially funding Chambers’ KES instruments; and delivered KES services via diplomatic posts as well. Furthermore, governments created a range of specific legal arrangements to facilitate the operations of both government and private TPOs’.

Governments’ KES involvement was nevertheless strongly criticised for its “inadequacy of coherence, homogeneity and functionality” (Bonvicini, Falautano & Farella 1998; also Elvey 1990; and Pizzi 2003). This criticism concerned the KES activities of the three major ministries, whose internationalisation development mechanisms were cluttered and disconnected. Moreover, government and private forces traditionally carried out separate and often competing KES activities, without the governments’ efforts to integrate private activities in its own KES operations.

\(^{125}\) Italy-based Chambers and Export Consortia were overlapping, as Chambers were traditionally shareholders in a large number of Export Consortia (Confindustria 2005).
The Netherlands

Major actors in the Netherlands’ pre-1990s KES arena

In the pre-1990s period, the official leading Dutch TPO was the Netherlands Agency for International Business and Cooperation or EVD\(^{126}\). The EVD, established in 1936, constituted an integral part of the Ministry of Economic Affairs, and was entirely funded by the government (EVD 2003)\(^{127}\). The EVD had a central office located in The Hague, and did not traditionally have formal networks either within or outside the Netherlands (de Mortanges & Gent 1991). Its major activities consisted of export information provision, tailor-made export services, matchmaking (that is, bringing together Dutch suppliers and potential foreign buyers), managing data bases, organising trade missions and general ‘Holland promotion’, for example, through trade fairs and special events (EVD 2003).

Major private TPOs included the Netherlands Chambers of Commerce, membership of which was obligatory for all Dutch companies, and the Bilateral Chambers of Commerce Abroad. They did not have a strong umbrella organisation, however, their KES services, especially in the case of Netherlands-based Chambers were largely standardised (KVK 2004)\(^{128}\). Other notable private organisations with KES responsibilities were the Federation for Netherlands Export\(^{129}\), established in 1954; the Netherlands Centre for Trade Promotion\(^{130}\), established in 1946; and the Netherlands Export Consortium\(^{131}\), established in 1955 (Fenedex 2004, 2005; NCH 2005; NEC 2005). While all these organisations were sizeable actors in Netherlands’ pre-1990s KES arrangements,

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\(^{126}\) The abbreviation EVD is based upon the organisation’s Dutch name: Economische Voorlichtingsdienst (EVD 2003).

\(^{127}\) Besides the EVD, the Centre for Promotion of Imports from Developing Countries, an agency of the Ministry of Foreign Affairs, also had trade promotion responsibilities, since 1971 (CBI 2004). Nonetheless, as the Centre targeted foreign companies, mainly from developing countries, rather than existing or aspiring Dutch exporters, it is not considered as a major KES body.

\(^{128}\) KES activities of Netherlands-based Chambers included services provided by international trade consultants or export consultants, whose responsibility was to assist companies in their region by “providing ‘first aid’ advice and generally showing them the ropes” (Fenedex 2004). ‘First aid’, i.e., KES assistance means provision of basic export information, contact search, export courses, trade missions and fairs and tailored export consultancy (KVK 2004). Bilateral Chambers mainly focussed on information provision and contact search. These KES services showed great similarities to, and competed with KES services provided by the EVD. On the other hand, Chambers often guided companies with export enquiries to the EVD, leading to cooperative ties between the EVD and Chambers, beyond their competitive relations (KVK 2004).

\(^{129}\) Besides practical support in exporting and promoting the interests of its members (including around a thousand affiliated companies, which vary in size and level of export development), the Federation for Netherlands Export also organised export-training courses for company executives (Fenedex 2004).

\(^{130}\) The Netherlands Centre for Trade Promotion had a long-established home network, comprising sixty ‘country business councils’ and approximately eight hundred corporate members (NCH 2005). Its major KES services were similar to those of the EVD and Chambers, such as organising information seminars and networking sessions about specific themes or countries; outgoing Dutch trade missions and international trade fairs; programmes for incoming trade missions from other countries; Dutch participation at trade programmes sponsored by the European Union; and consultancy with regard to trade fairs (NCH 2005).

\(^{131}\) The Netherlands Export Consortium had over five hundred member companies. Its main KES activity was matchmaking, that is, to establish contacts with potential foreign customers for its members (NEC 2005).
tions were sizeable actors in Netherlands’ pre-1990s KES arrangements, Chambers (both within and outside the Netherlands) were the most widely used (de Mortanges & Gent 1991; WISARD 1999).

Dutch governments’ pre-1990s KES involvement

Dutch governments’ KES involvement manifested itself in governments’ establishment and administration of the EVD, as the country’s leading TPO; intervention in private TPO operations; emphasis on KES as an important foreign economic policy field; and coordinating the KES involvement of major ministries responsible for internationalisation promotion.

The Ministry of Economic Affairs was responsible for administering the EVD, while addressing KES as a distinguished policy field (Dutch MEA 1999, 2004). The Ministry’s emphasis on KES can be seen in its provision of broad directions for the country’s KES goals; releasing a plethora of publications; and organising conferences, seminars and symposia on KES throughout the 1970s and 1980s (de Mortanges & Gent 1991).

The other ministry involved in KES in the pre-1990s period was the Ministry of Foreign Affairs (132). Diplomatic missions under the authority of the Ministry of Foreign Affairs participated in KES provision by collecting and disseminating export information and undertaking export contact search (OECD 2000). Nonetheless, these KES operations of embassies and consulates did not belong to the authority of the Ministry of Foreign Affairs, rather to that of the Ministry of Economic Affairs. This unconventional arrangement was rooted in the 1955 concordat between the Ministries of Economic and Foreign Affairs (Dutch MFA 2004). The concordat specified that the Ministry of Economic Affairs was to refrain from opening autonomous KES outlets abroad (within the organisational frameworks of EVD). Rather, it assigned the Ministry of Economic Affairs with the right to lay down and enforce commercial diplomats’ KES responsibilities (133). Commercial diplomats thus followed KES guidelines and regulations established by the Ministry of Economic Affairs. Therefore, KES activities undertaken by embassies and

132 There was no ministry in charge of general business development. Therefore, the Ministries of Economic and Foreign Affairs were the only government organisations with KES capacities.
133 For more detail on the concordat, see de Mortanges & Gent (1991) and Dutch MFA (2004).
consulates became a political responsibility of the Ministry of Economic Affairs, while the work was carried out by staff members of the Ministry of Foreign Affairs (EVD 2003).

With regards to its relations with major private actors of the Dutch KES arena, governments’ traditionally strong affiliations with Chambers and the Dutch Centre for Trade Promotion should be emphasised (de Mortanges and Gent 1991). For instance, the EVD and Chambers based in the Netherlands and abroad, beyond their often competing relationships in terms of their KES services provided, historically had strong informational-cooperative ties. The EVD essentially took advantage of the databases of domestic and foreign-based Chambers on exporting companies, potential export products and markets. In return, the EVD provided Chambers with locally acquired commercial information of Dutch embassies and consulates.\(^\text{134}\)

In addition, governments intervened in the KES provision of the Netherlands Centre for Trade Promotion. The Centre delivered KES on the EVD’s behalf, including trade missions and information provision (NCH 2005). For instance, in the case of trade missions, the Centre’s costs could be claimed back from the EVD (EVD 2003). However, beyond the reimbursement of KES expenses, the government did not provide subsidies for the Centre, and thus the Centre’s activities were organised on a ‘cost-covering basis’ (NCH 2005).

**Summary**

In the pre-1990s, the Dutch arena of KES included a mixture of parallel-existing government and private TPOs, with central role and active policy guidelines of prevailing governments. KES responsibilities of the Ministries of Economic and Foreign Affairs were harmonised by the 1955 concordat, which ensured the leading KES role of the Ministry of Economic Affairs. The Ministry of Economic Affairs was also involved in KES provision, by virtue of the fact that it was administering the EVD, the country’s leading

\(^{134}\) Outside the Netherlands, Bilateral Chambers’ KES activities were often seen as more significant than the government’s KES provision through diplomatic missions subordinated to the EVD (Fenedex 2004). This is supported by that only in countries that did not have an established Bilateral Chamber, were embassies and consulates considered as the main KES providers in their role of providing information, seeking contacts and assisting in organisation of promotional events (EVD 2003).
TPO. Beyond undertaking its own KES activities, the Ministry of Economic Affairs became involved in private TPOs’ service provision as well, mainly in the case of Chambers and the Dutch Centre for Trade Promotion (de Mortanges & Gent 1991).

Sweden

Major actors in Sweden’s pre-1990s KES arena

Prior to the 1990s, Sweden’s leading TPO was the Swedish Trade Council or STC. The STC, established in 1972, was co-governed and co-owned by two principals, the government – through the Ministry for Foreign Affairs – and private forces through the Confederation of Swedish Enterprise (Seringhaus & Rosson 1991b). Due to this organizational configuration, the STC’s operations were funded by both government and private sources. The STC’s head office was located in Stockholm. Traditionally, the STC did not operate an integral domestic network, rather, most of its KES instruments that were to be domestically provided were delivered through the Stockholm headquarters. At the same time, the STC operated an extensive foreign network, including over forty foreign representations (STC 2003a).

The STC’s KES services can be summarised in three groups: provision of export information, export consultancy and specific export programmes (SOU 2000). Firstly, export information included data on Swedish exports, general market information, identification of business opportunities and advising companies about them, counselling on export techniques and promotional activities. Secondly, export consultancy mainly included tailor-made solutions to establish international business. Thirdly, export programmes embraced KES services that facilitated networking and motivated new-to-export companies to start international business activities (STC 2002).

Prior to 1972, Sweden’s leading TPO was an entirely private association, the Swedish Export Association. It was financed by its members, the exporting companies themselves, while also receiving yearly grants from the government (Söderman 2001). The Swedish Export Association constituted an integral part of the organisation what we call the Confederation of Swedish Enterprise in the early 2000s (the Confederation was founded in 2001, after the merger of the Swedish Employers Confederation and the Federation of Swedish Industries) (Svenskt Näringsliv 2004).
Besides the STC, the arena of KES also included the Confederation of Swedish Enterprise and the Association of Swedish Commerce and Industry, as major actors\(^{(136)}\). KES responsibilities of the Confederation of Swedish Enterprise were integrated into the leading TPO, as it was one of the co-owners and co-governors of the STC (Svenskt Näringsliv 2004). In addition, private Chambers of Commerce, membership of which was optional, constituted a local KES network for the centrally organised Association of Swedish Commerce and Industry\(^{(137)}\). KES services of individual Chambers were limited in scope compared to those of the STC, however, they were standardised and monitored by the headquarters of the Association (Handelskamrarna 2004a, 2005). Bilateral Chambers’ KES roles were more significant, including information provision, contact search and promotional activities, for members and non-members alike, in a standardised way (Handelskamrarna 2004c). In addition, the Swedish Institute, established in 1945, also undertook promotional activities (SI 2004). However, as general country promotion is the only KES instrument in which the organisation was traditionally specialised, the Swedish Institute is not considered as a conventional TPO.

**Swedish governments’ pre-1990s KES involvement**

Swedish governments’ KES involvement was multifaceted in the pre-1990s years\(^{(138)}\). This manifested itself in the establishment and administration of the STC as a government-private TPO, diplomatic missions’ ad-hoc KES delivery, KES engagement in the frameworks of general government business development and governments’ intervention in private TPO operations.

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\(^{(136)}\) For an empirical analysis on Swedish companies’ internationalisation and the main TPOs assisting them, see Goldkuhl (2000).

\(^{(137)}\) Founded in 1902, Chambers were important tools for contacts and networking at regional, national and international levels alike. In the investigated pre-1990s period, there were twelve Chambers of Commerce in Sweden and nearly thirty all around the world (Regeringskansliet 2005d, 2005e). Membership of both Sweden-based and Bilateral Chambers is optional. Relatively big companies have traditionally been the most dominant and most active members, while small and medium-sized firms have been scarce (Handelskamrarna 2004a). Therefore, Chambers have played the role of ‘businessmen’s club’ mainly for companies that are already strong enough to get involved in international trade (Handelskamrarna 2004b). This has resulted in Swedish Chambers’ KES roles were different from conventional TPO roles, which mainly assist smaller-sized companies. Nevertheless, certain important KES activities, such as provision of links for contacts and networking on regional, national and international levels have traditionally been of great weight in Swedish Chambers’ services (Handelskamrarna 2005).

\(^{(138)}\) In Sweden, the Prime Minister’s Office had a strong central role, leading to a highly regulated and formal communication system within Sweden’s governance. Every matter was referred to a certain ministry, but because of the collective government decision system, all proposals and drafts had to circulate to other ministries. The Prime Minister’s Office controlled this joint drafting procedure, by having the final approval right on each decision. For more detail on the Swedish ‘central government machinery’, see Levin & Tegle (2002).
In the pre-1990s, the major government body with overall trade policy responsibilities was the National Board of Trade, which was founded in the seventeenth century (Kommerskollegium 1994). After operating as an independent government body for two centuries, the Board became attached to larger government ministries since the 1950s\(^{139}\). In the 1980s, the Board’s main responsibility was to prepare analysis and advice for the government in relation to external trade policy, as well as other areas such as internal market and customs (Kommerskollegium 1994). However, KES was not a specified area of the Board’s responsibilities (Regeringskansliet 2005c).

Unlike the National Board of Trade, the Ministry of Foreign Affairs and the Ministry of Industry, Employment and Communication had major KES responsibilities. In the case of the Ministry of Foreign Affairs, this mainly manifested itself in steering and administering the STC since 1972 (ITC UNCTAD/GATT 1994). The Ministry of Foreign Affairs also participated in KES delivery through diplomatic missions’ variable KES provision, predominantly concerning Sweden-promotional activities (Swedish MFA 2002b). Nevertheless, KES roles of embassies and consulates were not only lacking standardisation, but were also of ‘secondary’ importance compared to the STC’s foreign operations. The STC had an official right to control and instruct diplomatic missions on KES matters (SOU 2000)\(^{140}\). Hence, rather than becoming a major actor in foreign-based KES, Sweden’s diplomatic network operated mainly to ‘open doors’ for the STC’s KES activities (Söderman 2001).

On the other hand, the Ministry of Industry, Employment and Communication was involved in KES through its general business development responsibilities (Swedish MIEC 2004). This included the establishment of policy guidelines and delivering government assistance in the framework of the Swedish Business Development Agency, Nutek\(^{141}\).

\(^{139}\) In 1973 the government proposed that the National Board of Trade be the central government authority for foreign trade policy investigations and analyses and with a responsibility for submitting opinions and proposals in this field to the government. The concentration on foreign trade matters became even more pronounced in 1982 when the Ministry of Trade was abolished and the Board was transferred to the Ministry of Foreign Affairs and the domestic responsibilities gradually removed. By the early 1990s, the Board had dealt solely with foreign trade policy matters (Kommerskollegium 1994).

\(^{140}\) This right of the STC was enforced on a case-by-case basis since the 1970s. Most typically, however, Swedish embassies and consulates simply referred practical KES matters to the STC post in the respective country, and did not provide KES instruments (Swedish MFA 2004a).

\(^{141}\) The abbreviation Nutek is based upon the Agency’s Swedish name: Närings- och Teknikutvecklingsverket (Nutek 2004).
Located in Stockholm, one of Nutek’s main task was to facilitate structural change and internationalisation of Swedish business (Boter, Hjalmarsson & Lundström 1999).142

Besides their direct forms of participation in the arena of KES, Swedish governments traditionally intervened in private TPOs’ operations as well. In a 1972 agreement between the government and Sweden-based Chambers, the government officially laid down the separation of “trade promotion and service to individual companies on the one hand and, on the other hand, the Chambers’ traditional role as a trade organisation and a businessmen’s club” (Alfaproject 2004). In other words, when creating the STC, the government ensured that the STC, rather than Sweden-based Chambers had leading roles in Sweden’s KES arrangements.

Sweden-based Chambers, nonetheless, still provided a few KES services, such as links for contacts.137 However, their main role, regulated by the government from 1972 and reinforced by the Association of Chambers,143 manifested itself in “representing the business community in contacts with national, regional and local authorities”, rather than delivering business support instruments (Handelskamrarna 2004a).

Their foreign-based counterparts, Bilateral Chambers, nevertheless, intensively collaborated with the STC’s foreign posts since the 1972 creation of the STC, while maintaining their independence (Keller, Olofsgård & Ström 2002). This cooperative relationship was also regulated by the government, assigning Swedish Bilateral Chambers with extensive KES responsibilities in countries where the STC had no direct representation (Handelskamrarna 2004c). Although regulating TPO operations, governments did not introduce KES laws in the pre-1990 period (Keller, Olofsgård & Ström 2002).

Summary

The government approach that “the combination of official authority and industrial competence provides the best foundation for carrying out efficient export promotion activities” prevailed in Sweden in the pre-1990s (SOU 2000). Accordingly, the traditionally

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142 Nutek’s services mainly included entrepreneurship development and small business counselling (Nutek 2004).
143 The Association of Swedish Chambers of Commerce was organised in 1974 (Handelskamrarna 2004b).
major government involvement was complemented by various forms of private involvement in Sweden’s arena of KES (Seringhaus & Rosson 1991a).

Governments actively participated in KES provision, while drawing on private forces such as the Confederation of Swedish Enterprise to co-govern the STC, which has been the leading government-private TPO in Sweden since 1972. In addition, diplomatic missions under the auspices of the Ministry of Foreign Affairs also delivered KES services, although these were less organised and had a narrower scope than the STC’s foreign KES delivery. Moreover, within Sweden, the Ministry of Industry, Employment and Communication addressed KES as part of its general business development activities, mainly through Nutek. Not only through their own KES delivery, but also through regulating private TPOs did Swedish governments exhibit KES involvement. This mainly manifested itself in assigning specific KES tasks to Chambers.

Swedish governments were criticised for their lack of strategic approach on KES. For instance, complaints such as governments’ lack of ‘precise directives and objectives’ for Swedish KES, and missing ‘export-strategies’ were often raised when describing the pre-1990s Swedish KES arena (Söderman 2001).

The United Kingdom

Major actors in the United Kingdom’s pre-1990s KES arena

In the United Kingdom, in the investigated period until the early 1990s, the major TPO was the Overseas Trade Services (OTS). The OTS, the predecessor of which was established in 1972, was a wholly government organisation managed by the Department of Trade and Industry and the Foreign and Commonwealth Office. Within the United Kingdom, the OTS delivered KES services mainly through its London-based headquarters, administered by the Department of Trade and Industry. Its instruments included planning export strategies for United Kingdom companies, providing export training, market re-
search, as well as advice and information tailored to the needs of individual firms (UK Official Documents 1996).

The overseas networks of the OTS operated within the organisational frameworks of diplomatic missions, falling under the responsibility of the Foreign and Commonwealth Office (UK FCO 1999). Diplomatic missions had several commercial office-holders, responsible for KES and investment promotion. Those in charge of KES were assigned by the Foreign and Commonwealth Office to gather and disseminate commercial information and market research, develop business contacts in host countries, liaise between the United Kingdom and foreign-based companies, undertake specific export consulting and participate in trade promotion events (BCG 2004).

It is difficult to see the OTS as a single TPO, because KES involvements of the Foreign and Commonwealth Office and Department of Trade and Industry were almost entirely disconnected prior to the 1990s (BCG 2004). Nonetheless, ‘officially’ the OTS was considered as the United Kingdom’s leading single TPO, and funded almost entirely by the government, complemented by occasional service fees from the private sector (ITC UNCTAD/GATT 1994).

Further significant actors in the arena of KES mainly comprised private organisations, such as Business Link hubs, Chambers of Commerce\(^\text{144}\) organised under the British Chambers of Commerce, and Trade Associations. Additional private organisations, such as Export Clubs, the Confederation of British Industry and the Institute of Export also played KES roles in the pre-1990s (CBI 2004; UK IE 2004). Underlining their importance, United Kingdom government sources referred to these organisations as governments’ traditional partners when developing KES policy (UK DTI 2004). However, the Export Clubs, the Confederation of British Industry and the Institute of Export were not directly involved in actual KES provision.

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\(^{144}\) Membership of United Kingdom Chambers is not compulsory. The British Chambers of Commerce, the main umbrella organisation of individual Chambers, comprised a national network of quality-accredited Chambers, and did not include Bilateral Chambers located overseas. Therefore, while there was some coordination amongst United Kingdom-based Chambers’ business support, Bilateral Chambers varied to a great extent in terms of their business, including KES services.
Pre-1990s United Kingdom governments’ KES roles included the management of the leading TPO, the OTS, as a wholly government organisation, funding and intervening in private TPOs’ KES delivery and laying constant emphasis on KES as a foreign economic policy priority. Governments provided KES mainly through two bodies, the Department of Trade and Industry and the Foreign and Commonwealth Office (Buckley 1983). The most crucial form of KES involvement of these bodies was that they were in charge of administering and funding onshore and offshore activities of the OTS.

The Department of Trade and Industry, besides managing the London-based headquarters of the OTS, exhibited further forms of KES involvement as well. Traditionally, the Department of Trade and Industry did not have a United Kingdom-based local network for KES (Cunningham & Spigel 1971). Therefore, when the OTS services, such as trade fairs and trade missions were to be delivered locally, the Department of Trade and Industry required other, mainly private organisations’ cooperation. These local organisations included Chambers and Trade Associations. The Department of Trade and Industry was thus managing cooperative relationships with these domestic private business organisations to ensure effective delivery of some of the OTS instruments. However, the Department’s intervention in these organisations’ KES activities was limited to the extent of their KES service delivery on the Department’s behalf. This means that the Department did not financially support or intervene in other ways in relation to other KES instruments managed by private TPOs.

Another form of collaboration between government-private KES forces included that the Department’s KES policy was elaborated drawing on private TPOs’ experience and feedback. As leaders in a ‘grass-roots’ KES arena, governments traditionally “integrated suggestions and monitored changes from organizations and individuals in close contact with occurrences in the field” (Elvey 1990: 128). This two-way process of government-

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145 What we call in the early 2000s the Department of Trade and Industry, underwent a number of organisational and name changes throughout the investigated period. For the sake of simplicity, this government department will consistently be referred to as the Department of Trade and Industry. For historical details of the Department, see British Information and Library Services (2000).

146 Up to 1990, approximately ninety to ninety-two per cent of the OTS’ operational budgets was covered by these two government bodies. The rest was covered by charges for services (ITC UNCTAD/GATT 1994).
private KES cooperation can be described as ‘organised partnership’ under government leadership (Seringhaus & Rosson 1991a).

In the pre-1990s period, the other government body with major KES responsibilities was the Foreign and Commonwealth Office. KES involvement of the Office manifested itself in commercial activities undertaken by its foreign diplomatic missions, which constituted the offshore operations of the OTS (UK FCO 1999). Although their KES tasks and goals were not entirely standardised, offshore KES activities of diplomatic missions were still more organised than those of private forces. Overseas operations of private TPOs, such as Bilateral Chambers and Trade Associations abroad, did offer a few KES services, but only in a rather ad-hoc way (Nogales & Petersson 2001). Therefore, private organisations played a less important role in offshore KES than their counterparts based in the United Kingdom.

Summary

In the United Kingdom, governments’ KES involvement prior to the 1990s included that the leading TPO was a wholly government organisation, and governments also intervened in private TPO operations, mainly through the KES delivery of Chambers and Trade Associations on the governments’ behalf.

However, government KES involvement was claimed to have flaws, due to the disconnected and un-organised relationships of the Department of Trade and Industry and Foreign and Commonwealth Office (BCG 2004). The KES services of these two government bodies were often overlapping, causing unnecessary duplications between domestic and foreign arms of the OTS.
Institutional designs with ‘passive’ and ‘active’ government KES

Through the case study analyses, it has been apparent that there were no ‘one-size-fits-all’ rules for governments’ pre-1990s forms of KES involvement. Nevertheless, there existed certain patterns within groups of countries with the same type of institutional design for governments’ export support.

Exploring patterns in government behaviour has been conventionally central to comparative political science research (Almond 2003). This section follows this tradition when it synthesises findings of the individual governments’ involvement in their respective KES arenas prior to the 1990s and investigates patterns by institutional design for government export support. The aim is to determine whether governments with ‘No TPO’ institutional design for KES took a truly back-seat position in the national export arena, compared to governments with ‘TPO Only’ and ‘TPO Plus’ designs, which have had institutionalised ways to take the lead role in the practical side of KES provision.

Because the ‘No TPO’ design has been defined solely based on the lack of government TPO, while allowing governments to be involved in any other area of the national export support system; it needs to be examined whether the lack of government TPO is a good proxy to assess governments’ relative passivity in export support. Or, did pre-1990s governments without a TPO assist and intervene in private TPOs’ operations in a way that in fact led to the government rather than the private sector’s lead roles in the national KES arena? These questions are scrutinised in the following sections.
Countries with ‘No TPO’ design for government export support

Countries whose pre-1990s governments had a ‘No TPO’ institutional design for export support include Austria, Finland, Germany, and Switzerland. The table below summarises major forms of government KES involvement in these countries.

Table 4 – ‘No TPO’ governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Asp.</th>
<th>Austria</th>
<th>Finland</th>
<th>Germany</th>
<th>Switzerland</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>The government arranged (in 1946) that the foreign trade offices of the AWO of WKÖ could be located in Austrian diplomatic missions</td>
<td>Since 1970, the government has provided funding for the leading private TPO, Finpro</td>
<td>Since 1949, the government has financially assisted companies’ trade-fair participation</td>
<td>Since 1908, governments have provided funding for the leading TPO, OSEC and Bilateral Chambers</td>
</tr>
<tr>
<td>3.</td>
<td>Besides trade-fair-related assistance, the government provided export information through the German Office for Foreign Trade or BfAI since 1951</td>
<td>Diplomatic missions provided ad-hoc KES services, however, their tasks were neither defined nor standardised</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>The 1946 law regulated the operations of the WKO (Federal Economic Chambers), and established its foreign economic branch (Austrian Trade), which has become Austria’s leading TPO, AWO of WKÖ; it also assigned the AWO of WKÖ with KES tasks</td>
<td>KES was emphasised as an area of high priority within foreign economic policy, however, only in terms of trade-fair and export information provision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: various sources for each case study

2: Funding for KES provision of government and/or private TPOs
3: Effective participation/intervention in KES provision
4: KES provision outside TPO structures (in diplomatic missions)
6: Legal framework for TPOs
7: Policy emphasis on KES ‘Addressing’ (7a)

Governments in three of these countries financially supported KES provision. Finnish and Swiss governments partially funded the leading private TPOs. In Finland, up to the early 1990s, the government’s relative contribution to the leading private TPO, Finpro’s budget was between thirty and forty-five per cent, while the remaining part of the budget stemmed from charges for services and contributions from the business community. In Switzerland, governments prior to the 1990s provided about a quarter of the leading private TPO, OSEC’s budget, with the remainder stemming from import and export levies. In Germany, pre-1990s governments did not contribute to the budget of the leading private TPO, the DIHK (its budget stemming from charges and business community contributions), however, they did provide funding for one KES service – trade fair participation assistance, which was channelled by the exhibition and trade fair organisation,
AUMA\(^{(147)}\). Austrian governments provided KES funding neither for the leading private TPO, the AWO of WKÖ, nor to any particular KES programme or service prior to the 1990s.

The common characteristic of KES approaches of these four governments is that even when providing funding for the leading private TPO, the governments did not actually assist or intervene in the TPO’s operations in any way. For instance, they did not regulate what kind of programmes and services the private TPO should focus on, in which countries they should concentrate their foreign-based resources, or what specific goals they should achieve through their export support mechanisms. The sole exception is Germany, whose pre-1990s governments provided trade fair participation assistance, as well as some export information. Nevertheless, every other KES service – such as contact search, export consulting, training courses and seminars – was provided and funded by the DIHK without government assistance.

The only other ‘hands-on’ form of these governments’ KES involvement was that, with the exception of Austrian governments, they provided KES services at diplomatic missions prior to the 1990s. However, KES provision of diplomatic missions was not organised, standardised or purposely funded – it mainly included information and contact-related assistance in an ad-hoc way. Therefore this manifestation of government KES provision was not a true expression of governments’ KES proactivity, rather, it was a form of arbitrary assistance driven by the very firms that approached embassies and consulates asking for help.

Hence, in the four countries with a ‘No TPO’ institutional design for government export support, governments truly took a back-seat position behind private TPOs, without having a proactive KES approach or strategy within the national export support arena. In other words, they acted as passive actors in the KES system in most ways. This is not only due to the fact that they did not establish and run their own TPO, but also because they exhibited non-interventionist behaviours and let the private sector manage the arena of KES with their ‘token’ support only.

\(^{(147)}\) The abbreviation AUMA is based on the German name: Ausstellung- und Messe-Ausschuss der Deutschen Wirtschaft.
Countries with ‘TPO Only’ design for government export support

Apart from governments in Austria, Finland, Germany and Switzerland, governments in all of the other six case-study countries operated their own TPO in the pre-1990s. Governments in five of these six countries in fact went beyond ‘just’ providing KES in the framework of this TPO – which is an indication that once governments decide to manage a TPO, this actually signals that they are likely to participate in the national KES arena along other dimensions as well.

The sixth case-study country, whose governments did not go beyond providing KES in the framework of its TPO is Canada. Pre-1990s Canadian governments’ only forms of KES involvement were those directly inter-related with establishing and managing their own TPO, including funding and direct participation in KES provision\(^\text{148}\). The table below summarises Canadian governments’ pre-1990s forms of KES involvement.

Table 5 – ‘TPO Only’ governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Asp.</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>In the pre-1990s, Canada’s main TPO was the Trade Commissioner Service, situated within diplomatic missions’ organisational structure</td>
</tr>
<tr>
<td>2.</td>
<td>The Trade Commissioner Service was fully funded by the government</td>
</tr>
<tr>
<td>3.</td>
<td>The government provided KES services in the framework of the Trade Commissioner Service, Canada’s traditional leading TPO, but in no other way</td>
</tr>
</tbody>
</table>

Source: various sources for each case study

The fact that Canadian governments decided to establish and manage their own TPO is an indication of their proactivity in the national arena of export support. However, prior to the 1990s, KES was not a decisive factor in Canadian governments’ foreign economic policies, which was apparent in that they failed to exploit synergies with the private sector and various government departments’ KES capabilities and to elaborate overall directions for KES.

\(^{148}\) Other examples for ‘TPO Only’ institutional design for government KES include Belgium, Denmark, Portugal and Spain.
Countries with ‘TPO Plus’ design for government export support

Governments that operated their own TPO, while also being involved in other forms of KES – such as funding and intervening in private TPOs, introducing KES-specific extra laws, or taking measures to coordinate KES policies of several ministries – include Australia, Italy, the Netherlands, Sweden and the United Kingdom\(^{149}\). These countries are classified as those with ‘TPO Plus’ institutional design for government KES, and pre-1990s forms of their governments’ KES involvement summarised in the table below.

Table 6 – ‘TPO Plus’ governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Asp.</th>
<th>Australia</th>
<th>Italy</th>
<th>The Netherlands</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The leading TPO was Austrade, an autonomous government organisation attached to the Ministry of Foreign Affairs and Trade</td>
<td>The leading TPO was the ICE, an autonomous government organisation attached to the Ministry of Foreign Trade</td>
<td>The leading TPO was the EVD, a government organisation, constituting an integral part of the Ministry of Economic Affairs</td>
<td>The leading TPO was the STC, co-owned and co-governed by the Ministry of Foreign Affairs and the Confederation of Swedish Enterprise</td>
<td>The leading TPO was the OTS, with its domestic operations an integral part of the Department of Trade and Industry, and its foreign operations under the authority of the Foreign and Commonwealth Office</td>
</tr>
<tr>
<td>2.</td>
<td>Austrade was fully funded by the government</td>
<td>ICE was fully funded by the government; funding was also provided for private TPOs, to the extent of their KES delivery, regulated by export laws</td>
<td>The government entirely funded the EVD</td>
<td>The STC was mainly (50-75%) funded by the government</td>
<td>The OTS was wholly funded by the government; funding was also provided for private TPOs, to the extent of their KES delivery on the behalf of the OTS</td>
</tr>
<tr>
<td>3.</td>
<td>The government provided KES in the framework of Austrade, but in no other way</td>
<td>The government provided KES within ICE, and also intervened in private TPO operations, mainly through providing legal guidelines on KES services</td>
<td>The government provided KES through the Ministry of Economic Affairs, and within the EVD: assisted and intervened in KES of Chambers (information exchange) and the Centre for Trade Promotion</td>
<td>The government co-owned the STC, but it did not become involved in its KES provision; the government intervened in private TPO operations, by regulating their KES</td>
<td>The government provided KES within the framework of OTS, and also intervened in private TPO operations, to the extent of their KES delivery on the behalf of the OTS</td>
</tr>
<tr>
<td>4.</td>
<td>Diplomatic missions provided ad-hoc KES services, but their tasks were neither defined nor standardised</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>The government created legal Acts regulating KES schemes and TPO operations</td>
<td>A range of KES-specific legislation had been introduced since the 1950s</td>
<td>KES was a policy priority, evidenced by continuous emphasis on KES in foreign policy documents in the 1970s-1980s</td>
<td>KES has been addressed as a foreign economic policy area since the 1970s</td>
<td></td>
</tr>
</tbody>
</table>

\[(7a)\] The Department of Foreign Affairs and Trade and its predecessors have attributed priority for KES since the 1960s

\[(7b)\] Since 1955, there was an agreement between the Ministry of Economic Affairs and Ministry of Foreign Affairs, regulating KES of diplomatic missions, and leading KES roles of the Ministry of Economic Affairs

Source: various sources for each case study

1: Government TPO’s establishment and management
2: Funding for KES provision of government and/or private TPOs
3: Effective participation/intervention in KES provision
4: KES provision outside TPO structures (in diplomatic missions)
5: Legal framework for TPOs
6: Policy emphasis on KES ‘Addressing’ (7a); ‘Coordinating’ (7b)

\[^{149}\] Other examples for ‘TPO Only’ design are France, Greece, Ireland, Japan, South Korea, New Zealand, Norway and the United States.
Although governments established a TPO in each of these countries in the pre-1990s, the way this TPO was established was fairly different. In Australia and Italy, the government created the TPO as an autonomous body, attached to a ministry. In the Netherlands and the United Kingdom, the TPO constituted integral part of a ministry and two ministries, respectively. In Sweden, the government established the TPO in conjunction with a private sector organisation. Two important common features of these government TPOs’ pre-1990s operations was that they were all mainly or entirely funded by the government; and that, with the exception of Sweden, the government made all decisions as to what kind of export support programmes are to be provided, to whom, and by what conditions. In other words, the government was the dominant and active decision-maker with regards to the operations and structure of its TPO.

Governments in four of these countries (with the exception of Australia) also took advantage of KES capabilities of private TPOs, and assisted or intervened in their operations to ensure more effective KES mechanisms in the overall national export support arena. This assistance and intervention took place in the form of partial funding for private TPOs in Italy, the Netherlands and the United Kingdom; in the form of regulating their KES provision in Italy and Sweden; and in the form of mutual, institutionalised information exchange in the Netherlands.

In Italy, the Netherlands and Sweden, governments provided some KES services at diplomatic missions in the pre-1990s, however, similarly to Finnish, German and Swiss governments, KES provision of diplomatic missions was also not organised, standardised or purposely funded in these countries either.

Overall, these governments’ active approach to KES provision was apparent prior to the 1990s. Although KES was not necessarily a major factor in all four governments’ foreign economic policies, they did take the lead role in the every-day provision of KES programmes and services to small and medium-sized companies, while also attempting to exploit synergies with the private sector’s KES capabilities.
Conclusions

Chapter Two has investigated the proposition that governments of industrialised countries have had different institutionalised ways to promote exports, with some traditionally taking the leading export support roles, others secondary export support roles behind the private sector.

After developing a typology for governments’ export support involvement and a classification for their institutional design for KES, this chapter has shown that there were no ‘one-size-fits-all’ rules for governments’ pre-1990s KES involvement. However, a key pattern is that whenever governments decided not to establish their own TPO, this was not the only sign of their hands-off KES approach. It was also in concert with governments’ passive roles along other dimensions of KES involvement, manifesting in the lack or minor extent of KES funding and participation in programme development. This pattern can be seen in countries with ‘No TPO’ institutional design for governments’ KES, including Austria, Finland, Germany and Switzerland.

At the same time, in most cases when governments established and managed their own TPO, this went hand in hand with their active roles along other dimensions of KES involvement, for instance, providing funding and assistance for private TPOs as well, or addressing KES as a key foreign economic policy field. ‘TPO Plus’ institutional design was apparent in Australia, Italy, the Netherlands, Sweden and the United Kingdom.

In the cases in which governments established and managed their own TPO, but did not have active roles along other dimensions of KES involvement, such as utilising synergies of private TPO operations or providing directions for the national arena of KES, governments have been classified as those with ‘TPO Only’ institutional design for KES. A case study in this class of institutional design is Canada.

Through such qualitative classification and analysis, it has been demonstrated that governments with ‘No TPO’ institutional design for KES took a truly back-seat position in the export support arena, compared to governments with ‘TPO Only’ and ‘TPO Plus’ de-
signs, which have had historically endorsed ways to take the lead role in the practical sides of KES provision. Therefore, evaluating the proposition of Chapter Two has led to the conclusion that governments have indeed had different institutionalised ways to assist their potential and existing exporters, with some traditionally taking the leading KES roles, others secondary KES roles behind the private sector.

These institutional differences may have important implications for the ways governments change their export support when faced with global pressures, as one may expect governments with ‘No TPO’ traditional KES design to remain in line with their long-established passivity. This is a proposition to be examined in Chapter Three.
Chapter 3 –

The New Export Activism
Chapter Three focuses on the proposition that governments with traditionally passive KES roles are unlikely to have increased their KES involvement; while governments with traditionally active KES roles are likely to have increased their KES involvement since the 1990s.

It analyses changes to governments’ export support since the 1990s, investigating whether there have been universally experienced trends in governments’ export support, or governments have changed their KES differently in countries with different institutional designs for export support. Chapter Three also aims to provide specification for the initial observation of the research that governments have been increasing their involvement in the national KES arena since the 1990s.

The first sections describe changes to national KES arrangements in each of the case-study countries, according to the typology developed in the previous chapter. Then a trend analysis is undertaken, which synthesises these changes by juxtaposing enumerated increases in terms of governments’ funding allocated for government and private KES provision, new KES programme and service development, and TPO expansion by domestic and foreign government TPO networks. The second part of the trend analysis investigates areas in which governments’ increasing export support cannot be enumerated – such as the appearance of governments’ coordination mechanisms across multiple TPOs, beginning to attribute priority to KES as a policy field, harmonising export support and other foreign economic policy areas of different ministries and setting specific KES targets. Building on these trend analyses, the last section of this chapter draws conclusions as to how these trends may have differed, if at all, according to different institutional designs for government KES.
Growing government KES

In the late 1990s and early 2000s, many studies referred to an ‘increasing drive’ (Demick 1998; Demick & O'Reilly 2000); and ‘strengthening commitments’ that have been apparent in relation to governments’ KES approaches and actions (Gencturk & Kotabe 2001). As a study by Rosson & Seringhaus (1991) reports, the steps of this increasing-strengthening government KES involvement have not been explored, leaving a ‘knowledge vacuum’ in government KES dynamics.

This section first describes each of the four countries whose governments had a ‘No TPO’-type institutional design in the pre-1990s period: Austria, Finland, Germany and Switzerland. Amongst countries with governments’ ‘TPO Only’-type design, the Canadian example is scrutinised. Subsequently, changes in five countries, which traditionally had a ‘TPO Plus’-type design – including Australia, Italy, the Netherlands, Sweden and the United Kingdom – are examined in detail.

The aim of these sections is to validate the preliminary observation of the research that governments have been increasing their involvement in the national export support arena in the era of high globalisation and ‘deeper integration’. The means for such validation is to present quantitative as well as qualitative evidence of governments’ growing KES involvement in the economy.
‘No TPO’ design: Austria, Finland, Germany and Switzerland

Austria

Following on from Chapter Three’s findings, the few forms of Austrian governments’ KES involvement are summarised in the table below.

Table 7 – Austrian governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of governments’ institutional design for KES…</th>
<th>…in Austria’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>No</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>No</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>The government arranged (in 1946) that the AWO of WKÖ’s foreign trade offices could be located in Austrian diplomatic missions; this was a rather symbolic demonstration of the government’s assistance for KES</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>No</td>
</tr>
<tr>
<td>5. Coordination of KES provision</td>
<td></td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>The 1946 law regulated the WKÖ’s (Federal Economic Chambers) operations, and established its foreign economic branch (Austrian Trade), which has become Austria’s leading TPO under the name of AWO of WKÖ; the 1946 law also assigned the AWO of WKÖ with broad KES tasks</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td>(7a). ‘Addressing’ No</td>
</tr>
<tr>
<td></td>
<td>(7b). ‘Coordinating’ No</td>
</tr>
<tr>
<td></td>
<td>(7c). ‘Strategy’ No</td>
</tr>
</tbody>
</table>

Source: Section ‘Austria’ on page 67

In 1990, the Austrian government assigned foreign trade offices of the AWO of WKÖ with diplomat status. This involved that senior staff members of foreign trade offices at Bilateral Chambers started to take advantage of privileges that normally only benefit government representatives abroad (AWO of WKÖ 2004a). This government decision made KES activities of foreign trade offices easier and in many cases more efficient. It also indicated that governments increasingly looked at the AWO of WKÖ as a TPO with great potential in boosting Austrian exports and one that needs more support.

Another milestone signalling growing government KES in an arena formerly almost exclusively controlled by private TPOs was the wide-ranging KES initiative, Exportoffensive, by the Ministry of Economy and Labour\(^{(150)}\). Introduced in 1998, the overall aim of Exportoffensive was to generate additional exports and raise the export share in gross

\(^{(150)}\) Analyses of Austria’s export performance and Austrian small and medium-sized firms’ export involvement before the introduction of Exportoffensive are available in UNIDO (1996). Issues discussed in UNIDO (1996) include Euro Info Centers’ increasing KES roles since Austria’s 1995 accession to the European Union. Euro Info Centers as KES actors in Austria, and their more recent development, are also analysed in Lochscheidt (2002).
domestic product (GDP) to thirty per cent (OECD 2002a). The Ministry of Economy and Labour named mobilisation of new exporters and improving the ‘Austria brand’ abroad as major specific operational goals of Exportoffensive (Austrian MEL 2001). To achieve these objectives, the Ministry offered KES programmes directly through the Internet, installed inter-governmental databases to share export-related information, and developed a comprehensive Internationalisation Partnership Programme to encourage export collaboration between firms (OECD 2002a)\(^{(151)}\). In addition, Exportoffensive comprised five further measures that also supported the main goal of increasing Austria’s export per GDP ratio. These measures nonetheless mainly concerned financial export assistance, rather than KES\(^{(152)}\). Between 1998 and 2000, the government dedicated over forty million Euros\(^{(153)}\) to achieving the goals of Exportoffensive. OECD evaluations show that government measures implemented in the frameworks of Exportoffensive have made an important contribution to exports of Austrian enterprises (OECD 2002a). Hence, Exportoffensive, as the first targeted government programme to address KES, has proven successful.

A second major government KES initiative was introduced in 2004, under the name of Go International. This was a joint programme between the Ministry of Economy and Labour and the AWO of WKÖ\(^{(154)}\), with the aim of making the national arena of KES more transparent and efficient, while increasing Austria’s exports per GDP ratio to at least fifty per cent (Austrian MEL and WKÖ 2004c). The financial implications of Go International included an overall sum of one hundred million Euros between 2004 and 2006 (Austrian MEL & WKÖ 2004c). Of this amount, fifty million Euros were provided by the Ministry of Economy and Labour, with the remaining fifty million Euros stemming from the AWO of WKÖ’s own financial resources (AWO of WKÖ 2004b). Within the

\[\text{\textsuperscript{151}}\] The Internationalisation Partnership Programme resulted in the establishment of export-clusters or platforms (Austrian MEL 2001). These included a communication and cooperation platform as a discussion forum; a marketing platform to encourage small and medium-sized companies to cooperate in export marketing; an Internet platform that improves the Internet presence of enterprises and their products; a scientific platform; and a platform on future markets (OECD 2002a).

\[\text{\textsuperscript{152}}\] The ‘package’ of Exportoffensive also included the following government measures: restructuring financial institutions with the help of new financial tools; extending financial tools through increased cooperation between the agencies providing export insurance and the Austrian Control Bank; streamlining economic policy; improving the legal framework, for instance, by establishing new international agreements as well as expanding existing ones; and tax-related measures (OECD 2002a).

\[\text{\textsuperscript{153}}\] The exact figure of government government contributions in the frameworks of Exportoffensive is 43.6 million Euros. For further financial details of Exportoffensive, see OECD (2002a).

\[\text{\textsuperscript{154}}\] The WKÖ’s own resources have decreased since 1995, after Austria’s accession to the European Union. Furthermore, in 2001, the WKÖ underwent major restructuring. This included the reduction of members’ contribution in the WKÖ’s financial resources, leading to a decline in the WKÖ’s capabilities as an autonomous body (Koren 2004; AWO of WKÖ 2005).
framework of Go International, the Ministry of Economy and Labour and the AWO of WKÖ jointly elaborated a detailed KES strategy, defining with great precision the KES delivery methods of the AWO of WKÖ. This strategy included four action plans, for which the AWO of WKÖ gained full responsibility (Austrian MEL & WKÖ 2004c). The first and second action plans targeted companies in their initial phase of internationalising, including both objective and experiential KES programmes and services, such as export information provision, trade missions and visits, export counselling, educational initiatives, seminars and Internet-based know-how assistance. The third action plan included KES assistance for companies intending to participate in trade-related conferences, symposia and international fairs. The aim of the fourth action plan was to strengthen the ‘Austria-brand’ abroad, through more extensive information provision and marketing activities in potentially important export markets\(^{155}\). Moreover, the Ministry of Economy and Labour and the AWO of WKÖ specified financial bearings for individual KES action plans, and assigned a responsible staff member of the AWO of WKÖ for each KES instrument (Austrian MEL 2004b). These detailed measures indicated that Go International was not only more significant than Exportoffensive in terms of its financial implications, but it has also been more strategic in its focus.

**Summary**

Austrian governments’ KES involvement has grown markedly since the 1990s, making it apparent that governments no longer stay away from KES activities, mainly undertaken by the the leading private TPO, AWO of WKÖ. The changes (summarised in the table below) have been met with a positive response by Austrian exporters and the press (Austrian MEL 2004b), and in the mid-2000s, services of the AWO of WKÖ have often been described as “in effect governmental services” (AWO of WKÖ 2005). The AWO of WKÖ has nevertheless still remained an independent private TPO, entirely responsible for its own KES programmes and services (AWO of WKÖ 2005).

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\(^{155}\) For detailed information on the action plans of Go International, see AWO of WKÖ (2004a; 2004b).
Table 8 – Milestones of Austrian governments’ growing export support

<table>
<thead>
<tr>
<th>Asp.</th>
<th>…in Austria’s pre-1990s KES arena</th>
<th>…in Austria’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>No</td>
<td>During Exportoffensive (1998–2000), 40 million Euros, and during Go International (2004–2006), 50 million Euros were provided by the government for KES</td>
</tr>
<tr>
<td>3.</td>
<td>The government arranged (in 1946) that the AWO of WKÖ’s foreign trade offices could be located in Austrian diplomatic missions – this was a rather symbolic demonstration of the government’s assistance for KES</td>
<td>The government provided senior officials of the AWO of WKÖ’s foreign trade offices with diplomat status, allowing more effective KES delivery, in 1990. The Ministry of Economy and Labour, through developing ‘Go International’ jointly with the AWO of WKÖ, has started to more intensely intervene in KES delivery of the AWO of WKÖ</td>
</tr>
<tr>
<td>7a.</td>
<td>No</td>
<td>During both KES initiatives, including Exportoffensive and Go International, the government addressed KES as a priority. However, KES has not become a permanent priority</td>
</tr>
<tr>
<td>7c.</td>
<td>No</td>
<td>During both KES initiatives, detailed KES plans were developed, including specific goals to be achieved; during Go International, enumerated KES goals included to increase Austria’s exports per GDP ratio to at least 50%, through a detailed KES strategy including 5 action plans</td>
</tr>
</tbody>
</table>

Source: developed by the author

2: Funding arrangements for KES provision of government and/or private TPOs  
3: Effective participation / intervention in KES provision  
7a: ‘Addressing’ KES as a policy priority  
7c: ‘Strategy’ elaborated for KES as a policy priority

Finland

Like in Austria, Finnish have governments also had a ‘No TPO’ KES design in place. The table below summarises Finnish governments’ pre-1990s forms of KES involvement.

Table 9 – Finnish governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in Finland’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>No</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>The Ministry of Trade and Industry has been providing funding for the leading private TPO, Finpro, since 1970</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>Diplomatic missions had Trade Commissioners, however, their tasks were neither defined nor standardised</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>No</td>
</tr>
</tbody>
</table>
| 7. Policy emphasis on KES | (7a). ‘Addressing’ No  
(7b). ‘Coordinating’ No  
(7c). ‘Strategy’ No |

Source: Section ‘Finland’ on page 70
The history of Finnish governments’ growing interest in KES delivery started as early as in the 1960s, when the Ministry of Trade and Industry\(^{156}\) was considering the establishment of its own TPO\(^{157}\). This plan was not implemented, nonetheless, the Ministry eventually agreed that instead of establishing a new TPO organised by government forces, the long-existing leading private TPO, Finpro, should centrally re-organise and improve its own KES activities. In addition, the Ministry of Trade and Industry decided that it would not directly intervene in Finpro’s operations, rather it officially assigned Finpro with full responsibilities for the “planning, preparation and execution of export promotion activities” (Finpro 2003b). To assist its operations, in 1970 the Ministry began to provide funding for Finpro. In fact, since 1970, the Ministry’s financial contributions have made up around half of Finpro’s financial resources\(^{158}\).

After an initial stage of purely financially assisting Finpro, the government extensively increased its intervention in Finpro’s organisational arrangements throughout the 1990s\(^{159}\). Firstly, in 1992, the Ministry for Foreign Affairs decided to transfer a number of Trade Commissioners from diplomatic missions to Finpro’s foreign offices (Finpro 2005b). These government officials – formerly in charge of non-standardised KES matters at Finland’s diplomatic missions – were thus relocated at Finpro’s foreign offices, reflecting the government’s intention of joining government and private forces participating in KES provision abroad.

Secondly, the Ministry of Trade and Industry signed a framework agreement with Finpro in 1995, which re-defined cooperation between the Ministry and Finpro on the basis of a ‘buyer-producer relationship’ (Finpro 2003a, 2005b). The Ministry of Trade and Industry has provided general guidelines, and commissioned international evaluations of Finpro’s activities (Finnish SAO 2004), leading to an extensive restructuring of Finpro’s administration, as well as re-definition of its functions and strategy\(^{160}\).

\(^{156}\) For the sake of simplicity, the Ministry’s contemporary name is used.
\(^{157}\) Historic details on Finpro are available in Finpro (2004).
\(^{158}\) Finnish governments’ fifty per cent funding ratio in Finpro’s overall budgets has been fairly flexible. For instance, in 1994, the government’s contribution to Finpro’s budgets was sixty per cent (ITC UNCTAD/GATT 1994; Finpro 2002).
\(^{159}\) Throughout the 1990s, Finpro’s financial resources underwent major reductions (Kaskeala 2004). Implications of this will be further investigated later in this section.
\(^{160}\) These developments have resulted in that the then Finnish Foreign Trade Association changed its name and became Finpro in 1999; and that a sub-association called Finpro Marketing Ltd. was established in 2002 (Finpro 2003b).
Besides transferring Trade Commissioners, and signing a framework agreement with Finpro, a third government measure signalling that Finpro was gradually becoming more intertwined with government forces took place in 1997, when the Ministry of Trade and Industry relocated Finpro’s regional tasks into the recently established Employment and Economic Development Centres (Finpro 2005b)(161). The Centres comprise a wholly government network, jointly operated by the Ministry of Trade and Industry, Agriculture and Forestry, and Labour (TE-Centres 2005)(162). In 1997, Finpro’s own home network ceased to operate in its original form as a private network, and started to work under government control. By the mid-2000s, the Employment and Economic Development Centres have been considered as Finpro’s domestic network (Finpro 2003a, 2005c).

In contrast with governments’ growing intervention in Finpro’s operations, their funding has declined. In 1999, Finpro’s overall budget was sixty-two million Euros, with the government providing twenty-four million Euros (or thirty-nine per cent) (Finpro 1999)(163). In 2002, Finpro’s total operating budget was only thirty-five million Euros, with government funding to Finpro twenty million Euros (or fifty-eight per cent) (US FAS 2004). This reflected a forty-four per cent decline to overall funds, and a seventeen per cent drop in the government’s absolute contribution. Nonetheless, the relative share of government contributions has increased, to almost sixty-five per cent (Finpro 2003a).

Not only through its intensifying intervention in Finpro’s operations, but also through modifying the legal framework for KES have Finnish governments increased their KES involvement. The first step of this legislative reform was the introduction of the ‘Aid to Business Act’ in 2000 (1068/2000). This aid scheme combined internationalisation assistance with general small business development (OECD 2002a)(164). In 2001, the ‘Aid to Business Act’ was complemented by three further Acts: the ‘Act on Discretionary Gov-

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161 The Employment and Economic Development Centres constitute a ‘one-stop-shop’-like network, through which small and medium-sized firms receive support and services such as general business counselling, technological assistance and advice in issues related to exports and internationalisation (TE-Centres 2005).
162 Susia (2004) summarises the Centres’ initial organisational arrangements as follows: in 1997 three ministries, the Ministry of Trade and Industry, Ministry of Labour and Ministry of Agriculture and Forestry, decided to establish a one-stop-shop environment to improve their customer service. Therefore, they established 77 individual local customer ‘service-points’ for companies, urban and rural entrepreneurs, municipalities, federations of municipalities, organisations and individuals. Thereby the three Ministries created a more customer-friendly, and more easily accessible regional network of 15 service centres, named Employment and Economic Development Centres (Susia 2004).
163 In 1999, Finland’s official currency was the Finland Markaa. To ensure comparability, all financial data are converted into Euros, using conversion rates provided by XE-UCC (2005).
ernment Transfers’ (688/2001), the ‘Government Decree on State Aid for Promotion of Internationalisation of Enterprises’ and on ‘General Aid to Organisations and Corporations Enhancing Foreign Trade and Internationalisation of Enterprises’ (1155/2001). The key objectives of these legislative reforms were to clarify direct business aid mechanisms, to improve the effectiveness of aid and to improve monitoring of the use of aid (Finnish SAO 2003). Since their introduction, aids granted for internationalisation projects have been used to boost mainly small and medium-sized firms’ export capacity, while also being aimed at diversifying Finnish exports and encouraging new-to-export companies by providing them with market access and paving the way for their products (OECD 2002a). Governments assigned the Employment and Economic Development Centres with the distribution of aids to small and medium-sized firms. Importantly, since 2000, the government’s budgetary allocations for the aid schemes have increased (165).

Another sign of governments’ intensifying KES involvement was the appearance of KES as a policy priority for the Ministry for Foreign Affairs and the Ministry of Trade and Industry. This has mainly taken place since 2000, when the inter-governmental body Export and Internationalisation Promotion Committee, also known as the Taxell Committee, was established (Taxell 2001). The Committee was entrusted jointly by the two ministries to analyse issues related to Finland’s KES arena. Based on the Committee’s recommendations, a central decision body named Export Forum was created in 2002 (Finnish MTI 2004c). Besides Finpro, the Forum has comprised major government authorities participating in KES, such as the two ministries, as well as the National Technology Agency for Finland, the official export credit agency, and the leading trainer in international business management (166). The Export Forum also included representatives of internationalising private enterprises, who had consultative roles (Finnish MTI 2004a). The main objective of the Export Forum has been to enhance cooperation between the major actors of Finland’s national KES arena (Finnish MTI 2004c). Amongst the Forum’s corollaries, four developments are especially important for the purpose of this study: the introduction of the Enterprise Finland concept; the establishment of a national

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165 For instance, in 2001, the Aid to Business Scheme involved nearly 13.5 million Euros, were granted as aid for more than four hundred internationalisation projects (OECD 2002a). In 2003, this aid figure was 17.2 million Euros (Finnish MTI 2004d).

166 The Finnish names of these organisation are Tekes (National Technology Agency for Finland), Finnvera (Finland’s official export credit agency) and Fintra (Finland’s leading trainer in international business management).
strategy including specific KES targets to be achieved jointly by major TPOs; the development of KES targets of the Ministry of Trade and Industry; and the efforts of the Ministry for Foreign Affairs to overhaul and specify KES delivery of diplomatic missions.

Chronologically, the first success of Export Forum endeavours was the introduction of the Enterprise Finland concept in 2002. Besides those related to KES, this initiative has also incorporated other government guidelines aiming to strengthen Finnish companies’ international competitiveness\(^{(167)}\). This integrated approach has reflected the Export Forum’s newly developed principles as follows:

“[C]ommercialisation, exports and internationalisation should be taken into account in development of technologies, innovations and knowledge-based services, from the very beginning of the whole innovation chain. A key objective of the export and internationalisation service scheme is that the export and internationalisation promotion services form a seamless and wide-ranging whole from the firms’ standpoint” (Finnish MTI 2004e).

Enterprise Finland has provided public online services of Finpro – as well as Finnvera (Finland’s official export credit agency), Tekes (National Technology Agency for Finland), Sitra (Finnish National Fund for Research and Development), the Employment and Economic Development Centres and Finnish Industry Investment – through a comprehensive Internet portal, targeted at entrepreneurs and future entrepreneurs\(^{(168)}\). It has facilitated domestic companies’ access to a wide range of government services, such as those concerning setting up a business, growth and development measures, and international business activities (Enterprise Finland 2002). This initiative was a ‘visible indication’ of strengthening cooperation amongst business development bodies in Finland’s newly developed ‘innovation environment’ (Finpro 2003b).

The second major achievement of the Export Forum has been the establishment of an ambitious national KES strategy. As an important antecedent of this strategy, in 2004 the Finnish State Audit Office undertook a detailed evaluation on the government’s KES approach and activities – only to come to the conclusion that the KES roles and measures of both the Ministry of Trade and Industry and the Ministry for Foreign Affairs were still

\(^{167}\) In a broader context, the early 2000s have seen governments’ increasing priority accorded to ‘promotion of competence’, in the name of overhauling structures of the Finnish economy to secure national growth. As part of this overhaul, the government proposed an increase to resources in order to boost Finnish companies’ competitiveness (Finnish PMO 2004).

\(^{168}\) The service portal of Enterprise Finland, opened in February 2002, is available at www.yrityssuomi.fi (Enterprise Finland 2002).
‘illogical and unsuccessful’ (Finnish SAO 2004)\(^{169}\). The need to overhaul government KES mechanisms has led to the 2004 development of a comprehensive national KES strategy, with the overall aim of increasing Finland’s GDP share of exports by ten per cent by 2010 (Lehtomäki 2004)\(^{170}\). The responsible body for drafting the strategy has been the Ministry of Trade and Industry, however, a number of other bodies engaged in internationalisation policy have also committed themselves to the strategy (Finnish MTI 2004e, 2005).

Specific objectives of this national KES strategy included increasing the number of exporting companies from seven thousand (in 2004) to ten thousand, and raising the share of high-technology exports to twenty-five per cent by 2010 (Finnish MTI 2004e). In addition, the exports share of small and medium-sized enterprises was to reach twenty per cent of total exports, from their fourteen per cent share in 2004. Within the group of small and medium-sized firms, those in the service sector have received major government attention\(^{171}\).

Another element of the newly-developed KES strategy is that the Ministry of Trade and Industry has started providing KES grants that can be used only by firms that “make Finnish export supply and expertise known in new markets, to extend market shares” (Finnish MTI 2004d). For instance, in the 2003 budget of the Finnish Ministry of Trade and Industry, seventeen million Euros were reserved for the provision of such new KES grants (Finnish MTI 2004d). These grants have been used for export projects in India, China and Brazil, amongst others (Finnish MFA 2006).

Complementing and contributing to the national KES strategy, both the Ministry of Trade and Industry and the Ministry for Foreign Affairs have “tuned their performance management to correspond to the [national] strategy” (Finnish MTI 2004e). As the third essential corollary of the Export Forum’s efforts, KES involvement of the Ministry of Trade and Industry has undergone major changes since the early 2000s. In the Ministry

\(^{169}\) As the Finnish State Audit Office (2004) claims, the lack of coherent KES strategy has led to overly complex KES arrangements, including numerous public and private organisations with frequent overlaps. The State Audit Office considered controllability and coordination to be the government’s biggest KES problems (mainly in relation to Finpro) (Finnish SAO 2004).
\(^{170}\) In 2004, the GDP share of total exports was less than forty per cent. The goal was to increase this number to fifty per cent by 2010 (Finnish MTI 2004e).
\(^{171}\) Without specified target figures, the government has announced its goal of increasing ‘markedly’ exports of services, from the 2004 level of below ten per cent of total exports (Finnish MTI 2004e).
of Trade and Industry’s foreign economic policy, financial assistance to Finpro was the only form of KES involvement prior to the Export Forum’s establishment (Finnish MTI 2004b). To comply with the 2004 joint KES plan, the Ministry also developed its own KES plan in 2005. Major goals and elements of this plan include the following:

“To increase the number of export partnership programmes for small enterprises; to examine the scope and coverage of the service network abroad and to develop it to better match the needs of enterprises, while services in Finland are also to be developed; to revise the training services in export trade and business management offered to SMEs; to develop the content and services of internationalisation policy in accordance with the recommendations of the Export Forum; to increase the number of networking projects and Export Partner Groups; to support SMEs to develop their capacity to meet international competition, and to work towards the diversification of exports” (Finnish MTI 2005).

The fourth result of the Export Forum has been that, along with the Ministry of Trade and Industry, KES has become prioritised in the portfolio of the Ministry for Foreign Affairs as well. This has been accompanied by continuous strengthening of diplomatic missions’ KES delivery since (and even before) the establishment of Export Forum. KES activities of embassies and consulates first became subject to a thorough review in 2000 (Tuomioja 2000). Partly, this review was a consequence of a major downscaling of Finpro’s foreign networks (172); and the recognition that the KES capabilities of embassies and consulates were not exploited before the 2000s, despite that – compared to Finpro’s foreign representations – diplomatic missions represented a far more extensive network. The 2000 report specified that diplomatic missions would “have to accept greater responsibility for export promotion issues” (173). Hence, the Ministry for Foreign Affairs assigned embassies and consulates with clarified and strengthened tasks (174). These included that cooperation between diplomatic missions and Finpro’s foreign networks became institutionalised, mainly in the forms of liaising with foreign authorities, ‘opening of doors’ and in Finland’s image building (Tuomioja 2000).

Along the same policy lines, in 2003 the Ministry for Foreign Affairs elaborated distinctive KES roles for diplomatic missions in countries where Finpro did not have permanent

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172 Foreign KES networks had to be reconsidered when, due to major budget cuts, Finpro thinned out its global network, closing down more than twenty representations (Torstila 2001). In addition, to turn Finpro into an ‘expert body’ (Finpro 2002), significant changes were undertaken in the nature of Finpro’s operations.

173 The wide-ranging government report ‘Challenges for the Finnish Foreign Service in the 21st Century’ does not only analyse diplomatic missions’ KES operations and their potential improvement in particular, but it also discusses numerous aspects of the national KES arena in general. For details, see Tuomioja (2000).

174 The Ministry also clarified the “role and the guidance of missions abroad in the field of export promotion and develop [their] activities in response to the needs of the business community […]. The development of such activities requires resources and growing professionalism. Co-operation with Finpro is of key importance” (Tuomioja 2000).
representation (Finnish MFA 2003). For instance, even when diplomatic missions were not able to offer specific export consultancy services – such as preparing market reports or analyses for exporters – they were assigned with the responsibility of answering existing or aspiring exporters’ enquiries (Finnish MFA 2003). Moreover, distinguished KES tasks and resources were directed to diplomatic missions in rapidly growing export markets (Finnish MTI 2004e).

Increasing KES commitments of diplomatic missions have also been reflected in budget allocations of the Ministry for Foreign Affairs. An increase for commercial diplomats’ financial resources was proposed in 2001 (Torstila 2001). Due to a remarkable growth of the Ministry’s budgets, not only did it become possible to increase staff and expand the networks of diplomatic missions, but the extra funds also permitted a revision of the Ministry’s management system, renewal of the compensation system of diplomatic missions, and the development of systematic evaluation (Mattila 2002, 2003).

In addition, the Ministry for Foreign Affairs introduced the Market Access Unit in 2004. Tasks of this unit include gathering, integrating and disseminating information from companies about the export and investment barriers they encounter (Finnish MFA 2004). Diplomatic missions’ KES activities became even more specified in 2005, when the Ministry for Foreign Affairs elaborated a ‘three-pillar system’ (Finnish MFA 2005b). The first pillar focuses on the foreign business environment of Finnish enterprises, such as barriers to exports; the second pillar includes general Finland-promotional activities; and the third pillar comprises information produced and disseminated by the Ministry’s extensive network of diplomatic missions abroad (Finnish MFA 2005a, 2005b). These centrally specified tasks of Finnish embassies and consulates have ensured their larger weight in Finland’s KES arena.

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175 In 2005, Finpro has fifty-one foreign offices (often referred to as Finland Trade Centres) in forty countries (Finpro 2005a).
176 In the words of the then Minister for Foreign Affairs: “Our intention is that promotion of export and internationalisation would receive greater priority in the routine work done by foreign missions, and that the business world, too, would find it easier to turn to our missions abroad” (Lehtomäki 2004).
177 Total operational budget of the Ministry for Foreign Affairs was 714.7 million Euros in 2003, 775.6 million Euros in 2004, 823.6 million Euros in 2005, and 890.3 million Euros in 2006 (Mattila 2002, 2003; Patosuo 2005).
Summary

KES involvement of Finnish governments has grown markedly since the 1990s, resulting in that the national area of KES, which was described as the domain of private forces until the early 1990s, has been in the early 2000s portrayed as a system organised through mixed government-private sector institutions (Holstius & Seringhaus 1994; Finnish SAO 2004). The table below summarises major manifestations of growing government KES.

Table 10 – Milestones of Finnish governments’ growing export support

<table>
<thead>
<tr>
<th>Asp.</th>
<th>…in Finland’s pre-1990s KES arena</th>
<th>…in Finland’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>The Ministry of Trade and Industry has been providing funding for the leading private TPO, Finpro, since 1970</td>
<td>The Ministry of Trade and Industry has decreased its funding for the leading private TPO, Finpro (since 2000) in absolute terms, but the relative share of government versus private funding for Finpro has increased from 60% in 1994 to 65% in 2003. Aid to Business Scheme budget increased from 13.5 mill Euros in 2001 to 17.2 mill Euros in 2003 (by 27%). Diplomatic missions’ operational budget has increased by 15% between 2003-2005</td>
</tr>
<tr>
<td>3.</td>
<td>No</td>
<td>Governments have increasingly intervened in Finpro’s KES delivery, incl. the 1992 transfer of Trade Commissioners, the 1995 framework agreement, and the integration of Finpro’s domestic network into a wholly government network of the Employment and Economic Development Centres in 1997; the Ministry of Trade and Industry started providing dedicated Export Project Grants for firms exporting to new or emerging markets in 2003</td>
</tr>
<tr>
<td>4.</td>
<td>Diplomatic missions had Trade Commissioners, however, their tasks were neither defined nor standardised</td>
<td>Enhanced and specific roles have been developed for diplomatic missions, mainly since 2000, resulting in clarified and strengthened tasks, as well as extra funds for Trade Commissioners’ KES delivery</td>
</tr>
<tr>
<td>5.</td>
<td>No</td>
<td>The Enterprise Finland concept, introduced in 2002, signalled the government intention to coordinate major domestic KES actors’ efforts; Enterprise Finland has provided public online services of Finpro, as well as Finnvera, Tekes, Sitra, the Employment and Economic Development Centres and Finnish Industry Investment</td>
</tr>
<tr>
<td>6.</td>
<td>No</td>
<td>In 2000–2001, several business aids schemes were introduced through KES-specific legislative reforms, including the ‘Aid to Business Act’ (2000); ‘Act on Discretionary Government Transfers’ and ‘Government Decree on State Aid for Promotion of Internationalisation of Enterprises’ and on ‘General Aid to Organisations and Corporations Enhancing Export Trade and Internationalisation of Enterprises’ (2001)</td>
</tr>
<tr>
<td>7a.</td>
<td>RES was emphasised within foreign economic policy, mainly by the Ministry of Trade and Industry, but this was rather rhetorical</td>
<td>Both the Ministry for Foreign Affairs (since the 2000 establishment of the Tassel Committee), and the Ministry of Trade and Industry (since a 2002 thorough review on diplomatic missions’ KES activities and the establishment of Enterprise Finland) started to address KES as a policy priority</td>
</tr>
<tr>
<td>7b.</td>
<td>No</td>
<td>KES policy harmonisation started mainly through the Export Forum in 2002</td>
</tr>
<tr>
<td>7c.</td>
<td>No</td>
<td>National KES strategy was elaborated in 2004, including specific goals to increase the number of exporting companies from 7,000 (in 2004) to 10,000, to raise the share of high-technology exports to 25 per cent by 2010 and better target KES efforts; the Ministry of Trade and Industry’s ‘own’ KES plan introduced in 2004, and the Ministry for Foreign Affairs specified its KES plan in 2005</td>
</tr>
</tbody>
</table>

Source: developed by the author
Germany

Traditionally, government KES involvement in Germany was described as ‘token support’ (Elvey 1990: 127). The table below summarises pre-1990s forms of government KES involvement\(^{(178)}\).

### Table 11 – German governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in Germany’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>No</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>The Ministry of Economy and Labour has financially assisted companies’ trade-fair participation since 1949</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>The Ministry of Economy and Labour has directly participated in KES delivery, through the German Office for Foreign Trade or BfAI, and through providing trade-fair-related KES instruments</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>Diplomatic missions’ KES operations were ad-hoc, without specified tasks</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>No</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td></td>
</tr>
<tr>
<td>(7a). ‘Addressing’</td>
<td>KES was emphasised as an area of high priority within foreign economic policy of the Ministry of Economy and Labour, however, only in terms of trade-fair assistance and export information provision</td>
</tr>
<tr>
<td>(7b). ‘Coordinating’</td>
<td>No</td>
</tr>
<tr>
<td>(7c). ‘Strategy’</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Section ‘Germany’ on page 74

The German KES arena, which traditionally was the domain of private rather than government forces\(^{(179)}\), has undergone gradual but major changes since the 1990s, whereby governments’ KES involvement has markedly increased. An evidence of this is that since the late 1990s, German KES arrangements have been described not as privately dominated, rather as those operating in a three-pillar framework. Essentially, two of these three pillars are government bodies:

“[A] key instrument of market-oriented export policy in Germany is the provision of export-related information by the Federal Office for Foreign Trade Information [i.e., the BfAI], the Chambers of Foreign Trade [i.e., the DHK] and the official German representations abroad [i.e., diplomatic missions], which together form the three-pillar system of trade promotion in Germany” (Koopmann 1998: 1)\(^{(180)}\).

\(^{(178)}\) The German re-unification in 1990 has had very important implications for every area of Germany’s economic development, including changes to its KES arena. These are acknowledged in the subsequent sections.

\(^{(179)}\) The claim that the German KES arena was traditionally controlled by private rather than government forces is presented in a number of studies, including Pointon (1978), Elvey (1990), Seringhaus & Rosson (1991a) and Koopmann (1998).

\(^{(180)}\) The three-pillar framework of German KES has been discussed, for instance, in BfAI (2001), OECD (2002a), Clement (2003), German FFO (2004) and German MEL & FFO (2004).
The BfAI, established in 1951, is an agency in the portfolio of the Ministry of Economy and Labour (BfAI 2002). Prior to the 1990s, the BfAI had a narrow KES scope limited to information provision, operating without foreign networks. Over the 1990s, German governments restructured and expanded the BfAI’s responsibilities (BfAI 2001, 2003a, 2003b). They introduced new KES services for the BfAI, such as assistance in companies’ international tender participation, organisation of informational networking events and tailor-made export consultancy (BfAI 2001, 2002). Nevertheless, the BfAI’s major service has remained information provision\(^{(181)}\), including publishing economic data and trends, sector analyses, reports on foreign economics, taxation law, customs procedures and tariffs. The new services have been facilitated and enhanced by an increased number of sixty BfAI-correspondents, located in a number of foreign countries (BfAI 2001). However, even with the network of its correspondents, the BfAI is still not seen as an organisation with an integral foreign network, as correspondents only provide information for the BfAI on an ad-hoc basis.

Besides expanding the scope of its KES instruments and developing a correspondent network, the arguably most significant recent KES measure of the BfAI was the 2001 launch, and ongoing development of the comprehensive Internet portal iXPOS\(^{(182)}\). The novelty of iXPOS was that it is the first and only portal in Germany to provide thorough overviews of most service offerings in connection with international business, and of the KES measures available to small and medium-sized enterprises (OECD 2002a). The BfAI’s aim through iXPOS has been to turn the ‘jungle’ of KES instruments into a transparent web of export support (German MEL 2001b)\(^{(183)}\). By means of managing the iXPOS web site, the BfAI has started to represent itself as the institution with an ultimate coordinating and controlling role in the country’s national KES arrangements. As a consequence, the BfAI, compared to its former periphery status in traditional German KES

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\(^{(181)}\) The BfAI’s major profile as an information-provider can be also seen through the official English translation of its German name, as the Federal Office of Foreign Trade Information (Bundesregierung 2004).

\(^{(182)}\) The German name of the portal is ‘iXPOS – Das Außenwirtschaftsportal’, which can be translated as the German Foreign Economic Portal (iXPOS 2004). In 2004, a further addition to iXPOS, an online contact site named ‘e-trade-center’, was developed (German MEL 2004a).

\(^{(183)}\) Including sub-national levels, the German KES arena comprised three hundred, mainly private organisations with internationalisation promotion focus in 2001 (German MEL 2001a). iXPOS offers exporting firms the “entire spectrum of German foreign trade promotion opportunities at a glance and provides guidance through the jungle of tools and services” (iXPOS 2003).
arrangements, has come to be seen as a central institution of external economic promotion, including KES (German MEL 2001a, 2001b; OECD 2002a).

The BfAI’s strengthening KES position has been accompanied and further enhanced by the new internationalisation initiative, Weltweit Aktiv (or Active Worldwide), introduced by the Ministry of Economy and Labour in 2003 (German MEL 2003). Through Weltweit Aktiv, the Ministry focussed on small and medium-sized enterprises, to raise their awareness of the advantages of internationalisation and to increase their participation in international business activities (Clement 2003)\(^\text{184}\). The Weltweit Aktiv initiative has consolidated central areas of foreign trade policy in a ten-point programme (German MEL & FFO 2004)\(^\text{185}\). Driven by the Weltweit Aktiv campaign, government funding for KES has considerably increased since the early 2000s (German MEL 2005). Compared to the approximately ninety million Euros in 2001, after the introduction of Weltweit Aktiv in 2003, over one hundred and twenty; and in 2004, one hundred and seventy million Euros were spent on internationalisation promotion (German MEL 2001-2004)\(^\text{186}\).

In line with the guidelines of Weltweit Aktiv, the Ministry of Economy and Labour has increased its support for small and medium-sized companies’ trade-fair participation, which had been a traditional form of government KES subsidisation since 1949 (German MEL 2001a; AUMA 2005). Compared to the average government spending on trade-fair support over the early 1990s, which amounted to around twenty-five to twenty-seven million Euros per year; in 2002, government support for small and medium-sized firms’ trade-fair participation was approximately thirty-four million Euros (Mittelstandportal 2003; AUMA 2005). This increased assistance has been mainly channelled through the Association of German Trade Fair Industry or AUMA (Schreiber 2003)\(^\text{187}\). In terms of

\(^\text{184}\) For a review on the small business policy of the Ministry of Economy and Labour, including internationalisation promotion for small firms, see ‘Mittelstandpolitik’ in German MEL (2004b).

\(^\text{185}\) This ten-point programme includes growing government support for Bilateral Chambers; further strengthening the BfAI’s KES roles; in addition to iXPOS, the launch of an online ‘e-trade-center’; increasing support for companies’ trade-fair participation; new support measures for export credit, export insurance, and specifically against political risk; networking events targeted at firms in the service sector; strengthening the multilateral framework for free trade; and modernising the German customs system (German MEL 2003).

\(^\text{186}\) Government funds spent on internationalisation also include investment promotion, beyond KES. This is in line with German foreign economic policy’s ‘twin objectives’ of “enhancing the competitiveness of German firms on foreign markets and preserving the attractiveness of Germany as a business location to foreign investors” (Koopmann 1998).

\(^\text{187}\) The abbreviation AUMA is based on the German name: Ausstellung- und Messe-Ausschuss der Deutschen Wirtschaft.
the number of government-supported trade fairs, in 2003, small and medium-sized companies’ trade-fair participation was facilitated by sponsoring twenty-four additional fairs compared to the number of government-subsidised fairs in 2002 (German MEL 2003). In 2004, thirty, and in 2005, twenty additional fairs were supported compared to the previous years (German MEL & FFO 2004; German MEL 2005).

Within the frameworks of Weltweit Aktiv, the Ministry of Economics and Labour had the coordinator’s role among various organisations involved in ‘external economic promotion’ at the federal and the state level (German MEL & FFO 2004). Along with the Ministry of Economics and Labour, the Federal Foreign Office also aligned behind Weltweit Aktiv and took important KES responsibilities on board. For instance, one of the major aims of Weltweit Aktiv, strengthening support for Bilateral Chambers, was mainly the responsibility of the Federal Foreign Office (German MEL 2004a). Since 2003, the Foreign Office has adjusted its support measures for Bilateral Chambers to the principles of Weltweit Aktiv in general, and to measures of the Ministry of Economy and Labour in particular. This signals increasing KES cooperation between the two government bodies.

The efforts of the Foreign Office to enhance Bilateral Chambers mainly focussed on Eastern Europe, the Middle East, and East Asia in the initial phase of the Weltweit Aktiv campaign. Chambers were opened or upgraded in 2003 in Croatia, Bulgaria, the Baltic States, Singapore and Algeria. In the second phase, Bilateral Chambers posts were established in Russia, China and Arab countries, including Algeria, Libya, Kuwait and Jordan for Iraq in 2004 (German MEL 2005). The government not only facilitated the opening or enhancement of these offices in diplomatic ways, but also through contributing to their operational costs (Harnack 2004).

While strengthening Bilateral Chambers, the Foreign Office has not enhanced its own foreign network, embassies and consulates’ KES operations. There is no clear increasing trend for staff or resources of diplomatic missions. For instance, in 1990, the year of Germany’s reunification, diplomatic missions’ staff numbered over five thousand, which...
had jumped to eight thousand five hundred by 1994 (Biewer 1995)\(^{(190)}\). However, this increasing trend has turned around, and by 2004, there were only four thousand and five hundred staff working at Germany’s diplomatic missions abroad (German FFO 2005).

**Summary**

German governments have increased their KES involvement since the 1990s, taking important steps in the KES arena as summarised in the table below, but still leaving the private ‘pillar’, the DIHK (and individual Chambers) to be the dominant forces in Germany’s three-pillar-based KES arena (German MEL 2003; BfAI 2003b).

### Table 12 – Milestones of German governments’ growing KES involvement

<table>
<thead>
<tr>
<th>Asp.</th>
<th>…in Germany’s pre-1990s KES arena</th>
<th>…in Germany’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>The Ministry of Economy and Labour has financially assisted companies’ trade-fair participation since 1949</td>
<td>Driven by the Weltweit Aktiv initiative, budgets for internationalisation promotion (broader than ‘just’ KES) have increased from 90 mill Euros in 2001 to 170 mill Euros in 2004 (almost 90% increase). Government funding for trade fair participation increased from 26 mill Euros in 1992 to 34 mill Euros in 2002 (31% increase). New Bilateral Chambers opening abroad was also financially assisted by the government in 2003 and 2004</td>
</tr>
<tr>
<td>3.</td>
<td>The Ministry of Economy and Labour directly participated in KES delivery through the German Office for Foreign Trade or BfAI, and through providing trade fair-related KES instruments</td>
<td>The BfAI’s roles and delivery of information and trade-fair-related KES instruments have been expanded; an example of the former is the 2001 development of iXPOS; in addition, government support has increased for Bilateral Chambers abroad, which represent the foreign network of the leading private TPO, the DIHK</td>
</tr>
<tr>
<td>7a.</td>
<td>RES was emphasised as an area within the foreign economic policy of the Ministry of Economy and Labour, however, only in terms of trade-fair and export information provision</td>
<td>Besides for the Ministry of Economy and Labour, KES has become an area of high priority for the Federal Foreign Office as well, mainly since the KES initiative Weltweit Aktiv in 2003</td>
</tr>
<tr>
<td>7b.</td>
<td>No</td>
<td>During the Weltweit Aktiv campaign, the Ministry of Economy and Labour and the Federal Foreign Office harmonised their KES policies</td>
</tr>
<tr>
<td>7c.</td>
<td>No</td>
<td>The initiative Weltweit Aktiv has involved elaborated goals, however, no specific (enumerated) targets have been included</td>
</tr>
</tbody>
</table>

Source: developed by the author

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2: Funding arrangements for KES provision of government and/or private TPOs  
3: Effective participation / intervention in KES provision  
7: Policy emphasis on KES ‘Addressing’ (7a); ‘Coordinating’ (7b); ‘Strategy’ (7c)

### Switzerland

In the Swiss arena of KES, governments’ involvement included only a few areas, as summarised in the table below.

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\(^{(190)}\) The staff number of diplomatic missions grew from 5,275 in 1990, to 8,543 in 1994 (Biewer 1995).
## Table 13 – Swiss governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in Switzerland’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>No</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>Since 1908, governments have provided funding for private TPOs’ KES provision, including financial assistance for Switzerland’s leading TPO, OSEC, and Bilateral Chambers</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>Diplomatic missions participated in KES delivery, mainly by providing information; however, this was rather ad-hoc and not standardised</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>Legal regulation, since 1908, concerned the extent of government funding for KES purposes</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td>(7a). ‘Addressing’ No; (7b). ‘Coordinating’ No; (7c). ‘Strategy’ No</td>
</tr>
</tbody>
</table>

Source: Section ‘Switzerland’ on page 77

Until the 1990s, although participating in KES delivery through diplomatic missions, the Department of Foreign Affairs did not address KES as one of its key foreign economic policy priorities (Gabriel & Hedinger 1998). The first year in which KES appeared as a ‘thematic foreign policy priority’ in the Department’s official documents was 2000 (Swiss DFA 2000)(191). By the mid to late 2000s, the Department of Foreign Affairs’ foreign economic policy has had a distinguished KES component (Mayer 2003; Swiss DFA 2005; Swiss FAO 2005). Formulating KES guidelines, the Department has aimed to arrive at a “clear strategy for the alignment of export policy” (OSEC 2005b).

In line with its newly identified commitment to KES, the Department of Foreign Affairs started to appoint ‘more scientific’ counsellors at Swiss diplomatic missions, including trade commissioners with KES background, to strengthen foreign networks in general, and internationalisation promotion in particular (Swiss DFA 2000)(192). In addition, in 2001, the Department introduced detailed directives for diplomatic missions’ KES activities. These included, for instance, KES-specific education and training for diplomats with commercial responsibilities, increasing cooperation with OSEC and Bilateral Chambers, and yearly evaluation of diplomatic missions’ KES activities (SwissCham

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191 The 2000 Foreign Policy Report singled out KES, especially KES measures for small and medium-sized firms, as a thematic priority for the Swiss government in general, and the Department of Foreign Affairs in particular (Swiss DFA 2000). Small and medium-sized firms have been the main targets of government internationalisation assistance since the 1990s (Confederatio Helvetica 1998a, 1998b).

192 KES activities of diplomatic missions were considered ‘unsatisfying’ due to commercial diplomats’ lack of clear competence in the field of KES (Hösly & Meier 2003).
The Department did not enhance diplomatic missions in terms of staff numbers or resources. However, as a consequence of the new directives provided for commercial diplomats, embassies and consulates’ KES activities have become standardised and more effective (Swiss DFA 2005). Diplomatic missions have provided a wide range of KES services, such as information, contacts and liaison between existing trading partners.

Along with the Department of Foreign Affairs, the Department of Economic Affairs has also intensified its KES commitments and started to address KES as a foreign economic policy priority in 1999–2000. Until the late 1990s, the main body of the Department of Economic Affairs with foreign economic policy responsibilities was the Swiss Office for Foreign Economic Affairs (Gabriel & Hedinger 1998). KES, nonetheless, did not receive high priority in the Office’s areas, which traditionally focussed on macro-economic guidelines for Swiss foreign relations. In 1999, the Swiss Office for Foreign Economic Affairs merged with another agency in the portfolio of the Department of Economic Affairs, the Swiss Federal Office of Industry, Crafts and Labor. As a result of the merger, the Department of Economic Affairs established the State Secretariat for Economic Affairs, which unified the Department’s formerly fragmented competitiveness and internationalisation policies (Gabriel & Fanzun 2003). The Department of Economic Affairs re-positioned the State Secretariat for Economic Affairs, by extending the KES roles of its predecessor, the Swiss Office for Foreign Economic Affairs (Confoederatio Helvetica 2000). By the mid-2000s, the Secretariat has become the body with the main responsibilities for foreign, including KES-related economic policies. Hence, it has been considered as the most important government actor in the national KES arena (Gabriel & Fischer 2003; Swiss DEA 2003b).

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193 For the Department’s further KES guidelines for diplomatic missions, and for more detail on the KES regulation (in German, the ‘Exportförderungsdispositive’), see SwissCham (2001).
194 In addition, some diplomatic missions have become integral parts of OSEC’s foreign networks, with even more standardised KES operations. Details on this cooperation-integration are provided later in this section.
195 The Swiss Office for Foreign Economic Affairs is abbreviated as BAWI, based on the organisation’s Swiss (German) name: Bundesamt für Aussenwirtschaft. Other sources refer to the organisation’s English name as the Swiss Federal Office of Foreign Trade (UNIDO 2004).
196 In Gabriel & Hedinger (1998), a detailed description is available on the Office’s responsibilities during the 1990s.
197 The Swiss Federal Office of Industry, Crafts and Labor is abbreviated as BIGA, based on the organisation’s Swiss (German) name: Bundesamt für Industrie, Gewerbe und Arbeit (NZZ 1997).
198 The State Secretariat for Economic Affairs is often abbreviated as SECO, based on the organisation’s Swiss (French) name: Secrétariat d'Etat à l'économie (SECO 2004).
In parallel with the changes signalling increasing priority accorded to KES by both the Departments of Foreign Affairs and Economic Affairs, the Swiss arena of KES has seen a significant shift in the main TPO, OSEC’s KES operations as well. This has been one of the far-reaching consequences of the government’s initiatives to increase funding for OSEC, and introducing significant legal amendments to reform the operations of OSEC and other TPOs. The first time Swiss governments provided financial assistance for OSEC was in 1927, when it was founded. Government budgetary contributions were then continuously provided until 1989, according to the unchanged late 1920s legal arrangements. In 1989, the government amended legal regulations on financing TPOs (BBl 1989 III 925). The 1989 legislation on KES resulted in that government KES grants became more transparent and more conform with European Union countries’ similar legal arrangements (Hösly & Meier 2003). In addition, the scope of government KES funding was extended to a wider range of TPOs (Confoederatio Helvetica 1997; Hösly 2002). The 1989 law was in effect for the subsequent eight years. When the eight-year period was coming to an end, the introduction of a new KES-law became necessary (Confoederatio Helvetica 1997, 1998b). However, this time the government decided to extend the scope of this law, and, compared to the previous legislations that concerned only budgetary assistance to TPOs, the new KES law embraced a range of KES and other internationalisation promotion areas (SR 946.14 2000; Confoederatio Helvetica 2001a).

This comprehensive export support law, drafted in 1998–2000, bound the provision of government funding to a number of conditions. Firstly, it emphasised that the government’s role in the arena of KES can only be secondary, hence, it must only complement and facilitate, as opposed to substituting for private initiatives (SR 946.14 2000). Secondly, rather than simply determining whether to provide funding for TPOs, and deciding about the amount of funding, the law drafted a mandate-based system building on business principles (Confoederatio Helvetica 2001b). According to the new KES environment created by the law, similarly to a business tendering procedure, TPOs must pre-

\[199\] Beyond OSEC, other Swiss TPOs became eligible for government KES funding as well (BBl 1989 III 925). For more detail on this legal amendment, see Confoederatio Helvetica (1997).

\[200\] Seemingly aiming for creating a competitive situation for TPOs in terms of the availability of government funding, the 2000 legislative amendment has often been criticised for being designed simply to improve OSEC’s business performance (Swiss FAO 2005). However, according to its critiques, the principle of subsidiarity has been violated and a disadvantageous competitive situation has been created for private TPOs other than OSEC (WTO 2004a).
sent their business strategy to the government to become eligible for government funding (Mayer 2003). This strategy must clearly show that the TPO focuses on small and medium-sized enterprises, and that it addresses four key KES areas, named by the law: provision of export information, export consultancy, foreign marketing and training services (OECD 2002a). The TPO must also demonstrate that it has widespread domestic as well as foreign networks, so that KES instruments can be easily provided at both the home and target markets of Swiss small and medium-sized firms’ exports (Hösly 2002). The new law named approximately twenty ‘priority’ countries “whose markets are especially important or offer good future prospects for Swiss enterprises” (Swiss DFA 2000)\(^{201}\). Besides concentrating TPOs’ foreign resources on these markets (Swiss Federal Assembly 2000), the law clarified that the TPO that would eventually receive the majority of government subsidies must be able to take the coordinator role in Switzerland’s national KES arena (Hösly & Meier 2003). In other words, this TPO would become the leader in both domestic and foreign-based KES delivery for Swiss exporters.

The law came into force in March 2001, naming OSEC as the TPO that best meets the government’s requirements (OECD 2002a). Accordingly, OSEC obtained the dominant share of government funding for KES, a mandate until the end of 2003, and specific goals to achieve. The government body directly in charge of OSEC’s funding arrangements and mandate has been the State Secretariat for Economic Affairs, as the recently repositioned authority responsible for foreign economic, including KES policy\(^{202}\).

With regard to the government’s budgetary contributions, OSEC received over thirteen million Swiss Francs in 2000. Through a continuous growth of government contributions, determined by the law, in 2005 government grants amounted to seventeen million Swiss Francs\(^{203}\). This means that in 2005, the government has provided over two thirds (sixty-seven per cent) of OSEC’s budgets (OSEC 2005b).

\(^{201}\) The law gave priority to the Switzerland’s neighbouring countries, as well as the United Kingdom, United States, Japan, China, Brazil and India (Swiss DFA 2000).

\(^{202}\) For more detail on the development of the State Secretariat for Economic Affairs or SECO, including the process of increasing priority accorded for KES within the Department of Economic Affairs, see early paragraphs of this section.

\(^{203}\) Government contributions to OSEC’s budgets have increased from 13.6 million Swiss Francs in 2000, to 15.2 in 2001, then 15.4 and 15.5 in 2002 and 2003, 16.7 in 2004 and 17 million Swiss Francs in 2005 (Confoederatio Helvetica 2000, 2001b; OSEC 2002, 2003a, 2004a; WTO 2004b; Confoederatio Helvetica 2005).
In line with the government’s criteria for OSEC’s mandate, OSEC – renamed as OSEC Business Network Switzerland – has developed close-knit domestic and foreign networks\(^{204}\). OSEC has aimed to become the coordinator and act as a platform between domestic and foreign networks of TPOs, as well as the Swiss exporters (OSEC 2002; OECD 2002a). In accordance with these goals, OSEC domestic networks, previously consisting of only three offices located in Zurich, Lausanne and Lugano, have been expanded to include Chambers in Swiss cantons (Mundi Consulting 2004). This has involved that, in the first step, cooperation between OSEC and domestic Chambers has become intensified in an informal way, for instance, by jointly organising trade fairs, export seminars, or delivering further KES instruments in a coordinated way (SwissCham 2001; Grauwiler 2003). Drawing on these informal arrangements but moving one step further, in the second and more formal phase, OSEC signed an internal network framework agreement with Chambers in 2003 (Kingstone 2004). As a result of this framework agreement, eighteen cantonal Chambers and the one Liechtenstein-based Chamber have become ‘contract partners’ of OSEC\(^{205}\). In 2004, OSEC’s domestic cooperating partners have been complemented by Euro Info Centers as well (Confoederatio Helvetica 2003)\(^{206}\). These organisations altogether have gradually, through informal and formal agreements, become strong domestic legs of OSEC’s business networks (Mayer 2003).

OSEC’s foreign networks, also complying with the 2000–2001 KES law, have been developed concentrating on a small number of priority markets (OECD 2002a). As OSEC did not have an integral foreign network until 2000, the first ‘hubs’ of the new network were established in the framework of existing foreign-based Swiss offices with KES responsibilities. These included diplomatic missions, in eleven countries, benefiting from the resources already available in the agencies abroad\(^{207}\), and Bilateral Chambers, in two

\(^{204}\) These networks also included several organisations with an internationalisation profile other than KES. For instance, the organisation of Swiss Export Risk Guarantee, the Swiss Organisation for Facilitating Investments and the Swiss Import Promotion Organisation also became part of the umbrella organisation ‘Business Network Switzerland’.

\(^{205}\) In addition, the framework agreement included that Swiss Federations became project partners, and a number of private specialists (that is, small export consultants) agreed on case-by-case cooperation with OSEC (Kingstone 2004).

\(^{206}\) Members of the organisation Euro Info Center Switzerland provide information to firms on all aspects concerned with the European Union and the European Economic Area (OSEC 2003a). For detail on Euro Info Centers’ KES roles, see NZZ (1993b).

\(^{207}\) In Brazil, China, France, Germany, India, Japan, Poland, Russia, Spain, the United Kingdom and the United States, OSEC’s foreign network is constituted by embassies or consulates (Kingstone 2004; Swiss FAO 2005). Diplomatic missions’ KES provision, as described earlier in this section, has become more streamlined and standardised by the early 2000s.
countries\(^{(208)}\) (Kingstone 2004). These centres of Swiss foreign-based KES have often been operated as one-stop-shops, incorporating the provision of several internationalisation-related instruments (Syz 2002). They are called Swiss Business Hubs, and even when they operate under the auspices of diplomatic missions, they ‘officially’ belong to OSEC’s organisational framework, rather than that of the Ministry of Foreign Affairs\(^{(209)}\). Cantonal and Lichtenstein-based Chambers, as well as Swiss Business Hubs have been assigned with precisely defined, standardised KES tasks under the leadership of OSEC. This centralisation has contributed to a significant reduction of overlaps in the Swiss KES system, and hence the Business Network Switzerland is often claimed to have become the cornerstone of Switzerland’s mid-2000s KES arena (OECD 2002a; Grauwiler 2003)\(^{(210)}\).

By the mid-2000s, governments’ majority contribution to OSEC’s financial resources, and their intensified control over OSEC’s activities have led to that OSEC, although still a private organisation by legal status, has come to be seen a ‘half-state’ organisation (Mundi Consulting 2004; Widmer, Hirschi & Hutter 2005).

**Summary**

In Switzerland, governments since the late 1990s have increased their KES involvement to a great degree. By the mid-2000s, with regard to the often cited ‘klein, aber fein’ description for government intervention in the Swiss economy, the ‘klein’ (small) adjective is no longer applicable when it comes to describing governments’ KES involvement. The table below summarises the major steps of increasing government KES involvement.

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\(^{(208)}\) The two countries in which Bilateral Chambers rather than embassies or consulates constitute OSEC’s foreign networks include Austria and Italy (Kingstone 2004).

\(^{(209)}\) For an overview on the expansion and proposed future development of Swiss Business Hubs, see Künig (2004).

\(^{(210)}\) On OSEC’s re-positioning, in light of increasing government funding and control, see Confoederatio Helvetica (2000), Hösly (2002) and Hösly & Meier (2003).
Table 14 – Milestones of Swiss governments’ growing KES involvement

<table>
<thead>
<tr>
<th>Asp.</th>
<th>...in Switzerland’s pre-1990s KES arena</th>
<th>...in Switzerland’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Since 1908, the government has provided funding for private TPOs’ KES delivery, including financial assistance for OSEC and Bilateral Chambers</td>
<td>The government increased its contribution to OSEC budgets from 13 mill Francs in 2000 to 17 mill Francs in 2005 (31% increase), and in relative terms, the government’s share in OSEC’s budget increased from 25% in 1994 to 67% in 2005; government funding for diplomatic missions’ KES activities, however, has not grown</td>
</tr>
<tr>
<td>3.</td>
<td>No</td>
<td>The government intensified its control over OSEC, by regulating its domestic KES delivery (what KES services OSEC must focus on), and foreign delivery (on what markets OSEC must concentrate its resources)</td>
</tr>
<tr>
<td>4.</td>
<td>Diplomatic missions participated in KES delivery, mainly providing information; however, this was rather ad-hoc and not standardised</td>
<td>Diplomatic missions have been enhanced in terms of the staff or resources dedicated for KES, and their KES services have been standardised by the early 2000s; in addition, some embassies and consulates have become integral parts of OSEC’s new foreign network (as Swiss Business Hubs)</td>
</tr>
<tr>
<td>5.</td>
<td>No</td>
<td>Through the 2000–01 export support law, the government attempted to coordinate KES delivery of major TPOs, and reduce duplications in the Swiss KES arena; this has mainly involved coordinating KES activities of OSEC and Chambers in Switzerland, and those of OSEC and Bilateral Chambers abroad, since 2001; the success of this has been questioned</td>
</tr>
<tr>
<td>6.</td>
<td>Legal regulation, since 1908, concerned the extent of government funding for KES purposes</td>
<td>In 1989, the government legally amended KES funding arrangements; in 2000–01, a comprehensive export support law was drafted and introduced, embracing regulations on a range of areas of organisational and operational features of OSEC, and the national KES system</td>
</tr>
<tr>
<td>7a.</td>
<td>No</td>
<td>RES has been a policy priority for the Department of Economic Affairs since 1999, signalled by the establishment of the State Secretariat for Economic Affairs, and for the Department of Foreign Affairs since 2000, the year when KES first appeared as a ‘thematic foreign policy priority’ in the Department’s official documents</td>
</tr>
<tr>
<td>7b.</td>
<td>No</td>
<td>The 2000–01 export support law attempted to harmonise KES involvement of the two Departments of Economic and Foreign Affairs; it assigned the State Secretariat for Economic Affairs with leading KES responsibilities</td>
</tr>
</tbody>
</table>

Source: developed by the author

2: Funding arrangements for KES provision of government and/or private TPOs
3: Effective participation / intervention in KES provision
4: KES delivery outside TPO structures
5: Coordination of KES delivery
6: Legal framework for TPOs
7: Policy emphasis on KES ‘Addressing’ (7a); ‘Coordinating’ (7b)

‘TPO Only’ design: Canada

In Canada’s pre-1990s KES arrangements, governments operated their own TPO, the Trade Commissioner Service, situated within the organisational framework of diplomatic missions. Nonetheless, as the table below shows, governments were involved in no KES areas other than funding and delivering KES services within the framework of this leading government TPO until the 1990s, when ‘new winds’ brought about extensive growth of government KES involvement (Canadian TCS 2004; Potter 2004)\(^{211}\).

\(^{211}\) For an analysis on Canadian KES developments from the individual exporters’ perspectives, see Fischer & Reuber (2003).
Table 15 – Canadian governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in Canada’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>In the pre-1990s, Canada’s main TPO was the Trade Commissioner Service, situated within diplomatic missions’ organisational structure.</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>The Trade Commissioner Service was fully funded by the government.</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>The government delivered KES in the framework of the Trade Commissioner Service, Canada’s traditional leading TPO, but in no other way.</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>No</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>No</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td>(7a). ‘Addressing’ No</td>
</tr>
<tr>
<td></td>
<td>(7b). ‘Coordinating’ No</td>
</tr>
<tr>
<td></td>
<td>(7c). ‘Strategy’ No</td>
</tr>
</tbody>
</table>

Source: Section ‘Canada’ on page 81

As Canada’s leading TPO, the Canadian Trade Commissioner Service has been integrated into the networks of embassies and consulates—under the auspices of the Department of Foreign Affairs and International Trade—whose commercial, including KES responsibilities, have traditionally been jointly handled with conventional diplomat functions. In the early 1990s, the Department of Foreign Affairs and International Trade started to ‘re-think’ diplomatic missions’ major tasks, including how their KES operations could be improved (Mosey 2004; Canadian DFAIT 2005b). The Department began to provide clear guidelines for Trade Commissioners, standardising their KES instruments (Potter 2004). These new measures represent a major change in diplomatic missions’ KES provision, because, according to Potter (2004), for the first time, the Department of Foreign Affairs and International Trade defined with great precision which KES instruments were to be provided by diplomatic missions. These included six core services: market prospects, key contact search, local company information, visit information, face-to-face briefings and troubleshooting (Austrade 2002b).

The Department’s new guidelines also set a clear focus on small and medium-sized enterprises, and on groups within Canadian society who had been marginalised as exporters. In addition, the Department regulated that companies were only eligible for a

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(212) In Canada’s pre-1990s KES arena, the leading TPO was the Canadian Trade Commissioner Service, comprising diplomatic missions. For more detail on Canada’s pre-1990s KES arena, see the ‘Canada’ section in Chapter Two.

(213) Conventional diplomat functions include official country representation and consular services, amongst others.

(214) According to Potter (2004), diplomatic missions’ KES delivery ceased to be “event-driven and consumed with logistics; instead, trade commissioners would concentrate on being ‘relationship-builders’ and ‘knowledge brokers’”. This was also apparent in the main messages conveyed on the Trade Commissioner’s web site, InfoExport, developed in 1995 (Canadian DFAIT 2002b).

(215) These marginalised exporter groups included women and Aboriginal Canadians. A more detailed analysis on the new focuses of the Department’s KES measures is available in Potter (2004).
number of KES services such as information provision, market analyses, and tailored consultancy, if they met certain requirements: for instance, if they independently research their foreign target markets (Spence 2000; Austrade 2002b).

Besides providing them with new directions and standardising their KES instruments, the Department increased the staff numbers of diplomatic missions, including that of Trade Commissioners. The number of embassies and consulates has increased since the 1980s: their number grew from one hundred and ten in 1993, to over one hundred and sixty diplomatic missions in 2003 (Potter 2004). This represents a fifty per cent growth (216). In particular, the number of Trade Commissioners working in diplomatic missions was approximately six hundred in 1996 (Rattray & Auerbach 1996). In 2005, the equivalent figure was fifty per cent higher, over nine hundred (Canadian TCS 2005). In parallel with these growth trends, funding for diplomatic missions’ KES activities has also increased (Canadian DFAIT 2004) (217). In 2004, the Trade Commissions’ annual budget was over one hundred and seventy million, representing an approximately thirty per cent growth compared to governments’ expenditure for Trade Commissioners’ services ten years earlier (ITC 2004) (218).

The Department of Foreign Affairs and International Trade, besides enhancing the Trade Commissioner Service, was seeking further ways to improve the Canadian KES arena as well. Over the mid to late 1990s, the Department initiated three major reviews on foreign economic, including KES matters. These included the Steering Committee for the International Business Development Review Report, or Wilson Report (219) in 1994; the Special Joint Committee Reviewing Canadian Foreign Policy in 1994; and the Standing Committee on Foreign Affairs and International Trade in 1996 (Rattray & Auerbach 1996). Of these, the Wilson Report has made arguably the greatest impact on Canadian foreign economic policy developments. This is due to the number of innovative issues

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216 For a more detailed, recent analysis on the changing number of diplomatic missions, see McEvoy (2005).
217 KES has not been handled as a separate budget section in Canadian governments’ overall budget (Canadian DF 2005). However, data on the government’s international business development expenditure is available in Departmental Performance Reports, and this is where Trade Commissioners’ expenditures belong. Data in these Reports shows that the government’s expenditure on international business development grew from 221.4 million Canadian Dollars in 1998, to 240.6 million Canadian Dollars in 2002 (Canadian DFAIT 1998, 2002b).
218 Calculations are based on figures provided in ITC UNCTAD/GATT (1994) and International Trade Canada or ITC (2004).
219 Lynton (Red) Wilson, Chief Executive Officer of Bell Canada Enterprises, was the author of the International Business Development Review Report in 1994. He then became the first chairman of Team Canada (Canadian DFAIT 1997).
the Wilson Report raised. It challenged the Department of Foreign Affairs and International Trade to “concentrate resources both in terms of sectors and markets”, through a single, nation-wide international business development programme (Treleaven 1998). As part of this nation-wide approach, the Wilson Report proposed the introduction of the Program for Export Market Development (ITC 1999-2005). This programme focuses on small and medium-sized exporters, providing refundable government grants. It includes access to international market information, and provides services in facilitating export links (US FAS 2004). Another development deriving from the Wilson Report was the establishment of the International Business Opportunities Centre in 1995 (Canadian TCS 2004). This Centre provides match-making services – connecting foreign buyers with Canadian firms – working in partnership with the Trade Commissioner Service (Canadian IBOC 2004; Canadian TCS 2004).

The Wilson Report also suggested that the Department of Foreign Affairs and International Trade should handle these and other internationalisation promotion initiatives jointly with other government bodies (Treleaven 1998). The basis of this proposition was that by the mid-1990s, there existed a growing list of government departments and government-funded agencies engaged in KES and related activities (Potter 2004). One of these government bodies was Industry Canada, established in 1993 through the merger of Industry, Science and Technology Canada, the Department of Communications, Consumer and Corporate Affairs Canada and Investment Canada (Industry Canada 2005b, 2005c). Industry Canada had wide-ranging business development responsibilities under an integrated approach (Industry Canada 2005a). In 1997, the Department of Foreign Affairs and International Trade should handle theKES and related activities (Potter 2004). One of these government bodies was Industry Canada, established in 1993 through the merger of Industry, Science and Technology Canada, the Department of Communications, Consumer and Corporate Affairs Canada and Investment Canada (Industry Canada 2005b, 2005c). Industry Canada had wide-ranging business development responsibilities under an integrated approach (Industry Canada 2005a). In 1997, the Department of Foreign Affairs and International Trade should handle the

220 Within the framework of Program for Export Market Development, financial outlays are allocated as individual proposals are approved. If export sales result from a Program for Export Market Development plan or mission, companies are required to reimburse a portion of the Program contribution. Each agreement contains a repayment clause that stipulates the terms under which the applicant will repay the government (US FAS 2004). The amount of authorized government assistance in the framework of the Program for Export Market Development has been volatile since the late 1990s. The assistance grants totalling close to 21 million Canadian Dollars in 1998–1999 were gradually declining until 2000–2001, reaching the lowest level at 6.3 million Canadian Dollars. Then, after a slight upward trend over the early 2000s, reaching 10.3 million Canadian Dollars in 2003–2004, programme expenditures dropped back to a total of 7 million in the 2004–2005 financial year (ITC 1999-2005).

221 As Potter (2004) notes, there were earlier attempts to develop an inter-departmental internationalisation strategy in the 1980s, when the Trade Commissioner Service, previously part of the Department of Industry, Trade and Commerce, was amalgamated with the Department of External Affairs (now the Department of Foreign Affairs and International Trade). The rationale behind this government decision was that “foreign policy had to serve broader national interests” (Potter 2004). However, this consolidation of KES did not prove feasible in the long term. As Potter (2004) notes, over the 1980s to early 1990s, a gradual diffusion of Canada’s KES policy took place, both across the federal government and between the federal and provincial governments.

222 Industry Canada’s main priority is to improve the jobs and growth prospects of the Canadian economy (Industry Canada 1997a, 2003). As government documents point out, “[g]reat potential for creating long-lasting, high-quality jobs results from increasing the number of exporting firms [...] in all sectors and diversifying the markets to which they export. And, succeeding globally usually means a firm is more competitive at home” (Industry Canada 1997c).
Affairs and International Trade teamed up with Industry Canada to lead the partnership initiative with KES focus named Team Canada (Globerman 2000; Industry Canada 2003)(223).

In the Team Canada partnership, besides the Department of Foreign Affairs and International Trade and Industry Canada, a wide range of federal government organisations have also participated(224). These include the Agriculture and Agri-Food Canada, Atlantic Canada Opportunities Agency, Canadian Commercial Corporation, Canadian Heritage, Canadian International Development Agency and Export Development Canada, contributing to the continuum that the Team Canada concept has aimed for (Potter 2004; ExportSource 2004)(225). Hoekman & Kostecki (2001b) describes Team Canada as a body that institutionalises the exchange of information between the government, the business community and other interest groups, with its main focus on international trade matters, offering advice on market access, trade and investment promotion and other trade policy matters (Hoekman & Kostecki 2001b: 463).

The immediate export support goals of the Team Canada partnership were to launch a new, integrated internet KES portal, further strengthen diplomatic missions’ KES operations and elaborate a common, results-oriented plan for international business development (Canadian DFAIT 1997; Industry Canada 1997b)(226). As the implementation of the first plan, a web portal named ExportSource was developed in 1997, and became Canada’s most comprehensive, award-winning online source for government KES information (Canadian DFAIT 1998, 2003)(227). The second immediate goal, to continue increasing the number and funding of Trade Commissioners in diplomatic missions, has also

223 The term Team Canada was first used for the then Prime Minister, Jean Joseph Jacques Chrétien’s trade mission to China in 1994 (Rattray & Auerbach 1996). The Team Canada concept involves internationalisation promotion bodies with export finance and export insurance profiles, as well as those with KES focus. For instance, Export Development Canada and the Canadian Commercial Corporation have also joined the partnership (ExportSource 2004).
224 The leading role of the Department of Foreign Affairs and International Trade and Industry Canada can be demonstrated by their relative financial contributions and expenditures. For instance, in 1997, eighty-five per cent of Team Canada members’ combined internationalisation expenditures were spent by these two departments. This calculation has been based on Rattray & Auerbach (1996) and Canadian DFAIT (1997).
225 In addition, further federal government bodies that also participate in the Team Canada initiative include the Canada Economic Development Agency for Quebec Regions, Canada Mortgage and Housing Corporation, Environment Canada, Natural Resources Canada, Statistics Canada, and Western Economic Diversification Canada (ExportSource 2004). Altogether there have been twenty-three federal government bodies participating in the Team Canada partnership (ITC UNCTAD/WTO 2004a). The partnership has been also complemented by provincial and territorial governments (OECD 2002a).
226 As to why and in what ways Canada’s international business development differs from other industrialised countries’, see an analysis in Awokuse (2003), who raises the uniqueness of Canada’s KES arena compared to that of other developed countries.
227 The increased role of Internet-based KES provision in the Canadian KES arrangements is analysed in Potter (2002).
taken place in line with the original ideas of the Team Canada partnership. For instance, at least ten additional Trade Commissioners have been appointed each year since 1997 (Canadian DFAIT 1997, 2003). The third goal, to develop annual result-oriented KES plans, however, has been only partly achieved. KES plans were jointly prepared by the Department of Foreign Affairs and International Trade, Industry Canada, Agriculture and Agri-Food Canada every year (Canadian DFAIT 1997, 2005b). Nevertheless, as no specific KES goals and actions plans were set in any of the annual plans, the result-based and strategic nature of these plans is questionable.

The ultimate aim of the Team Canada partnership, to coordinate KES functions across various government bodies in order to reduce duplications in KES delivery, has been achieved through Team Canada’s transformation into a ‘virtual agency’ in 2003 (Industry Canada 2003; Potter 2004). Led by a small secretariat, and representing more than twenty government departments and agencies under one ‘virtual roof’, Team Canada’s controlling mechanisms have increased the efficiency of the Canadian KES arena (Francis & Collins-Dodd 2004).

Besides its ‘virtual’ achievements, Team Canada has also developed a ‘bricks-and-mortar’ regional network of over one hundred Trade Commissioners – covering every Canadian province and territory – providing the traditionally foreign-based Trade Commissioner Service with a strong domestic leg (Canadian TCS 2005). These Canada-based Trade Commissioners have been located in ten International Trade Centres, ten regional trade networks, twelve Canadian Business Centres, and twelve Trade Team Canada Sectors (Potter 2004; Industry Canada 2005a) – resulting in forty four regional locations where Team Canada KES services are delivered locally. Although the composition of these Trade Commissioner posts is fairly diverse, Industry Canada’s main domestic network, the International Trade Centres, are considered as the domestic network for the Trade Commissioner Service’s operations (Industry Canada 2003; Canadian DFAIT 2005a).

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228 In this ‘virtual’ form, Trade Commissioners are able to address client expectations faster and provide higher quality services than in the traditional form of Trade Commissioner networks (Canadian ITC 2004; Canada Business 2005).

229 Trade Team Canada Sectors are Industry Canada’s regional representations, through which the government’s international market development programme is delivered. In 2002–2003, for instance, Trade Team Canada Sectors ensured a Canadian presence at more than one-hundred international trade shows and missions (Industry Canada 2003).
Summary

Since the 1990s, Canadian governments have introduced a number of measures signalling their ‘new approach’ and increasing involvement in KES. These are summarised in the table below.

Table 16 – Milestones of Canadian governments’ growing export support

<table>
<thead>
<tr>
<th>Asp.</th>
<th>…in Canada’s pre-1990s KES arena</th>
<th>…in Canada’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>In the pre-1990s, Canada’s main TPO was the Trade Commissioner Service, which was situated within diplomatic missions’ organisational structure</td>
<td>Foreign networks of the new TPO, Team Canada, have been enhanced, through increasing the number of diplomatic missions from 110 in 1993, to 160 in 2003, while also increasing the staff numbers of Trade Commissioners, from 600 in 1996 to 900 in 2005; domestic networks have been established, mainly drawing on regional International Trade Centres and their Trade Commissioners since 1997 (44 regional arms in 2005)</td>
</tr>
<tr>
<td>2.</td>
<td>The Trade Commissioner Service was fully funded by the government</td>
<td>The government TPO budget was $130 mill (in Canadian $) in 1994, and $170 mill in 2004 (30% increase, covering aggregate internationalisation promotion); Trade Commissioners’ budget increased from $221 mill in 1998, and $241 mill in 2002 (9% increase); however, government funding for the major KES tool, Program for Export Market Development, has been volatile or decreasing since its 1998 introduction</td>
</tr>
<tr>
<td>3.</td>
<td>The government delivered KES in the framework of the Trade Commissioner Service, but in no other significant way</td>
<td>The scope of Team Canada’s KES provision has been expanded, e.g., through the 1994 introduction of Program for Export Market Development; and through enhancing diplomatic missions’ KES functions, including determining their KES focus and targets, standardising Trade Commissioners’ KES instruments, and increasing their numbers and funds since the 1990s</td>
</tr>
<tr>
<td>7a.</td>
<td>No</td>
<td>KES has gained high priority as a foreign economic policy area for both the Department of Foreign Affairs and International Trade and Industry Canada, since the mid-1990s</td>
</tr>
<tr>
<td>7b.</td>
<td>No</td>
<td>Coordination efforts have taken place across a number of government bodies with KES responsibilities, manifesting themselves in the Team Canada partnership initiative in 1997</td>
</tr>
</tbody>
</table>

Source: developed by the author

1: Government TPO’s establishment and design
2: Funding arrangements for KES provision of government and/or private TPOs
3: Effective participation / intervention in KES provision
7: Policy emphasis on KES ‘Addressing’ (7a); ‘Coordinating’ (7b); ‘Strategy’ (7c)
‘TPO Plus’ design: Australia, Italy, the Netherlands, Sweden and the United Kingdom

Australia

In Australia, governments’ pre-1990s KES design included the establishment and management of Austrade, the country’s leading TPO with extensive integral foreign and domestic networks, the introduction of KES-specific legal amendments, and the distinguished roles KES played in governments’ foreign economic policy. These are as summarised in the table below.

Table 17 – Australian governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in Australia’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>Australia’s main TPO was the Australian Trade Commission or Austrade, an autonomous government organisation attached to the Ministry of Foreign Affairs and Trade, with extensive foreign and regional networks</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>Austrade was fully funded by the government</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>The government provided KES in the framework of Austrade as Australia’s traditional leading TPO, but in no other way</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>No</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>The government created extra legislative framework for KES, including legal Acts regulating government KES schemes and TPO operations</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td>The Department of Foreign Affairs and Trade and its predecessors have attributed priority for KES since the 1960s</td>
</tr>
</tbody>
</table>

Since the 1990s, governments’ KES involvement has increased in the already government-dominated Australian KES arena. A restructured Austrade has extended its operational scope since the 1990s, signalled by the continuous extension of the Export Market Development Grants Scheme, Austrade’s arguably most important KES programme. The predecessor of the Export Market Development Grants Scheme was established in 1961, with the purpose of encouraging small and medium-sized businesses

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to enter export markets and develop sustainable exports (Austrade 2000b). The Grants Scheme reimburses up to fifty per cent of companies’ expenses associated with export market research, market visits, communication, free samples and other promotional activities (Austrade 2005c). The most recent of the Grants Scheme’s continuous extensions took place in the 2005–2006 financial year, when the government announced an additional twenty million Australian Dollars’ worth of funding for the Grants Scheme (Austrade 2005b). This brought the total funds of the Scheme to approximately one hundred and seventy million Australian Dollars (Austrade 2005b), which indicates a major increase compared to the 1998–1999 financial year, when government expenditures associated with the Grants Scheme were approximately one hundred and forty million Australian Dollars. The number of grant-recipients has also grown: from just over three-thousand in 1998–1999 to three thousand and three hundred in 2004–2005 (Productivity Commission 2000b; Austrade 2005b). The ongoing extensions, additional funds and growing number of recipients of the Export Market Development Grants Scheme reinforce that it is arguably the most successful KES tool among Austrade’s services (Australian DFAT 2003b).

Besides the expansion of the Export Market Development Grants Scheme, Austrade has increased its operational scope through a number of new KES initiatives and the development of further KES instruments. Recently introduced KES programmes include Export Access, established in 1991, and TradeStart, established in 1997.

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232 Crawford (1968) analyses the 1950–1960s KES policy context in the lead-up to the 1961 introduction of the early form or predecessor of the Export Market Development Grants Scheme. In its early years, the Grants Scheme was essentially aimed at “counteracting the insular culture in Australian firms brought on by protection from imports” (Productivity Commission 2000b). For reviews of the Grants Scheme’s more recent developments, see the Productivity Commission’s (2000b) report and the Australian Chamber of Commerce and Industry’s study, ACCI (2000). The current form of the Grant Scheme (in the mid-2000s) has been in operation according to 1974 guidelines, although its features have gradually been changed since the 1970s, and its focus has been modified to mainly target small and medium-sized firms (Productivity Commission 2000b).

233 Direct budgetary bearings of the Grant Scheme, however, slightly decreased over the 1990s (Productivity Commission 2000b).

234 One of the government initiatives with KES focus was the SuperMarket to Asia Action Plan over the period of 1997–2002, in partnership with the Department of Agriculture, Fisheries and Forestry (Australian AFFA 1998).

235 The aim of the original Export Access programme was to help international activities of new-to-export small firms. Advisers used one-on-one counselling and coaching, typically over a twelve-month period, to provide planning and marketing assistance. Between its 1991 establishment and 2002 restructuring, Export Access helped more than 4,500 small and medium-sized companies into sustainable exporting (Northern Territory Government 2002). Since 2002, Export Access has been operated in a slightly different way, within the framework of the New Export Development Program (see details later in this section).

236 Through the TradeStart programme, the government has aimed to develop local awareness of the benefits of exporting and the government’s trade and investment activities, providing export counselling and training (including ‘on-the-ground’ in overseas markets) and working with local export resources and business development programmes (Northern Territory Government 2002; ANAO 2005a).
Export Access and TradeStart target regional exporters, mainly small and medium-sized businesses (ANAO 2005a). Both have been jointly provided by Austrade and its internationalisation promotion partners, including regional development organisations, state and territory governments, the Export Finance and Insurance Corporation, and industry associations (Northern Territory Government 2002). By 2002, TradeStart and Export Access were provided in twenty-four regional locations, and the number of offices administering them further increased by ten offices in 2003, by eight in 2004, and by eight in 2005 as well, to reach fifty by 2005 (Australian DFAT 2002a; ANAO 2005b).

The fact that TradeStart and Export Access have been administered not only directly by Austrade, but also by its partner organisations, signals a new government approach to KES-specific cooperation between Austrade and local, including private KES forces. Major private organisations in such partnership with Austrade include regional Chambers (238) and member organisations of the Australian Industry Group (239). Indicative of their increasing KES participation, Chambers and industry associations jointly launched the export portal ‘Export61’ in 2000, with the purpose of increasing transparency among KES services available for small businesses (Export61 2005).

Austrade has selected and trained its allies – partners delivering KES instruments on its behalf – following strict procedures, to ensure KES services’ consistent and efficient delivery (ANAO 2005a). It has set criteria and established the exact methods of the provision of TradeStart and Export Access. In addition, in 2002, Austrade made it obligatory for its delivery partners to undertake ongoing KES training (ANAO 2005a).

Through this increasing intervention in the activities of private KES actors, and through expanding the number of these private actors or allies – as pointed out by the growing

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237 In 1997, another novel direction of Austrade’s KES was the newly introduced trade-fair participation assistance to help small firms “gain maximum impact from their participation in trade fairs”, with funding arrangements considered in the annual budget context, and on a case-by-case basis (Commonwealth of Australia 1997). In addition, Austrade since the late 1990s has put an increasing emphasis on educating people as to why Australia needs exports. See publications of such nature in Harcourt (2001), Mayer (2002) and Austrade (2003b), for instance.

238 Australian Chambers have optional membership and thus variable services and reach. Two Chambers associations with a large scope of activities, including KES delivery, are Australian Business Limited in New South Wales and the Victorian Employers’ Chamber of Commerce.

239 The Australian Industry Group was established in 1998 through the merger of the Metal Trades Industry Association and the Australian Chamber of Manufactures (AI Group 2005a). The Group has been active in delivering trade-mission-related KES services, but these have not been provided on behalf of the government, rather individually (AI Group 2005b).
number of TradeStart locations – Austrade has in effect enhanced its regional networks (Australian DFAT 2000). Besides its integral domestic networks of regional Austrade offices, whose number increased from ten in 1994 to twenty-seven in 2004 (ITC UNCTAD/GATT 1994; ITC UNCTAD/WTO 2004a), Austrade has gained new regional arms in the form of TradeStart offices. Moreover, in 2005, a new development of Austrade’s regional expansion was the creation of Export Hubs (Australian DFAT 2005), which bring together Austrade’s TradeStart programme and AusIndustry’s products and services under one umbrella service location (Vaile 2005). Along with TradeStart offices, Export Hubs also aim to serve mainly small and medium-sized firms. Importantly, the establishment of Export Hubs – eight of them by 2006 – has not only been a manifestation of Austrade’s enhanced regional networks, but has also been indicative of the increasing cooperation between Austrade and AusIndustry (Vaile 2005).

Turning the focus from Austrade’s domestic networks to its foreign posts, a growth trend is apparent in the number of overseas Austrade representations as well. For instance, in 1994, the number of Austrade’s overseas offices was sixty-seven, whereas in 2004, the equivalent number was one hundred and forty-nine, signalling a more than twofold increase over a ten-year-period (ITC UNCTAD/GATT 1994; ITC UNCTAD/WTO 2004a).

In the meantime, government funds for Austrade’s combined regional and overseas operations have also increased. In the 1999–2000 financial year, Austrade’s operational budget was approximately three hundred million Australian Dollars, whereas in 2004–2005, it was around three hundred and forty million Australian Dollars.

Over the past decade, Austrade has increased the strategic nature of its operations. Until the 1990s, Austrade operated without established KES objectives and detailed operational plans. These were first introduced in the Trade Outcomes and Objectives Statement of the Department of Foreign Affairs and Trade in 1997 (Australian DFAT 1997a). Five

240 Through Austrade’s regional expansion, offices becoming integral Austrade posts have been equipped with updated information technology services and enhanced infrastructure (Australian DFAT 1996b). This has also brought about improvements in regional Australia.

241 In 1999–2000, Austrade’s overall budget was 304.3 million Australian Dollars, whereas in 2004–2005, it was 335.8 million Australian Dollars (Australian DFAT 1999-2006). To put these figures into perspective, the government’s overall KES spending has amounted to an average of seventeen per cent of the total government budgetary assistance to business development in the 1990s to the early 2000s period (Productivity Commission 2000a). For more detail on Austrade’s budgets and annual performance indicators, see Austrade (2001; 2002a; 2003a; and 2004).
years later, Austrade established enumerated targets and thorough action plans drawing on a comprehensive review on the Australian exporters ‘Knowing and Growing the Exporter Community’ (Austrade 2002b). The overall goal was to double the number of Australian exporters by 2006 (O’Byrne 2002), under Austrade’s leadership and coordination across a number of government and private bodies involved.

Austrade’s detailed, enumerated plans to achieve this ambitious goal comprised four strands (Australian DFAT 2004): firstly, to continue to help established exporters grow their exports and ensure that they remain sustainable exporters. Secondly, to develop new and ‘irregular’ exporters, by helping export-capable, new-to-export businesses to become sustainable exporters. Austrade’s third specific goal was to develop an industry and geography focus, by improving support for knowledge-based exporters, particularly in the biotechnology, information and communication technology and services sectors. And fourthly, to build community awareness by communicating the importance of trade and the benefits of internationalisation (Australian DFAT 2004).

To achieve these goals, Austrade sought to improve its service methods, expanded its free KES services to new-to-export firms, mainly in regional Australia (Austrade 2002a), and increased its ‘proactivity’ in terms of identifying small and medium-sized firms that possess significant export potential (Mayer 2002; Finnin 2004). A sign of the latter endeavour is that in 2002, Austrade launched the New Exporter Development Program initiative, which was developed and delivered in partnership with state governments and private sector organisations (Northern Territory Government 2002). As its name suggests, the main aim of the New Exporter Development Program initiative was to encourage and assist capable new-to-export companies in their initial steps to export. The major focus has been on regional Australia, while the main instrument of the New Exporter Development

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242 The review ‘Knowing and Growing the Exporter Community’ emphasised that only 4% of the Australian business community is engaged in exporting. It also pointed out ways for governments to handle this untapped export potential (Austrade 2002b).

243 The government aimed to double the number of firms exporting from the base point of 25,000 in 2000–2001 to 50,000 by 2006. By 2003, Austrade aimed to increase the number of exporters by 8,431 to 30,788. In 2003–2004, Austrade assisted 1,193 new exporters to make an initial export sale and helped hundreds more starters in exporting (Rienstra 2005).
Program was the reformed TradeStart initiative, which now also involved the formerly independently operating and restructured Export Access programme (ANAO 2005a).

Governments also modified the legal framework for the KES arena by introducing the ‘Commonwealth Authorities and Companies Act’ in 1997, and two amendments of the ‘Export Markets Development Act’ in 1997 and 2004 (Austrade 2004). Although these amendments did not radically change the legal KES framework, they signal that KES has been considered ‘important enough’ to be dealt with on a legislative level.

Australian governments have introduced a number of consultative mechanisms to ensure that KES policy is coordinated with other areas of foreign economic policy and general business development, while it also ‘resonates well’ with private sector concerns (ANAO 2000b). These include the 1991 introduction of National Trade Strategy Consultative Process (245), the 1993 establishment of Standing Interdepartmental Committee on Export Coordination (246), the 1994 creation of the National Board of Industry, Trade and Investment (247) and the 1996 introduction of the Export Advisory Panels (248).

Summary

Australian governments have increased their KES in numerous ways, the milestones of which are summarised in the table below.

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244. The three legs of the New Export Development Program were export seminars and clubs with the aim of raising export awareness; export mentor and ‘export pathway’ programmes, of developing new-to-export firms’ export skills; and export clinics, virtual trade missions, trade missions and supply chain development to help enhance firms’ market access (Austrade 2006).

245. Participants of the National Trade Strategy Consultative Process aimed to annually develop and review Australia’s trade policy guidelines, with KES being one of the topics discussed. These consultations were also referred to as ‘Team Australia’, later renamed as National Trade Consultations (Australian DFAT 2000). In 2000, the federal government, industry associations, trade unions and state government representatives participated (ANAO 2000).

246. The Standing Interdepartmental Committee on Export Coordination aimed to integrate KES with competitiveness and investment promotion measures, in a way that is “driven by the market signals of the international economic environment” (Australian DFAT 1994).

247. The National Board of Industry, Trade and Investment provided an inter-departmental forum for the Department of Foreign Affairs and Trade and the Department of Industry, Science and Technology. Rather than focussing on KES for small and medium-sized enterprises in general, the Board focussed on sectoral export support (Australian DFAT 1995).

248. The Export Advisory Panels consist of government officials from Austrade, the Department of Foreign Affairs and Trade, the Department of Industry, Tourism and Resources, and private sector industry representatives (Australian DFAT 2002a). The aim of the Panels is to ensure Austrade services are developed “understanding the needs of practising exporters” (ANAO 2000a).
### Table 18 – Milestones of Australian governments’ growing export support

<table>
<thead>
<tr>
<th>Asp.</th>
<th>…in Australia’s pre-1990s KES arena</th>
<th>…in Australia’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Australia’s main TPO was the Australian Trade Commission or Austrade, an autonomous government organisation attached to the Department of Foreign Affairs and Trade</td>
<td>The government has enhanced regional networks of Austrade, opening 17 new regional Austrade offices since 1994 (27 in 2004), establishing TradeStart offices (50 in 2005) and Export Hubs (8 in 2006); Austrade’s foreign networks have also been expanded from 67 foreign offices in 1994 to 149 in 2004</td>
</tr>
<tr>
<td>2.</td>
<td>Austrade was fully funded by the government</td>
<td>Austrade budgets grew from $300 mill in 1999 to $340 mill in 2005 (by 13%); government budget for the major KES programme, the Export Market Development Grant, increased from $140 mill in 1998 to $170 mill in 2005 (by 21%)</td>
</tr>
<tr>
<td>3.</td>
<td>The government delivered KES directly through the Department of Foreign Affairs and Trade, and mainly in the framework of Austrade as Australia’s traditional leading TPO</td>
<td>Austrade’s arguably most significant KES programme, the Export Market Development Grants Scheme, has been extended, and expanded in terms of funding and reach over recent years; in addition, due to growing government-private cooperation, mainly in the case of regional delivery of Austrade’s instruments such as Trade Start and Export Access, governments have increasingly intervened in private TPOs’ operations</td>
</tr>
<tr>
<td>5.</td>
<td>No</td>
<td>In 2005, the government created regional one-stop-shops (Export Hubs) to unite the delivery of AusIndustry and Austrade instruments across regional development organisations, state and territory governments, the Export Finance and Insurance Corporation and industry associations</td>
</tr>
<tr>
<td>7b.</td>
<td>No</td>
<td>The Department of Foreign Affairs and Trade initiated extensive consultative processes to coordinate KES with other foreign economic policy fields and industry needs since 1991</td>
</tr>
<tr>
<td>7c.</td>
<td>No</td>
<td>The strategic nature of government KES involvement has increased through the introduction of specific KES targets in 1997; KES targets and action plans became even more elaborated in 2002, by establishing enumerated goals and the New Exporter Development Program (including doubling the number of Australian exporters by 2006)</td>
</tr>
</tbody>
</table>

Source: developed by the author

1: Government TPO’s establishment and design  
2: Funding arrangements for KES provision of government and/or private TPOs  
3: Effective participation / intervention in KES provision  
5: Coordination of KES delivery  
6: Legal framework for TPOs  
7: Policy emphasis on KES  ‘Coordinating’ (7b); ‘Strategy’ (7c)

### Italy

In the pre-1990s, Italian governments actively participated in the KES arena. Major forms of government KES involvement are demonstrated in the table below. Private forces also played important KES roles, however, government-private KES relations were rather un-organised and cluttered. In fact, even government KES networks were often disconnected, such as foreign operations of the leading government TPO, ICE, and those of diplomatic missions. This lack of coordination caused frequent duplications and inefficiencies in the national KES arrangements.
### Table 19 – Italian governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in Italy’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>Italy’s leading TPO was the Italian Institute for Foreign Trade or ICE, an autonomous government organisation attached to the Ministry of Foreign Trade, with extensive foreign and regional networks</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>ICE was fully funded by the government; government funding was also provided for private TPOs, but only to the extent of their KES delivery, established legally</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>The government provided KES within the framework of ICE, and also intervened in private TPO operations, mainly through providing legal guidelines</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>Besides ICE’s foreign networks, and disconnected from them, diplomatic missions also provided KES services, in an ad-hoc and not centralised way</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>A range of KES-specific legislation had been introduced since the 1950s</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Section ‘Italy’ on page 87

Since the late 1980s, a range of new KES-related laws have come into force\(^{249}\). These include the 1989 law on Export Consortia funding (Legge 21.2. 1989); the 1991 law establishing specific criteria for Export Consortia to obtain government funding (Legge 317 1991); the 1993 law enforcing that Bilateral Chambers are legally recognised as part of the Chambers network (Legge 29.12 1993); and ICE’s 1997 legal reform and overhaul (Legge 68 1997)\(^{250}\).

Besides the proliferated and reformed legal framework for KES, Italian governments have coordinated formerly disconnected KES policies of the three involved ministries, the Ministry of Foreign Trade, the Ministry of Industry, Trade and Crafts and the Ministry of Foreign Affairs. The first step of this process was the 1997 establishment of the Super-Ministry of Productive Activities, a major aim of which was to link internal programmes to outside policies for the internationalisation support of Italian companies (Bonvicini, Falautano & Farella 1998)\(^{251}\). In 2003, the government established the National Coordination Body for Foreign Economic Policy (Italian MFA 2004b), to provide a forum for policy dialogues between ICE and the Ministries of Productive Activities and Foreign Affairs, which facilitate the establishment of overall guidelines for national KES arrangements (Bonvicini, Falautano & Farella 1998).

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\(^{249}\) A general overview on internationalisation-related legislation is available from the Italian MPA (2004a).

\(^{250}\) Implications of each KES law will be discussed later in this section.

\(^{251}\) For the super-ministry’s guidelines on internationalisation, see the Italian MPA (2004b).
Italian governments have also introduced a number of changes to KES operations of ICE and diplomatic missions. Throughout the 1990s, ICE was often criticised for being inefficient due to its status as an autonomous body attached to the Ministry of Foreign Trade, which led to its ‘excessive independence’ from the Ministry’s other international trade mechanisms (Bonvicini, Falautano & Farella 1998). According to these criticisms, if ICE had been more involved in other foreign economic and trade policy measures, more synergies could have been gained to support the Ministry’s overall goals (Bonvicini, Falautano & Farella 1998).

Mid-1990s government attempts to transform ICE into a more private-like, business-oriented organisation were also claimed to be detrimental to ICE’s efficiency (Bonvicini, Falautano & Farella 1998). These attempts included the introduction of service fees against a number of ICE services, while leaving ICE still predominantly funded by the government. Those criticising the introduction of service fees argued that service fees made ICE’s budgets and operations more cluttered, and thus exacerbated rather than enhanced its efficiency problems. ICE remained “at the centre of heated parliamentary debate” for its inefficiencies until the 1990s (Bonvicini, Falautano & Farella 1998: 121).

In 1997, the government restored the original arrangements and placed ICE under public law and tighter control of the Ministry of Foreign Trade (Legge 68 1997). Responding to claims about ICE’s ‘excessively autonomous’ organisational form, the government’s aim was to improve ICE’s efficiency through this measure by better integrating its KES activities with the Ministry’s other foreign economic policy areas. In addition, although the 1997 arrangements did not abolish fees for private companies using ICE’s KES instruments, more and more services were provided without service fees, funded by the government. Accordingly, the share of private contributions in ICE’s overall budgets has gradually declined and by the mid-2000s, the proportion of service fees in ICE’s financial resources has become close to nil (with the governments’ share increasing to

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252 The government’s intention was for ICE to raise at least fifty per cent of its own operational budgets by service fees from private companies. The government was then to provide the remaining fifty per cent. This appropriation proved to be fairly flexible, and the government still remained as the major sponsor for ICE (see in ICE 2004).

253 A broad operational reform of ICE was also implemented, which included new budgetary arrangements and ‘trimming’ ICE’s organs. The peripheral network in Italy and abroad was also reorganised: the number of outlying offices in Italy was reduced, while the number of foreign offices present in European Union countries was reduced in favour of those outside the European Union (Bonvicini, Falautano & Farella 1998).
close to one hundred per cent\(^{(254)}\). In addition, governments’ financial sponsorship for ICE has increased in absolute terms as well relative to private funds\(^{(255)}\).

Furthermore, over the 1994–2004 period, ICE’s foreign networks have been expanded, from seventy-eight in 1994, to one hundred and four in 2004 (ITC UNCTAD/GATT 1994; ITC UNCTAD/WTO 2004). However, the number of ICE’s domestic offices has declined\(^{(256)}\). Since 1997, ICE’s KES instruments have also undergone substantial changes, including increased emphasis on tailor-made services for individual customers, such as customised country and product analysis, partner search and legal KES services (most of them against fees); and since 2001, enhancing information services available on the Internet, mainly through the portal Export Club (ITC UNCTAD/WTO 2004). These changes have been very positively received by Italian exporters (Bonvicini, Falautano & Farella 1998).

Having overhauled ICE, the government also intended to better complement ICE’s foreign operations by KES activities of diplomatic missions. KES provision of embassies and consulates was traditionally un-organised and rather insignificant. However, recognising their untapped potential, Italian governments since the early 1990s have enhanced diplomatic missions’ KES roles, putting a ‘stronger accent’ on commercial diplomacy (Bonvicini, Falautano & Farella 1998). This has included a re-definition of commercial diplomats’ KES tasks and priorities to better prepare them to “support and protect national economic and financial interest” (Italian MFA 2004a). The government has implemented organisational changes in 2002, creating Commercial Sections as relatively autonomous, but logistically integrated sections of embassies and consulates (Italian MFA 2004c). The sole responsibility of these Commercial Sections was internationalisation promotion, including KES and investment promotion. Commercial Sections have delivered KES assistance mainly in the form of market information and organising pro-

\(^{254}\) Compared to the government’s approximately eighty-per-cent share until the 1990s, in the early 2000s the government has provided one hundred per cent of ICE’s budgets (see in ITC UNCTAD/GATT 1994; and ITC UNCTAD/WTO 2004a).

\(^{255}\) ICE’s disposable budgets remarkably increased between the early 1990s and mid-2000s, mainly due to the government’s increasing funding (ICE 2004). For instance, the average annual budget of the early 2000s is higher at around 78 mill Euros than the average budget of the 1990s (by seventeen per cent, see in ICE 2004).

\(^{256}\) In 1994, the number of ICE’s domestic and foreign offices were 39 and 78 respectively; the equivalent figures in 2004 were 16 and 104 (ITC UNCTAD/GATT 1994; ITC UNCTAD/WTO 2004a).
motional events (Italian MFA 2004b). By the mid-2000s, most diplomatic missions at ‘strategically important foreign markets’ have had Commercial Sections(257).

Beyond their efforts to enhance their own KES operations through ICE and diplomatic missions, Italian governments have increasingly intervened in private TPOs’ operations as well. This has been evident in the case of Chambers and Export Consortia. Governments recognised the two sub-systems of Italy-based and Bilateral Chambers as one single network only in 1993(258). Acknowledging Bilateral Chambers as part of the Italian Chambers Association, governments extended their authority and regulatory power – traditionally exercised in the case of Italy-based Chambers – to foreign networks of Chambers as well(259). Therefore, by the mid-1990s, the government gained partial control over KES activities of the overall networks of the Italian Chambers Association.

Local governments began to intervene in Export Consortia operations in the 1980s. They introduced financial encouragement and support schemes for export cooperation among small and medium-sized firms in 1981, which led to a significant increase in the number of Export Consortia. Establishing a range of further financial support schemes over the 1980s, local governments became the main financing body for Export Consortia by 1987(260). On the federal or national level, however, government support for Export Consortia became legally regulated only in the late 1980s. The first such national KES law introduced federal government funding for Export Consortia in 1989, determining the rate of government contributions in relation to Consortia’s internal resources (Legge 21.2. 1989)(261). Another KES-related law, introduced in 1991, specifically encouraged the creation of small and medium-sized companies’ clusters (Legge 317 1991). This law also regulated characteristics that a consortium must have in order to become eligible for government funding. This included that eligibility for government grants started to take

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257 By the late 1990s there were almost one hundred and fifty Commercial Sections with KES responsibility attached to Italy’s two hundred and thirty eight diplomatic and consular representations (Italian MFA 2004c).
258 The 1993 law defined both Italy-based and Bilateral Chambers as ‘autonomous agencies of public law’ with general functions for the business system (Bonvicone, Falautano & Farella 1998).
259 For details on government authority over the KES operations of Italy-based Chambers, see the ‘Italy’ section in Chapter Two.
261 The law permitted the government to provide an annual contribution up to forty per cent of the Export Consortia’s operation costs. In Southern Italy, this figure was modified to up to seventy per cent for Export Consortia in the first five years of activity, and to up to sixty per cent after the initial five years (UNIDO 1998).
into consideration the structural and organisational solidity of the consortia, as well as the level of their ‘promotional ability’ to offer KES services to firms (Lanzara, Varaldo & Zagnoli 1991).

Italian governments have also started to improve coordinating mechanisms across major TPO operations, both within and outside Italy. These aimed to concert KES provision of ICE with that of other government bodies, as well as to synchronise activities of government and private KES providers. The first form of governments’ such efforts was the introduction of the ‘Made in Italy’ concept (Italian MFA 2004c). Through advancing this concept, the government intended to create a worldwide synonym “not only for product quality but also for style and Italian living” (ITC UNCTAD/WTO 2004a). In 2000, promoting the ‘Made in Italy’ concept officially became a common goal for ICE and commercial diplomats, leading to frequent conversations between the formerly often disconnected government networks (Italian MFA 2004b). This included that ICE’s foreign outlets and diplomatic missions have jointly organised Italy-promotional activities, such as trade fairs and trade missions.

Governments have attempted to coordinate government-private TPO activities in terms of quality, to avoid parallel structures and thus create a clear division of labour; and, in terms of logistics, to rationalise the service delivery of TPO outlets (Pizzi 2003). To this end, governments of the early 2000s have developed the ‘Sistema Italia’ model, embracing cooperation agreements between TPOs, as well as the creation of internationalisation one-stop-shops in Italy and abroad (Italian MFA 2004d, 2004f). As the foundation of ‘Sistema Italia’, the government created a Consultative Committee in 1997, to bring together internationalisation efforts of ministries, regional governments, Chambers and Consortia, amongst others (Bonvicini, Falautano & Farella 1998). The Consultative Committee’s KES efforts resulted in that the Ministry of Productive Activities, ICE, It-

\[262\] In the framework of the ‘Made in Italy’ concept, the first major campaign was ‘Italy – Life in the I Style’, launched in 2000. This campaign involved that a wide range of “institutional, artistic, social and commercial events aimed at industry professionals, trade press and end consumers have been organised to publicise Italian style and living internationally, mostly in Japan and the USA” (ITC UNCTAD/WTO 2004a). For a detailed report on the success of ‘Made in Italy’ measures, see Fortis (2005).

\[263\] Involving regional governments in economic policy decisions was in line with the Bassanini reform (1997), a major aim of which being to shift competencies from federal to local levels. Regionalism in Italy has, since the mid-1990s, been intensified. This thesis, nonetheless, only focuses on regionalised KES as far as federal KES bodies’ Italy-based networks are concerned.
aly-based Chambers (under Unioncamere) and Bilateral Chambers (under Assocamerestero) signed their first ‘Programmatic Agreements’ in 2000.

Within the frameworks of ‘Programmatic Agreements’, ICE and Chambers started to develop common, government-funded programmes for the internationalisation of small and medium-sized companies. These programmes have been mainly promotional, including trade fairs, exhibitions, seminars, newsletters, training courses and technology days, amongst others. The ICE-Chambers programmes have had a geographic focus, reviewed each year. For instance, for 2004, nineteen promotional projects were proposed, in five geographic areas (264).

A further manifestation of the ‘Sistema Italia’ concept was the creation of one-stop-shops, consisting of joint government-private TPO outlets (Pizzi 2003). The legislative background for the one-stop-shops was created through a range of laws in 1998, 2000, 2001 and 2003 (265). Within Italy, regional one-stop-shops provided space and infrastructure for ICE, Chambers and further organisations aiming to facilitate the internationalisation of mainly small and medium-sized Italian companies (266). Guidelines for Italy-based one-stop-shop operations have been centrally provided by the Ministry of Productive Activities, nonetheless, as they operate under the auspices of regional governments, they represent a form of “territorial decentralisation and synergy between the local production network and the global market” (Italian MFA 2004c). By the mid-2000s, there were sixteen regional one-stop-shops, constituting local arms, or home networks for ICE.

Outside Italy, the government proposed the same concept of one-stop-shopping (267), by logistically integrating government internationalisation bodies such as embassies and consulates’ Commercial Sections, ICE posts and Bilateral Chambers (268). In 2004, the creation of foreign one-stop-shops was in an experimental phase in the Russian Federa-

Promotional Projects included Mediterranean countries, Russia and Ukraine, the United States and Canada, and Far-Eastern countries, with an overall value of 6.1 million Euros (ICE 2003).

For instance, the 2003 law ‘Measures for Internationalisation’ contained a package of new Acts to rationalise and promote government support for foreign penetration of the ‘Sistema Italia’ concept (MFA 2004a).

Regional one-stop-shops also include the organisations SACE, Simest and Finest, amongst others.

In line with the understanding of the Consulate General of Italy in Los Angeles (2004), the ‘Sistema Italia’ concept is embodied in foreign-based one-stop-shops, as a form of collaboration at the consular-diplomatic representation, that are set to coordinate and link the various individuals operating abroad with the purpose of promoting the ‘Italian image’.

In addition, further organisations with responsibility for Italian companies’ internationalisation, but without particular KES focus were also involved in foreign-based one-stop-shops. These include the National Tourist Board, Simest and Finest.
tion, Ukraine, the Western Balkans and some Latin American countries, with the most advanced phase reached in Moscow when the first ‘Palazzo Italia’ opened in 2004 (Pizzi 2003; and Italian MFA 2004c).

Besides ‘Programmatic Agreements’ and one-stop-shops, the establishment of the Public Promotion Databank and ExTender in 2004 also demonstrates governments’ efforts to improve cooperation between Chambers, ICE and diplomatic missions (Italian MFA 2004e; Adnkronos 2004). The Public Promotion Databank connects the Ministry of Productive Activities, ICE and Chambers, while the ExTender project operates between the Ministry of Foreign Affairs and Chambers. Both information banks have aimed to simplify and expedite information flows between Italian organisations participating in KES (Italian MFA 2004b). The ultimate synchronising effect of these projects has been nonetheless limited, as ExTender has been coordinated by the Ministry of Productive Activities, whereas the Public Promotion Databank has been managed by the Ministry of Foreign Affairs – and the two systems have not been connected (Pizzi 2003). A more progressive integration of the information systems was proposed in 2004, to renew and unify four large integrated computer networks across government and private bodies with internationalisation focus.

Summary

Italian governments’ growing KES has been apparent through a number of government-induced changes to the national arena of export support, summarised in the table below.
Table 20 – Milestones of Italian governments’ growing export support

<table>
<thead>
<tr>
<th>Asp.</th>
<th>…in Italy’s pre-1990s KES arena</th>
<th>…in Italy’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Italy’s leading TPO, Italian Institute for Foreign Trade or ICE, was an autonomous government organisation attached to the Ministry of Foreign Trade, with extensive foreign and regional networks</td>
<td>ICE has been overhauled in terms of its organising principles; the number of ICE’s foreign offices has significantly increased from 78 in 1994, to 104 in 2004</td>
</tr>
<tr>
<td>2.</td>
<td>ICE was fully funded by the government; government funding was also provided for private TPOs, but only to the extent of their KES delivery established legally</td>
<td>Government funding for ICE has increased both in relative and absolute terms; the government has established Commercial Sections attached to diplomatic missions, which has also had extra financial bearings; Export Consortia’s increasing funding has generally been provided by local governments, rather than centrally</td>
</tr>
<tr>
<td>3.</td>
<td>The government delivered KES in the framework of ICE, and also intervened in private TPO operations, mainly through providing legal guidelines</td>
<td>Since the late 1990s, ICE’s KES instruments have undergone substantial changes, including increased emphasis on tailor-made services for individual customers (since 1997), and enhancing information services on the Internet (since 2001); government intervention in private TPOs’ operations has also increased, especially through legal regulation for Bilateral Chambers in 1993, and providing legal guidelines for Export Consortia in 1989 and 1991</td>
</tr>
<tr>
<td>4.</td>
<td>Besides ICE’s foreign networks, and rather disconnected from them, diplomatic missions also provided KES instruments, in an ad-hoc and not centralised way</td>
<td>Diplomatic missions’ KES operations have become rationalised and strengthened by the early 2000s, manifesting in the re-definition of commercial diplomats’ KES tasks and priorities, and introducing Commercial Sections as relatively independent sections of diplomatic missions</td>
</tr>
<tr>
<td>5.</td>
<td>No</td>
<td>The government has attempted to coordinate KES delivery in Italy, mainly through ‘Sistema Italia’ (since 1997), by creating one-stop-shops operated by federal and local government, and private KES forces; and outside Italy, synchronising diplomatic missions, ICE offices, and Bilateral Chambers’ KES delivery (since 2004)</td>
</tr>
<tr>
<td>6.</td>
<td>A range of KES-specific legislation had been introduced since the 1950s</td>
<td>Law on Export Consortia’s funding introduced in 1989; law establishing specific criteria for Export Consortia to obtain government funding in 1991; law enforcing that Bilateral Chambers are legally recognised as part of the Chambers network in 1993; and the leading TPO, ICE’s legal reform and overhaul in 1997</td>
</tr>
<tr>
<td>7a.</td>
<td>No</td>
<td>The ‘super-Ministry’ of Productive Activities (established in 1999) started to address KES as a policy priority</td>
</tr>
<tr>
<td>7b.</td>
<td>No</td>
<td>KES became harmonised across the Ministry of Foreign Trade, Ministry of Industry, Trade and Crafts and the Ministry of Foreign Affairs through the creation of the ‘super-Ministry’ of Productive Activities in 1999; KES consultation has also increased through the National Coordination Body for Foreign Economic Policy in 2003</td>
</tr>
</tbody>
</table>

Source: developed by the author

1: Government TPO’s establishment and design
2: Funding arrangements for KES provision of government and/or private TPOs
3: Effective participation / intervention in KES provision
4: RES delivery outside TPO structures
5: Coordination of KES delivery
6: Legal framework for TPOs
7: Policy emphasis on KES ‘Addressing’ (7a); ‘Coordinating’ (7b)

The Netherlands

Dutch governments, have traditionally put “considerable effort into promoting the development of Dutch exports” (Fenedex 2004). The major forms Dutch governments’s pre-1990s KES involvement are summarised in the table below.
### Table 21 – Dutch governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in the Netherlands’ pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>The leading TPO was the Netherlands Agency for International Business and Cooperation or EVD, a government organisation, constituting an integral part of the Ministry of Economic Affairs</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>The government entirely funded the EVD</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>The government provided KES directly through the Ministry of Economic Affairs, and mainly within the framework of the EVD; the government intervened in KES operations of Chambers and the Dutch Centre for Trade Promotion</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>Diplomatic missions provided KES under the EVD’s guidance, this was nonetheless not standardised</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>No</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td>KES was a policy priority, evidenced by the continuous emphasis on KES in foreign policy documents throughout the 1970s and 1980s. Since 1955, there has been an agreement between the Ministry of Economic Affairs and Ministry of Foreign Affairs, regulating KES tasks of diplomatic missions and ensuring leading KES roles of the Ministry of Economic Affairs</td>
</tr>
</tbody>
</table>

Dutch governments have expanded the EVD’s operational scope and networks since the late 1980s. The EVD’s original scope was limited to export information provision. In the late 1980s, nevertheless, the EVD’s emphasis “shifted from passively providing information to actively promoting exports” (de Mortanges and Van Gent 1991: 137). This includes that the EVD’s duties have been extended by tailor-made consulting services, contact search and Holland Promotion(269). In addition, the EVD’s service portfolio was further expanded in 2000, when the government established the New Business in Foreign Markets Programme or PSB(270), the Subsidy Scheme for Export Staff or SEM(271), and the Programme for Economic Project Cooperation or PESP(272). The PSB was launched to motivate small and medium-sized firms to export to new markets. Focussing on export opportunities, this programme offers entrepreneurs free advice and financial subsidies (Baker & McKenzie 2005)(273). The SEM also intends to help small and medium-sized businesses, mainly in setting up, and implementing small businesses’ export plan as a

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269 Changes to the EVD’s scope of activities were also reflected in its name change in 1982, when the EVD changed from ‘Economic Information Service’ to ‘Export Promotion and Information Service’ (de Mortanges and Van Gent 1991).

270 The abbreviation PSB is based on the programme’s Dutch name: Programma Starters op Buitenlandse Markten (OECD 2000).

271 The abbreviation SEM is based on the programme’s Dutch name: Steun voor Export Staf (Fenex 2004).

272 The abbreviation PESP is based on the programme’s Dutch name: Programma Economische Samenwerking Projecten (RaDeSys 2003).

273 The subsidy in the framework of PSB covers 50 per cent of the costs up to 11,500 Euro with a maximum of 5,750 Euro for each activity (RaDeSys 2003).
way of encouraging export activity (Fenedex 2004). The PESP contains KES tools specifically targeted at exporters to developing countries, supporting feasibility studies in the preliminary stage of an export project. It has aimed to increase the chance of obtaining export orders for Dutch companies, as well as promoting bilateral economic cooperation (RaDeSys 2003; Baker & McKenzie 2005).

All of these programmes have had increasing budgetary allocations, and have been managed by individual Chambers on the EVD’s behalf (EVD 2004c). Chambers have employed export consultants, with the exclusive responsibility of administering these instruments. It has been the EVD’s duty to instruct the export consultants with great precision, as well as to regulate and monitor their activities (EVD 2004c). This indicates the EVD’s growing intervention in Chambers’ operations associated with KES provision.

In 2004, the EVD underwent major organisational changes, when merging with Senter International. Senter International was an independent government agency in the portfolio of the Ministry of Economic Affairs, responsible for implementing government policy in the areas of technology, energy, environment and international cooperation (Senter International 2002: 1). Due to its merger with Senter, the EVD started to provide an even broader spectrum of KES and related services. The main KES instrument formerly run by Senter International was the Programme for Co-operation with Emerging Markets or PSOM, offering a ‘stepping-stone’ for a more structural commercial presence for Dutch companies exporting to emerging economies (Senter International 2003). Having expanded its operational scope, the EVD took up the name of Netherlands Agency for International Business and Cooperation in 2004 (Bodde 2004).

In addition to the expansion of its activities, the EVD’s networks have also been enhanced. Outside the Netherlands, the EVD did not traditionally have an integral network

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274 Support in the framework of SEM comes in the form of a wage-cost subsidy of 9,000 Euros, which enables small companies to employ an export officer for a year who has had specific professional training at intermediate or higher vocational level (Fenedex 2004).

275 Exact budgetary figures for each of these KES programmes are available in EVD (2005b).

276 The abbreviation PSOM is based on the programme’s Dutch name: Programma voor Samenwerking van Ontwikkelmarkten (Senter International 2002).

277 This was in line with the EVD’s devoting “more attention to the private sector in emerging markets and developing countries and [started to] administer special programmes to assist the public sector in emerging markets” (EVD 2004a). Even though these are conventionally the tasks of the Centre for Promotion of Imports from Developing Countries, since the early 2000s the EVD has also gained these responsibilities.
In the pre-1990s, private Chambers of Commerce Abroad or Bilateral Chambers – rather than embassies and consulates – were considered as the most significant KES providers abroad (Fenedex 2004). Only in countries that did not have an established Dutch Bilateral Chamber were the Dutch embassies and consulates considered as major KES providers, in their roles of providing information, seeking contacts, and assisting promotional events (EVD 2003).

Bilateral Chambers have traditionally been associated with government KES forces\(^{(278)}\). Membership in Bilateral Chambers has not been compulsory, but it is practical when companies focus their activities on one particular country. In this case, Bilateral Chambers can point firms in the direction of a wide range of KES instruments, most of which are provided by the EVD, or by private TPOs on the EVD’s behalf (KVK 2004). Although Bilateral Chambers constituted a successful foreign KES network for Dutch companies until the 1990s, the government decided to develop its own foreign KES network (beyond the relatively ad-hoc KES operations of embassies and consulates). Therefore, in 1997, the first Netherlands Business Support Offices were established in countries representing strategically important export markets for Dutch companies, for instance, in Brazil, China, France, India, Mexico and Poland (Bodde 2004). By 2004, there were sixteen Netherlands Business Support Offices, operating in six countries. The general aim of the Offices is to enhance bilateral co-operation between entrepreneurs from both the Netherlands and the target country (EVD 2004b)\(^{(279)}\). Beyond KES, Netherlands Business Support Offices also provide investment promotion services. The government has entirely funded Netherlands Business Support Offices’ operational costs to ensure that ‘clients’ of the Offices are not charged for their services (EVD 2004b), while the Offices have been jointly opened and financially assisted by the Ministry of Foreign Affairs and the Ministry of Economic Affairs\(^{(280)}\).

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\(^{(278)}\) For instance, Bilateral Chambers have been described as “business-based organisations that work closely with the EVD and the Dutch embassies […] to promote the interests of Dutch trade in general and its members in particular” (Fenedex 2004).

\(^{(279)}\) This involves that Netherlands Business Support Offices do not only assist internationalisation of Dutch companies, but also companies of their host country (Holland Trade 2005).

\(^{(280)}\) Active participation of the Ministry of Foreign Affairs in establishing the Netherlands Business Support Offices did not mean that the Offices have become parts of embassies and consulates, or have gained diplomatic status. Rather, the Netherlands Business Support Offices have operated in a business-like fashion, as the EVD’s integral foreign network, in cooperative relationship with the long-established Bilateral Chambers in their host country (EVD 2003).
With regard to developments in the EVD’s domestic networks, it should be emphasised again that until the 1990s, the EVD did not have an integral regional network. At the same time, Netherlands-based Chambers of Commerce and Industry (Chambers) had approximately fifty offices throughout the Netherlands, with obligatory membership and largely standardised KES instruments, including the following:

“Basic guidance and information services, consisting of brochures, books, seminars, speech days, purchasing contacts days, export courses, etc.; activities to help companies in participating in trade missions and fairs; provision of information services ranging from import duties, turnover tax, customs issues, import-export documentation, Incoterms, commercial agents and distribution agreements, international payment transactions, market information, emerging markets and subsidy programmes; and more specific (tailored) orientation on companies’ for specific fees” (KVK 2004).

In addition, Chambers often guided exporters to the “numerous institutions and companies, inside and outside the Netherlands, that provide more information on specific subjects regarding international trade” (KVK 2004), and one of these institutions was the EVD. This form of information-related collaboration have traditionally been fairly common between Chambers and the EVD (EVD 2003), and since the 1990s, the government has sought to further exploit synergies between Chambers and the EVD. An important step of this process was the 2000 covenant between the EVD and Chambers (Bodde 2004), which officially laid down strategic collaboration between the two parties.

Following on from the covenant, the next step of the growing cooperation between the EVD and Chambers was the 2003 launch of a common media campaign, Internationaal Ondernemen (International Enterprise). This was an awareness-raising campaign in 2003–2004, aiming at small and medium-sized firms on the ‘threshold’ of international business (Bodde 2004). The campaign included that the EVD and Chambers jointly used radio commercials, television advertising and direct mailing, as well as launching the website Internationaal Ondernemen, with the aim to motivate Dutch companies to internationalise (EVD 2003). As a result of their increased cooperation, by the mid-2000s Chambers have become considered as the EVD’s home network (EVD 2003, 2004a). Comparing the common perceptions of the EVD in the 1990s, with those in the early to mid-2000s, it can be seen that while the EVD used to be considered as a one-location agency based in The Hague, in 2004 it was described as an agency “with a network of […] Chambers in the Netherlands” (WISARD 1999; EVD 2004a).
Besides Chambers, a further major TPO, with which the government has increased its KES cooperation, is the Dutch Centre for Trade Promotion. The Centre has its headquarters in The Hague and has long KES traditions, having operated as a major TPO since 1946 (NCH 2005). It is a private organisation – funded by membership fees, sponsorships and contributions of fee-paying companies that use its services – with a long-established domestic network, comprising approximately sixty business councils and around eight hundred corporate members (NCH 2005). The Centre’s major KES services are similar to those of the EVD and Chambers, and can be summarised as follows:

“Organising information seminars and networking sessions about specific themes or countries; outgoing trade missions; programmes for incoming trade missions from other countries; participation at major international trade fairs; [and] providing consultancy with regard to trade fairs” (NCH 2005: 1).

The Dutch Centre for Trade Promotion and the EVD have developed close working relationships throughout the 1990s. Indicative of this is that by 2004, many of the Centre’s activities were organised on the EVD’s behalf (EVD 2003; Fenedex 2004). These include trade missions, trade fairs and information provision, for instance. To facilitate a healthy collaboration, the Centre’s regional network was re-arranged in 2001 so that in almost every regional post “the Dutch government is represented by an observer in order to stimulate public-private cooperation in these councils” (NCH 2005)\(^{281}\). In essence, by the mid-2000s, the Centre has been referred to as a ‘government agency’, despite its wholly private budgets and autonomous decision-making capacity (Fenedex 2004).

Further important private organisations with KES responsibilities include the Federation for Dutch Export and the Netherlands Export Consortium\(^{282}\). Until the 2000s, there was no significant cooperation between government KES forces and these latter TPOs. Nonetheless, in 2004 the Ministry of Economic Affairs established the Dutch Trade Board, which has involved not only traditionally cooperating organisations of the EVD, Chambers and the Dutch Centre for Trade Promotion, but also the Federation for Dutch Export and the Netherlands Export Consortium\(^{283}\). Through the Board, the government in-

\(^{281}\) Besides creating closer ties with government KES forces, including the EVD, the NCH has intensified its relations with the Chambers as well. In 2001 the NCH and a group of Dutch Chambers “formed a strategic alliance with the aims of avoiding overlap in the national trade promotion programme and organising the joined activities in a more effective way” (NCH 2005). By 2002, seventy per cent of the Dutch businesses have joined this alliance (NCH 2005).

\(^{282}\) For details on major Dutch TPOs’ operations, see section ‘The Netherlands’ in Chapter Two.

\(^{283}\) The Dutch Trade Board also involved business organisations and banks with internationalisation focus (EVD 2005a).
tended to stimulate synergies across KES activities of Board member organisations, as well as to improve the transparency of the national KES arena (EVD 2005a).

Via these changes, the Ministry of Economic Affairs’ policy attention on KES has also increased (de Mortanges & Gent 1991)(284). The Ministry of Economic Affairs consists of two relatively independent units of the Ministry of Economic Affairs and the Ministry for Foreign Trade(285). The head of the latter, the Minister for Foreign Trade, is responsible for a range of policy areas including “trade and export, business and regulations, the effect of spatial planning on the economy, consumers and tourism” (Dutch MEA 2004). The ‘trade and export’ policy area under the auspices of the Minister for Foreign Trade involves the encouragement of international business development by offering “high-quality support, especially in the field of (international) trade, local development, industry, innovation, export” (Dutch MEA 2004). According to this policy statement, the Ministry of Economic Affairs considers export support as one of its business development areas, taking an integrated approach on internationalisation development.

At the same time, the Ministry of Foreign Affairs has not treated KES as a policy priority (Dutch MFA 2005)(286). Even KES activities undertaken in diplomatic missions operated by the Ministry of Foreign Affairs have been, since the 1950s, regulated by the Ministry of Economic Affairs, rather than the Ministry of Foreign Affairs. Hence, there has been a dividing line between the activities of traditional diplomats under the political authority of the Ministry of Foreign Affairs, and roles of commercial diplomats in charge of KES under the political authority of the Ministry of Economic Affairs (de Mortanges & Gent 1991). However, traditional diplomats have still accumulated information and knowledge which can be used for KES purposes. To ensure a well-functioning information flow between the two Ministries, the EVD has been working as a ‘clearinghouse’ (de Mortanges & Gent 1991)(287). In addition, to enhance and standardise this information flow, in 2003 the government introduced a common intranet system binding together the

284 For a report on the Ministry of Economic Affairs, including its activities and international comparison, see Dutch MEA (2002).
285 The Ministry of Economic Affairs consists of a central department and a number of variably independent organisations. The Minister of Economic Affairs and the Minister for Foreign Trade each have their own, relatively autonomous areas of responsibilities. For more detail on the structure of the Ministry, see Dutch MEA (2004).
286 The lack of priority attributed to KES by the Ministry of Foreign Affairs is apparent in that neither the Ministry’s official policy documents nor its press releases address KES (Dutch MFA 2005).
287 For instance, KES-related information acquired by commercial diplomats of embassies and consulates have traditionally gone through the EVD’s The Hague-based headquarter (EVD 2004a).
three organisations of the Ministry of Economic Affairs, the Ministry of Foreign Affairs and the EVD’s headquarters in The Hague. This has signalled an important step in coordinating the two Ministries’ KES involvement (Dutch MEA 2004).

Summary

Dutch governments’ major steps to increase their KES are summarised in the table below.

Table 22 – Milestones of Dutch governments’ growing export support

<table>
<thead>
<tr>
<th>Asp.</th>
<th>…in the Netherlands’ pre-1990s KES arena</th>
<th>…in the Netherlands’ post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The leading TPO was the Netherlands Agency for International Business and Cooperation or EVD, a government organisation, constituting an integral part of the Ministry of Economic Affairs</td>
<td>Since the 1990s, the EVD’s domestic operations have been enhanced by ‘attaching’ Chambers as an integral regional KES network for the EVD; a new foreign network has also been developed since 1997, by establishing Netherlands Business Support Offices (16 in 2004)</td>
</tr>
<tr>
<td>2.</td>
<td>The government entirely funded the EVD</td>
<td>The EVD has been continuously funded by the government, without significant changes; in addition, by introducing a range of new KES instruments handled directly by the EVD or by private TPOs on the EVD’s behalf, the government’s KES grants have increased</td>
</tr>
<tr>
<td>3.</td>
<td>The government delivered KES directly through the Ministry of Economic Affairs and, mainly within the framework of the EVD as the leading Dutch TPO; the government intervened in KES operations of Chambers and the Dutch Centre for Trade Promotion</td>
<td>The EVD’s operational scope increased through the 2000 introduction of new KES instruments and the 2004 merger with Senter International; in addition, government intervention has grown in Chambers (officially laying down collaboration between the EVD and Chambers in 2000) and the Dutch Centre for Trade Promotion (transferring government officials to their regional posts in 2001), while both private TPOs have started to deliver KES instruments on the EVD’s behalf</td>
</tr>
<tr>
<td>5.</td>
<td>No</td>
<td>The government has attempted to better coordinate the national KES arena by establishing the Dutch Trade Board in 2004, which combined KES forces of the EVD, the Dutch Centre for Trade Promotion, the Federation for Dutch Export and the Netherlands Export Consortium</td>
</tr>
<tr>
<td>7a.</td>
<td>KES was traditionally a policy priority, evidenced by the emphasis on KES in foreign policy documents in the 1970–1980s</td>
<td>The Ministry of Economic Affairs has emphasised KES as one of its main areas of responsibility since the 1970s, and increasingly since the early 1990s</td>
</tr>
<tr>
<td>7b.</td>
<td>Since 1955, there has been an agreement between the Ministry of Economic Affairs and the Ministry of Foreign Affairs, regulating KES tasks of diplomatic missions, and ensuring leading KES roles of the Ministry of Economic Affairs</td>
<td>Further harmonisation between the Ministry of Economic Affairs and the Ministry of Foreign Affairs has been apparent through the increased information flows, mainly through the introduction of a new intranet system in 2003</td>
</tr>
</tbody>
</table>

Source: developed by the author

1: Government TPO’s establishment and design  
2: Funding arrangements for KES provision of government and/or private TPOs  
3: Effective participation / intervention in KES provision  
5: Coordination of KES delivery  
7: Policy emphasis on KES – ‘Addressing’ (7a); ‘Coordinating’ (7b)

The system was based on the Hermes Intranet (EVD 2003).
Sweden

Areas of Swedish governments’ KES involvement are summarised in the table below.

Table 23 – Swedish governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in Sweden’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>Sweden’s leading TPO was the Swedish Trade Council or STC, established in 1972, co-owned and co-governed by the Ministry of Foreign Affairs and the Confederation of Swedish Enterprise; the STC had a Stockholm headquarters and extensive foreign network</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>The STC was mainly funded by the government</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>The government co-owned the STC, however, it did not become significantly involved in its KES delivery; the government intervened somewhat in private TPO operations, by regulating their KES activities</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>Diplomatic missions under the authority of the Ministry of Foreign Affairs delivered KES in an un-organised way</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>No</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td>(7a). ‘Addressing’ No</td>
</tr>
<tr>
<td>(7b). ‘Coordinating’ No</td>
<td></td>
</tr>
<tr>
<td>(7c). ‘Strategy’ No</td>
<td></td>
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</tbody>
</table>

Source: Section ‘Sweden’ on page 96

In 1990, the government introduced a law on Chambers’ KES provision, with the aims of regulating the authorisation process and the international trade documents to be issued by the Chambers, and to tie the Chambers administration – including its KES delivery – closer to the Swedish government (Handelskamrarna 2004b). The 1990 Chambers law ignited a gradual increase in Sweden-based Chambers’ KES roles, and more intense government-Chambers cooperation in the arena of KES (Handelskamrarna 2004a).

Governments have also increased their intervention in the STC’s operations since 1990. The 1972 decision to join forces with private TPOs “in an effort to pool their various [KES] resources in one organisation” was already a sign of the government’s approach to become more ‘hands-on’ in the national arena of KES (Alfaproject 2004), resulting in that the STC became a semi-government body serving the following purposes:

“The philosophy behind the new organisation was to create one competitive promotion network […] staffed by skilled and experienced officials working as consultants in providing services against a consultancy fee. By means of public money the organisation was to provide basic export services free of charge mainly for small companies and newcomers. In addition, the organisation was to provide export services, such as market studies, joint marketing manifestations, specific services, etcetera at a market rate” (Söderman 2001: 2).
Governments’ roles in the STC were nevertheless fairly limited. The STC worked relatively independently from the Ministry of Foreign Affairs (ITC UNCTAD/GATT 1994), leading to their ambiguous relationship and criticism that the STC did not significantly coordinate its KES planning with the overall guidelines of the Ministry of Foreign Affairs (SOU 2000). In fact, the government’s most significant role in the STC was mainly financial, while private forces of the Confederation of Swedish Enterprise – the co-owner and co-governor body of the STC – undertook most activities associated with KES provision. In this sense, although the STC’s legal status was that of a government-private body, it showed great similarities to government-sponsored private TPOs.

From the early 1970s, Swedish governments provided the STC with two types of grants: general grants, which have been referred to as Basic Government Assistance or Assignments; and directed grants, aimed at specific KES programmes, provided on a case-by-case basis (Söderman 2001). The role of Basic Government Assistance grants was to ensure that the STC could provide a small number of KES instruments for free to Swedish companies (STC 2002), including the provision of general export information, market studies, and basic export advice (SOU 2000). The actual use of these funds was not traditionally determined or regulated by the government.

A major change in this practice occurred in 1990, when the government adapted the policy of ‘maximum restraint’ in terms of public expenditure for the STC, which involved the halving of funds for Basic Government Assistance grants (STC 2003a)(289). At the same time, the government started to lay down guidelines for the STC’s operations. It clarified that the STC’s service delivery should increasingly be run along commercial lines(290), and its KES activities and results should be regularly reviewed (STC 2003a). The government also specified the STC’s free services, including information provision on the Internet, and regulating the number of Export Advisers, who are consultants providing customised free KES counselling for exporters (SOU 2000; STC 2002)(291). De-

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289 Since Sweden’s accession to the European Union in 1995, the STC’s operations have been complemented by KES provision of Euro Info Centres (Swedish MIEC 2003). In 2002, for instance, there were twenty offices or contact points which supplied approximately twenty-five thousand small and medium-sized firms with information and advice each year (OECD 2002a).
290 This has involved that government-financed KES provision has become subject to competitive bidding in areas where organisations other than the STC possess special competence (SOU 2000).
291 The government has increased the number of personal Export Advisers in the Swedish Trade Council, to cover all regions in Sweden. This has included increasing the number of advisers from six in 2002 to twenty-one by 2006 (Östros 2005b, 2005c).
spite providing these guidelines, and increasing the STC’s offices abroad from thirty-eight in 1994, to forty-eight in 2003 (ITC UNCTAD/GATT 1994; STC 2003a), in the early 2000s the government was still criticised for not sufficiently clarifying its expectations regarding the STC’s KES delivery (SOU 2000).

Besides its increasing intervention in the STC’s operations, Swedish governments have also strengthened the formerly ad-hoc KES provision of embassies and consulates. The ‘greater significance’ placed on diplomatic missions’ KES has manifested itself in improving the working methods of diplomatic missions, to better exploit their global networks and expertise; and introducing a number of new KES initiatives (Swedish MFA - DEPIM 2004). The Ministry of Foreign Affairs summarises some of these:

“Various types of initiatives are underway. Many are directly related to individual companies, such as help in planning visits, marketing information, advisory assistance and other practical help. Other initiatives are more general and […] are intended to increase interest abroad in special areas of expertise (information and communication technology, biotechnology, environmental technology, the creative industries including design and music, as well as Swedish management). It is, of course, the Ministry for Foreign Affairs’ responsibility to help Swedish companies with practical contacts in countries and situations when required” (Swedish MFA - DEPIM 2004).

Besides these measures, the increasing number of diplomatic missions has also facilitated the governments’ expanding KES roles abroad. The number of embassies and consulates increased from less than a hundred in 1990, to one hundred and five in 2005 (Swedish MFA - DEPIM 2004; Regeringskansliet 2005f). Furthermore, in 2002, the Ministry of Foreign Affairs decided to increase its support to marketing the ‘Swedish design’ via diplomatic missions (Swedish MFA 2002c). To this end, the Ministry allocated additional funds for embassies and consulates (Swedish MFA 2002c). Other examples include that the Ministry encouraged diplomatic missions to take more active roles in international trade fairs; and that since 2003, extra funds have been earmarked to further develop embassies and consulates in “rapidly growing markets that are of particular interest to Swedish companies” (Swedish MFA 2003; Östros 2005a).

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292 Another financial change regarding the STC’s operation took place in 2001, when membership fees were abolished (STC 2002).
293 An additional amount of 400,000 Swedish Krona was earmarked to market Swedish design abroad via Swedish embassies and consulates-general in 2002 (Swedish MFA 2002c).
294 In 2005, seventeen diplomatic missions were enhanced in terms of their facilities and infrastructure (Östros 2005a).
Strengthening KES activities of diplomatic missions has also been associated with the increasing funds that governments have allocated for internationalisation promotion. Budget documents of the Ministry of Foreign Affairs show that government funds for the expenditure area of ‘foreign trade, export and investment promotion’ have exhibited an upward trend since the 1990s (Swedish MFA 1998-2005)\(^{295}\). This has occurred despite the stark decline in the STC’s budget since 1990 (STC 2002, 2003a, 2003b). Therefore, the increase to the governments’ overall funding for KES has been mainly due to the extra government budgets earmarked for diplomatic missions’ new KES initiatives and programme delivery\(^{296}\).

Governments’ attempt to better coordinate KES delivery within Sweden must also be discussed. This attempt mainly relates to the establishment of regional Export Centres in 1995 (Swedish MIEC 2003). The Export Centres were set up funded primarily by the government (Söderman 2001), with the idea of creating a strong partnership across Sweden-based KES and other internationalisation development forces, while also forming a regional network for the STC (which previously only had one post in Stockholm within the country). The Export Centres mainly deliver KES instruments that “assist companies with information and advice concerning export and international partnerships”, drawing on the combined resources of the STC, Almi and Chambers in a one-shop-stop-like environment (Swedish MIEC 2003). As Chambers had become an increasingly powerful KES force by the early 1990s, it was compelling for the government to integrate them into this new establishment. Ultimately, all of Sweden’s twelve Chambers participated in the Export Centres, constituting one, and in fact, a strong pillar of the Centres’ three pillars (Söderman 2001). Thereby Swedish Chambers have declared their responsibilities for KES, as well as their determination to join the existing government-private KES partnership, which was institutionalised twenty-odd years before through the establishment of the STC. By 2004, there were twenty Export Centres operating in the country.

\(^{295}\) For instance, in 2005, the government budget allocated for ‘foreign trade, export and investment promotion’ was 490,088,000 Swedish Krona, whereas the equivalent figure in 2006 was 506,696,000 Swedish Krona (Swedish MFA 1998-2005).

\(^{296}\) For details on additional budgetary contributions for export support, see for instance, Swedish MFA (2002b), Pagrotsky (2004a) and Swedish MFA (1998-2005). The aim has been “to enhance the ability of […] embassies and consulates-general to promote exports in countries with increasing potential for Swedish companies and their products and services” (Pagrotsky 2004a).
All these changes to government KES have been accompanied by the increasing emphasis of the Ministry of Foreign Affairs on KES. This includes, for instance, that the Ministry established a separate department responsible for KES, under the name of the Department for Export Promotion and the Internal Market in 1994 (Swedish MFA - DEPIM 2004). Since its creation, the Department for Export Promotion and the Internal Market has been the main government body in charge of Sweden’s guidelines for internationalisation promotion policy, including KES and investment promotion. The Department also became responsible for steering the STC, and managing other agencies with internationalisation promotion focus as well.

One of the first KES measures of the Department for Export Promotion and Internal Market was the establishment of the Council for the Promotion of Sweden in 1995 (Lending 2000). The Council provides the central forum for cooperation to promote Sweden, and a consultative body advising the government on questions concerning Sweden promotion abroad (Regeringskansliet 2005a). Besides the Department for Export Promotion and Internal Market, the Council’s members have included the heads of the STC, the Invest in Sweden Agency, the Swedish Institute and the Swedish Travel and Tourism Council.

Not only the Ministry of Foreign Affairs, but also the Ministry of Industry, Employment and Communication has increased its focus on KES since the mid-1990s. The Ministry of Industry, Employment and Communication has traditionally operated an agency, Nutek, in charge of business development, however, KES was not a central field in Nutek’s areas of responsibility (Nutek 2004). In 1994, nevertheless, the Ministry established another business development agency, Almi, whose main KES task, amongst its other competitiveness development activities, was to promote the international activi-

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297 At the same time, the Ministry of Foreign Affairs established another department with trade policy responsibilities as well, under the name of the International Trade Policy Department. The International Trade Policy Department, as the central section on trade policy of the Swedish government, was responsible for issues concerning trade policy, international trade and investment issues and the European Union’s common trade policy legislation (Regeringskansliet 2005b). However, this department was not traditionally involved in KES matters.

298 Besides trade and investment promotion, the Department’s responsibilities included steering the Invest in Sweden Agency, the Swedish Export Credits Guarantee Board, the Swedish Export Credit Corporation, the National Board of Trade (which used to be the highest level government body responsible for trade policy, see in Kommerskollegium (1994)), the Swedish Board for Accreditation and Conformity Assessment and the Swedish Standards Council (Regeringskansliet 2005b).

299 The Council for the Promotion of Sweden has also included representatives of the Director-General for Foreign Trade and the head of the Ministry of Foreign Affairs, while it has been chaired by the Director of the Ministry’s Information Office (Regeringskansliet 2005a).

300 The abbreviation Almi stands for Almi Företagsspartner AB, or Almi ‘The Partner for your Company’ (Almi 2004).
ties of small and medium-sized companies by means of counselling, contacts and financing (Söderman 2001; Karolinska Institutet 2005). Almi was created to be a regionally focussed organisation, operating in twenty-one local offices (Almi 2001). Almi’s foundation reflected governments’ new approach on small business policy, including a greater attention on internationalisation as part of general business development (Boter, Hjalmarsson & Lundström 1999).

Swedish governments’ 1997 restructuring, and the growing administrative power of the Prime Minister’s Office have affected the two business development agencies, Almi and Nutek. Both agencies, despite being officially under the authority of the Ministry of Industry, Employment and Communication, have (mainly since these 1997 government measures) been regarded as independent bodies ‘under the government as a whole’ (Levin & Tegle 2002). Besides their independence – and partly as a consequence of it – KES activities of Almi and Nutek have not been harmonised with each other, neither have they been coordinated by clear guidelines of the Ministry of Industry, Employment and Communication (Almi 2001; Nutek 2005). Their operations also have not been coordinated with other government bodies with KES responsibilities, such as the Department for Export Promotion and the Internal Market.

However, government efforts to harmonise KES policy have been present in policy statements, such as the report entitled ‘An Integrated Globalisation Policy’, prepared in 2001 (Pagrotsky 2001). Following on from the principles embedded in the Council for the Promotion of Sweden, this report also encouraged cooperation between ministries and agencies in charge of internationalisation promotion. Accordingly, the report presented inter-ministerial action plans that the government was to pursue in a concerted way in order to tackle the challenges of globalisation (Swedish MFA 2002a). In the same year, in 2001, the Swedish Institute for Growth Policy Studies was founded (ITPS 2001). The wholly government-owned Institute has focussed on internationalisation, and has undertaken a number of assessment studies on the government’s KES and investment promo-

301 Almi’s major KES instruments have included market-oriented complementary advice and financing for Swedish firms’ internationalisation (Almi 2004). For more detail on Almi’s general roles and KES tasks and Eurada (1999).

302 In 1997, the Swedish central governance was re-organised, by creating a ‘sharp formal line’ between ministries and government agencies. This included that, while a ministry answered directly to its minister, an agency is regarded as an independent body ‘under the government as a whole’ (Levin & Tegle 2002). In addition, Levin & Tegle (2002) also note that the influence of the Prime Minister’s Office over individual ministries has increased since the early 1990s.
tion guidelines (ITPS 2005). One year later, in 2002, the symbolic initiative ‘Active, Attractive Sweden’ (303) was launched, comprising a range of promotional events with KES and investment promotional focus (Pagrotsky 2003). This was accompanied by the government’s announcements such as “both Swedish exports and investments in Sweden [are] high priority issues for the Government”, while continuing the battle against unnecessary ‘red tape’ in trade at all levels (Pagrotsky 2003). In the same year, the government also decided to promote imports in addition to KES (Östros 2005d)(304).

Despite the seemingly increasing priority accorded to it, KES has not become more strategic in its planning and focus (SOU 2000). This means that the government has not set specific KES targets, and also, that there has been no clearly divided responsibilities between government bodies in charge of KES. Hence, the government’s nation-wide approach on KES policy has still been seen as a ‘no-strategy’ approach (Söderman 2001). The roles of the Department for Export Promotion and the Internal Market have also been questioned along these lines, as this is the government body which was deliberately established to have a leading KES role across all government (and private) organisations participating in KES (SOU 2000).

Summary

Swedish governments have, since the 1990s, implemented a number of major changes in the national arena of export support. The table below summarises these changes.

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303 The symbolic nature of the initiative ‘Active, Attractive Sweden’ was due to the fact that it did not include costly programmes, rather, it consisted mainly of cost-efficient promotional events (Pagrotsky 2003).

304 The purpose of import promotion has been to encourage imports in a variety of sectors and to motivate the forging of new business contacts between purchasers in Sweden and suppliers in other countries (Östros 2005d). The government provided 2.5 million Swedish Krona for import promotion activities in 2003, for instance (Östros 2005d).
Table 24 – Milestones of Swedish governments’ growing export support

<table>
<thead>
<tr>
<th>Asp.</th>
<th>...in Sweden’s pre-1990s KES arena</th>
<th>...in Sweden’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sweden’s leading TPO was the Swedish Trade Council or STC, established in 1972, co-owned and co-governed by the Ministry of Foreign Affairs and the Confederation of Swedish Enterprise; the STC had a Stockholm base and extensive foreign network.</td>
<td>The government has expanded the domestic networks of the STC, by establishing the Export Centres in 1995 (20 Centres in 2004), and by increasing its foreign networks from 38 in 1994 to 48 in 2004.</td>
</tr>
<tr>
<td>2.</td>
<td>The STC was mainly funded by the government.</td>
<td>Although the government has decreased its funding for the STC in 1990, the overall amount of government funding for KES has increased since the 1990s; this has taken place mainly in the form of extra government funds earmarked for diplomatic missions’ new KES initiatives and programme provision, as well as for the creation of Export Centres.</td>
</tr>
<tr>
<td>3.</td>
<td>The government co-owned the STC, however, it did not become significantly involved in its KES delivery; the government intervened somewhat in private TPO operations, by regulating their KES activities.</td>
<td>Governments have increased their involvement in the STC’s KES delivery, by setting requirements and guidelines for the allocation of the Basic Government Assistance grants since 1990; government intervention in Chambers’ KES delivery has also increased since the 1990 Chambers law.</td>
</tr>
<tr>
<td>4.</td>
<td>Diplomatic missions under the authority of the Ministry of Foreign Affairs delivered KES in an un-organised way.</td>
<td>The government has prioritised diplomatic missions’ KES delivery by clarifying and increasing their KES roles, and by providing additional funding for their KES activities, mainly since the early 2000s.</td>
</tr>
<tr>
<td>5.</td>
<td>No</td>
<td>Within Sweden, the government has attempted to coordinate KES delivery of the STC, Chambers and Almi, by creating the regional network of Export Centres as an internationalisation-focussed one-shop-stop environment.</td>
</tr>
<tr>
<td>6.</td>
<td>No</td>
<td>In 1990, the government introduced the Chambers law, which specified and regulated Chambers’ obligatory KES services.</td>
</tr>
<tr>
<td>7a.</td>
<td>No</td>
<td>The Ministry of Foreign Affairs has started to attribute high priority for KES mainly since the establishment of the Department for Export Promotion and the Internal Market in 1995; the growing priority accorded to KES by the Ministry of Industry, Employment and Communication can be seen in the 1994 foundation of Nutek, a regional agency with an internationalisation promotion focus.</td>
</tr>
<tr>
<td>7b.</td>
<td>No</td>
<td>Increasing harmonisation through the Council for the Promotion of Sweden (established in 1995); another manifestation of KES policy coordination was the 2001 report on ‘An Integrated Globalisation Policy’.</td>
</tr>
</tbody>
</table>

Source: developed by the author

1: Government TPO’s establishment and design
2: Funding arrangements for KES provision of government and/or private TPOs
3: Effective participation/ intervention in KES provision
4: KES delivery outside TPO structures
5: Coordination of KES delivery
6: Legal framework for TPOs
7: Policy emphasis on KES ‘Addressing’ (7a); ‘Coordinating’ (7b)

The United Kingdom

United Kingdom governments’ were involved in many KES areas, under a ‘TPO Plus’-type arrangement in the pre-1990s period. However, there was a great divide in governments’ onshore and offshore KES activities. The table below summarises pre-1990s government KES involvement.
Table 25 – United Kingdom governments’ pre-1990s KES involvement

<table>
<thead>
<tr>
<th>Aspects of government KES involvement…</th>
<th>…in the United Kingdom’s pre-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government TPO’s establishment and design</td>
<td>The United Kingdom’s leading TPO was the Overseas Trade Services or OTS, with its domestic operations constituting an integral part of the Department of Trade and Industry, while its foreign operations being situated within diplomatic missions, under the authority of the Foreign and Commonwealth Office.</td>
</tr>
<tr>
<td>2. Funding arrangements for KES provision of government and/or private TPOs</td>
<td>The OTS was wholly funded by the government; in addition, government funding was also provided for private TPOs, but only to the extent of their KES delivery on the OTS’ behalf.</td>
</tr>
<tr>
<td>3. Effective participation / intervention in KES delivery</td>
<td>The government delivered KES within the framework of OTS, and also intervened in private TPO operations, to the extent of their KES delivery on the OTS’ behalf.</td>
</tr>
<tr>
<td>4. KES delivery outside TPO structures</td>
<td>No</td>
</tr>
<tr>
<td>5. Coordination of KES delivery</td>
<td>No</td>
</tr>
<tr>
<td>6. Legal framework for TPOs</td>
<td>No</td>
</tr>
<tr>
<td>7. Policy emphasis on KES</td>
<td>(7a). ‘Addressing’ RES has been addressed as a foreign economic policy area since the 1970s</td>
</tr>
<tr>
<td></td>
<td>(7b). ‘Coordinating’ No</td>
</tr>
<tr>
<td></td>
<td>(7c). ‘Strategy’ No</td>
</tr>
</tbody>
</table>

Source: Section ‘The United Kingdom’ on page 100

United Kingdom governments, since the late 1980s, have attempted to synchronise the traditionally rather disintegrated KES involvement of the Department of Trade and Industry and the Foreign and Commonwealth Office. After some futile attempts in 1972 and 1974, the first successful step of this process took place in 1987, when the government established the Joint Export Promotion Directorate (UK DTI 2005b). However, the Joint Export Promotion Directorate, as well as its successor the Overseas Trade Services (OTS, founded in 1992), remained within the organisational frameworks of the two autonomous government bodies of the Department of Trade and Industry and Foreign and Commonwealth Office, separately responsible for onshore and offshore government KES, respectively. Both the Joint Export Promotion Directorate and the OTS were nonetheless catalysing more intense coordination across government entities involved in companies’ internationalisation than their predecessors. For instance, in 1993 the OTS integrated twenty-two government – including national and sub-national government levels – entities with internationalisation responsibilities (BCG 2004).

Despite the extensive efforts to harmonise the Department of Trade and Industry and Foreign and Commonwealth Office’s KES activities, in the late 1990s, United Kingdom governments still considered the level of coordination to be insufficient and called for a
more integrated approach. A Committee led by Sir Richard Wilson\(^{305}\) was set up in 1998 to recommend ways to improve government KES (UK DTI 1998). The Wilson Report (1999) identified a number of problems originating from poor coordination of the government’s KES activities. These included the lack of management and accountability, lack of cohesion, and overly complicated funding (BCG 2004)\(^{306}\). As a resolution, the Report suggested the establishment of Trade Partners UK, which came into force in 2000. Along with Trade Partners UK, a foreign direct investment promotion government body, UK Invest, was created as well. The two agencies came under the responsibility of the umbrella agency British Trade International. The Department of Trade and Industry summarised the novelties of British Trade International as follows:

“British Trade International will have clear lead responsibility within Government for trade promotion and development. […] The international activity of the new organisation will remain within diplomatic posts. Heads of mission will be responsible to the Chief Executive for the performance of their posts against the strategy and objectives of the new operation” (UK DTI 1998).

British Trade International was given a headquarter autonomous from the Department of Trade and Industry, and the Foreign and Commonwealth Office, while drawing its staff from both of these government bodies (BTI 2000). Therefore, it became separate from, but at the same time, fundamentally connected to both the Department of Trade and Industry and the Foreign and Commonwealth Office, ensuring the necessary level of continuity. British Trade International (through Trade Partners UK) hence became the first single government body responsible for both onshore and offshore KES, being wholly in charge of directions and management of government support for exporters (BCG 2004).

In 2003, British Trade International was ‘rebaptised’ as UK Trade & Investment or UKTI, with its only major difference, compared to British Trade International, being that the two agencies responsible for KES and investment promotion became treated as one, aiming to better exploit synergies of the often interconnected procedures of the two internationalisation promotion activities (UK DTI 2004).

\(^{305}\) The Committee was named after Sir Richard Wilson, then Cabinet Secretary for the UK government (UK DTI 1998). In June 1998 Sir Richard Wilson was asked by the Department of Trade and Industry and the Foreign and Commonwealth Office to review national KES arrangements. Following wide-ranging consultations with the private sector, the outcome of this review was announced in March 1999, and became known as the ‘Wilson Report’ (UK DTI 1998).

\(^{306}\) Further problems identified by the Wilson Committee included the heavy emphasis on promoting overseas markets to United Kingdom business without any real assessment of the demand for such promotion; and little assessment of the effectiveness of KES programmes (BCG 2004).
UKTI, as the ultimately unified leading government TPO, has been able to establish specific KES goals to be jointly achieved by its onshore and offshore representations (O’Brien 2003). After the first specific, but not enumerated KES targets in 1999\(^{307}\), UKTI introduced its first own detailed and enumerated targets in 2001 (UK DTI 2004). Assigning enumerated goals to specific KES activities, UKTI’s performance has also started to be annually measured, reviewed and assessed, as well as published in UKTI’s Corporate Plans (UK DTI 2005a). For instance, according to the 2003 goals, UKTI aimed to increase the number of new exporters by six thousand, as well as to increase the number of established exporters to eighteen thousand by 2006\(^{308}\). The follow-up assessment of the Department of Trade and Industry in 2004 indicated that in 2003–2004, UKTI pursued these targets fairly successfully, helping to develop approximately one thousand and two hundred successful new exporters and close to three thousand firms to successfully trade in markets new to them (UK DTI 2004).

Besides harmonising and specifying its traditionally fragmented KES policy – and providing strategic directions to KES – United Kingdom governments have also increased the scope of their KES delivery. This has involved the introduction of the Export Marketing Research Scheme in 1988 and the Export Communications Review in 1996 (BCC 2005b). The Export Marketing Research Scheme includes assistance for companies to draw up a market research programme for work to be carried out either by a firm’s in-house staff, or a professional marketing research consultant, with the intent of developing a strategy for market entry (UK NAO 1996; UKTI 2005a). The Export Communications Review gives companies an improved understanding of various methods of communicating with overseas customers, while building the competence to tackle such barriers in the future (UK DTI 2004)\(^{309}\).

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\(^{307}\) These specific KES targets, published in the Department of Trade and Industry’s official documents, were adapted from the recommendations of the 1999 Wilson Report (UK DTI 1999).

\(^{308}\) Other KES goals included: support 300 projects annually; increase prompted awareness of UKTI among existing and potential exporters in the United Kingdom to 20 per cent by 2005; increase the number of registered customers for UKTI web site services by 50 per cent; increase proportion of very satisfied trade customers to at least 75 per cent. UKTI’s investment promotion goals in 2003 included: handle 25 per cent more inward investment projects than over the previous three-year average; 75 per cent success rate for inward investment location decisions for projects handled by UKTI over a three-year period; and 70 per cent of inward investment success handled by UKTI to be in knowledge-driven sectors and technologies (UK DTI 2004).

\(^{309}\) Both the Export Marketing Research Scheme and the Export Communications Review have been gradually expanded. For instance, the number of applications to Export Communications Review has grown, from thirty-six in 1996, to close to two hundred by the early 2000s (UK DTI 2004).
Another new KES initiative was, in 1992, the secondment of export professionals from private industry, to increase the quality and credibility of export assistance provided by UKTI (BCG 2004). In 1999, there were eighty Export Promoters seconded from industry (UK DTI 1999), with their number increasing to over one hundred by 2005 (UKTI 2005b). Moreover, the traditional ‘bricks-and-mortar’ Export Market Information Centre, UKTI’s main channel to provide export information, was rolled into an online service in 2000 (BCG 2004). Originally, the Export Market Information Centre was a free self-service library for exporters (UK EMIC 2000). Its reformed version, adjusted to technology developments under the name of the Online Market Introduction Service, was introduced in 2000 (UK DTI 2004). In addition, a range of KES instruments such as export sales leads (introduced in 1995), export explorer (1998), export fitness test (2001), and the ‘flagship’ programme, Passport to Export Success (2001), have been launched since the late 1990s (UK DTI 2004; BCG 2004). The purpose of the Passport initiative – as the arguably most successful KES programme – is to generate new exporters, by increasing new-to-exports firms’ knowledge and confidence (UK DTI 2005a). This programme has been administered as free, customised export assistance (BCG 2004).

Importantly, within the United Kingdom, most of these new KES instruments have been delivered not directly by UKTI, but through private TPOs, such as Chambers and Business Link hubs. This has also involved the government’s growing engagement in these private TPOs’ KES activities. The first manifestation of this process was when the government started to delegate more KES instruments to Chambers. In addition to trade missions and fairs – which had been traditionally administered by Chambers – the Department of Trade and Industry assigned Chambers to deliver further KES instruments (Bennett & Robson 2003), including the Export Marketing Research Scheme, partly delivered by the Chambers from 1988; and the Export Communications Review, from 1996 (BCC 2005b). By the late 1990s, both programmes had become fully administered by Chambers, whilst funded and regulated by the government. The growing number of KES instruments managed by Chambers on the government’s behalf has also involved an in-

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310 Indicative of its success, in the 2002–2004 period, the Online Market Introduction Service was launched in 23 countries, and placed over 2,000 orders for services (UK DTI 2004).

311 For more detail on the share of delivery of these KES instruments, see Fallon & Brown (1999).
crease in government funding and regulation for Chambers. United Kingdom governments have thus gained more control over Chambers’ KES activities.

Another form of governments’ more intense involvement in private TPOs’ activities was the creation (1992) and restructuring (2000) of the Business Link network\(^{312}\). The creation of Business Link outlets was initiated by the Department of Trade and Industry to establish local advice centres, whereby small and medium-sized firms receive business support in a one-stop-shop environment. However, the Department did not intend to directly operate these business advice centres, rather it created a franchise system (BCG 2004). The Department thus became the franchisor and sponsor, whereas private companies and associations became the franchisees, in charge of delivering business services on the Department’s behalf.

Besides general business support, all Business Link outlets provided a number of KES instruments, such as export counselling, seminars, general advice on foreign markets. It must be noted, however, that due to the loose nature of the franchise system, these services were fairly ad-hoc – neither regulated by the Department of Trade and Industry nor harmonised with KES activities undertaken by Trade Partners UK. Faced with numerous disadvantages due to the uncoordinated nature of the Business Link network – including the lack of government authority to locally implement changes and inefficient use of outlets – the Department of Trade and Industry was compelled to restructure the entire franchise network. The 2000 reforms resulted in that all individual Business Link offices became directly subordinated to the Department’s new Small Business Service, which has taken a more ‘hands-on’ approach to regulating Business Link services\(^{313}\). This restructuring has also made it easier for governments to intervene in Business Links’ KES delivery. Relying on the strengthened authority of the Department of Trade and Industry over this reformed private network, UKTI has started to provide clear guidelines for Business Link KES provision. This involved defining the following tasks for Business Links: in-

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312 Business Links have local reach throughout England. Similar organisations have been established in other United Kingdom regions as well. Within Scotland, the most important local force in national KES arrangements has traditionally been a network of local export partnerships. In Wales, the Welsh Office Overseas Trade Services Branch and the Welsh Business Connect Network represent the regional arms of KES forces. In Northern Ireland, KES services for companies are locally accessible through the Industrial Development Board (UK Official Documents 1996). In the following sections, when local delivery of KES instruments is discussed, mainly England-based networks are explained.

313 At the same time, the former eighty-nine Business Link hubs were reduced to forty-five, which was intended to address variability in service quality, as the Small Business Service could more easily oversee a smaller number of offices (BCG 2004).
formation provision on international trade basics, foreign markets and export finance opportunities, as well as assistance in export-related tax and paper work matters and in exporting logistics (UK SBS 2005).

Beyond regulating and supervising their KES instruments, the government also reformed Business Links’ workforce. This resulted in that by 2003, over two hundred International Trade Advisors with high-level expertise on doing business internationally were posted to Business Link outlets (Brown 2003). Business Links’ clarified KES services have helped reduce duplications and improved cooperation between UKTI’s London-based and Business Links’ regional KES activities. Overall, due to the 2000 restructuring of the Business Link network, the still privately managed Business Link offices have come to be seen as UKTI’s ‘primary route’ or the ‘main channel’ to deliver export support for local companies (UKTI 2004; BCG 2004). In other words, Business Link offices have become an integral domestic network for UKTI, being referred to as UKTI’s forty-five national branch offices (ITC UNCTAD/WTO 2004a).

Intensifying links and growing government authority in the cases of government-Chambers, as well as government-Business Links relations are nonetheless not clearly separable. Business Link franchise contracts were won by a number of individual Chambers, instigating that Chambers became a large part of the Business Link network by the early 2000s (UK DTI 2005b). Therefore, even though Chambers claim to be “non-political, non profit making organisation[s], owned and directed by [their] members” (BCC 2005a), those running Business Link offices have become subordinated to the government (that is, to the Department of Trade and Industry) in terms of business support, including KES delivery. This has been especially the case since 2000, when Business Links became integral part of the Department of Trade and Industry’s Small Business Service operation.

In addition to governments’ increasing intervention in private TPOs’ operations, another manifestation of growing government KES involvement is the growth of governments’

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314 UKTI’s new domestic partnerships have also included the English Regional Development Agencies (Brown 2003). However, these Agencies have significant regional decision-making autonomy, as opposed to Business Links’ subordinated nature to the federal government body, the Department of Trade and Industry.
KES funding. Although there is no discernible upward trend for onshore government KES funding (UK DTI 1999, 2000, 2004, 2005a), UKTI’s enhanced offshore operations have been supported by considerably increasing government funds. Offshore government activities of KES and investment promotion are hard to separate, as the Foreign and Commonwealth Office has not traditionally differentiated between the two in terms of the number of personnel or the funding involved (UK FCO 2005). From the Office’s perspective, separation between the two internationalisation-related activities lost importance especially when UKTI united government export and investment promotion in 2003. Therefore, the term ‘commercial diplomats’ embraces both diplomats in charge of KES, and those in charge of investment promotion.

Since the late 1990s, the planning of commercial diplomacy has become more centralised (Lee 1999, 2004), involving that across all United Kingdom diplomatic posts around the world, diplomats with KES responsibilities have been assigned with centrally regulated tasks. These have become not only more regulated, but also generally extended – mirroring the expanding scope of UKTI’s KES operations (Lee 2004). Moreover, the relative weight of diplomats in charge of KES and investment promotion (that is, commercial diplomats) has increased at the expense of those engaged with traditional diplomatic tasks. For instance, in 1994, the rate of commercial diplomats compared to traditional office-holders working in United Kingdom diplomatic missions was thirty per cent, whereas the equivalent number in 2004 was over sixty per cent (UK DTI 1995)\(^{315}\).

In line with the more intense regulation and extension of commercial diplomats’ activities, as well as their growing number, funding for UKTI’s offshore operations – that is, for commercial diplomats’ activities – has increased relative to traditional diplomatic activities (Lee 2004). For instance, the total cost of commercial diplomats almost doubled over the 1990s, growing from approximately one hundred million British Pounds in 1993–94 to over two hundred million British Pounds in 2001–2002 (UK FCO 1999; and BTI 2001). In addition, the share of government funding in UKTI’s budget has increased relative to private forces’ share of funding. Prior to the early 1990s, the government’s...

\(^{315}\) In 2004, 2,400 diplomats were serving in 221 posts overseas, with 1,500 of them being engaged in KES and investment promotion (ITC UNCTAD/WTO 2004a; UK FCO 2005).
share was approximately ninety per cent in the OTS’ budgets, with a corresponding ten per cent private share (ITC UNCTAD/GATT 1994). The private rate then declined and terminated, so that in 2004 the government provided one hundred per cent of UKTI’s funding (ITC UNCTAD/WTO 2004a).

Summary

Major steps of the United Kingdom governments’ growing KES involvement are summarised in the table below.

Table 26 – Milestones of United Kingdom governments’ growing export support

<table>
<thead>
<tr>
<th>Asp</th>
<th>…in the UK’s pre-1990s KES arena</th>
<th>…in the UK’s post-1990s KES arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The United Kingdom’s leading TPO was the Overseas Trade Services or OTS, with its domestic operations constituting an integral part of the Department of Trade and Industry, whereas its foreign operations, situated within diplomatic missions under the authority of the Foreign and Commonwealth Office</td>
<td>A new, integral domestic network has been created for UKTI through the inclusion of Business Links since 2000; UKTI’s offshore networks have also grown, in terms of the number of offices (from 200 in 1994 to 221 in 2005) and commercial diplomats employed (in 1994 the rate of commercial diplomats compared to traditional office-holders working in UK diplomatic missions was 30%, while the equivalent number in 2004 was over 60%)</td>
</tr>
<tr>
<td>2.</td>
<td>The OTS was fully funded by the government; government funding was also provided for private TPOs, but only to the extent of their KES delivery on the OTS’ behalf</td>
<td>Government KES funding has increased for UKTI, mainly for its offshore operations; government funding for private TPOs has also grown, as they have increasingly delivered KES instruments on UKTI’s behalf</td>
</tr>
<tr>
<td>3.</td>
<td>The government delivered KES within the framework of OTS, and also intervened in private TPO operations, to the extent of their KES delivery on the OTS’ behalf</td>
<td>The government has increased UKTI’s KES scope by introducing a range of new KES instruments since the 1990s; the government’s intervention in private TPOs’ KES delivery has also increased, mainly by assigning Chambers and Business Links with service delivery on UKTI’s behalf</td>
</tr>
<tr>
<td>5.</td>
<td>No</td>
<td>Through the concept of Business Links, the government has coordinated the delivery of general business development with that of KES services, via uniting private Chambers with the government’s regional network for business development</td>
</tr>
<tr>
<td>7b.</td>
<td>No</td>
<td>Formerly disconnected KES involvement of the Department of Trade and Industry, and the Foreign and Commonwealth Office has become wholly harmonised through a range of policy consultations, culminating in the establishment of UKTI in 2001</td>
</tr>
<tr>
<td>7c.</td>
<td>No</td>
<td>Governments have annually given strategic directions to KES since 2001, establishing specific KES plans and enumerated goals to be achieved: e.g., in 2003, the revised goal was to increase the number of new exporters by 6,000, as well as to increase the number of established exporters to 18,000 by 2006</td>
</tr>
</tbody>
</table>

Source: developed by the author

1: Government TPO’s establishment and design
2: Funding for KES provision of government and/or private TPOs
3: Effective participation / intervention in KES provision
5: Coordination of KES delivery
7: Policy emphasis on KES ‘Coordinating’ (7b); ‘Strategy’ (7c)
KES trends of ‘passive’ and ‘active’ governments

When faced by global pressures, governments may behave differently driven by different domestic institutional bases (Immergut 2005). In light of such institutionalist arguments, this section considers governments’ pre-existing institutional design for KES and determines what role these have in shaping the outcomes of KES policy changes.

The following sections analyse the trends in governments’ KES involvement by institutional design for KES. Governments’ increasing KES funding, introduction of new export support programmes and TPO expansion are analysed and evaluated in a quantitative manner. Other dimensions of government KES involvement, such as assisting and intervening in private TPOs’ operation, coordinating multiple TPOs, and policy emphasis on KES, the trend analysis focuses on the very appearance of these elements.

Increasing funding for TPOs and quasi-TPOs

A tangible element of increasing government involvement in KES is the growth in government funding for TPOs. The majority of governments have increased their funding for TPOs since the 1990s, however, this has taken place along different dimensions of TPO operations.

Studies on export support are inconsistent on what elements of export support are to be taken into consideration when calculating government expenditure on export support in general, or government spend on export promotion agencies or TPOs in particular (316). This section does not attempt to provide a solution as to what should and should not be aggregated for such calculations. The aim is to point out what dimensions of government TPO funding have experienced a general upward trend since the 1990s, and how these trends can be (if at all) associated with the government’s institutional design for KES.

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316 See, for instance, different perspectives on government export support expenditure in Shelbourne (1997) and Shields’ (1997) studies that investigate United States government expenditure; Diamantopoulos, Schlegelmilch & Inglis’ (1991) cross-national comparison that examines government export support expenditure in United Kingdom, Italy, France, South Korea, Japan, the United States and Canada; or Weiss’ (2005a) study that looks at relative government export support spend in the United Kingdom, France, United States and Canada.
Firstly, the table below summarises the examples of governments’ TPO funding increase, in three forms\textsuperscript{317}: providing government funding for KES initiatives of private TPOs on a temporary basis; government contributions to the operational budgets of the leading government or private TPO; and government funding allocated for KES provision of diplomatic missions (these are referred to as quasi-TPOs when they are not part of a government TPO, but do undertake KES activities).

Table 27 – Governments’ increasing TPO funding – Trend summary

<table>
<thead>
<tr>
<th>Countries</th>
<th>TPO funding forms</th>
<th>TPO budgets</th>
<th>Diplomatic missions\textsuperscript{318}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>The government increased the leading government TPO, Austrade’s budget from $300 mill in 1999 to $340 mill in 2005 (by 13%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>The government temporarily provided funding for the leading private TPO, AWO of WKÖ through ‘Exportoffensive’ (40 mill Euros in 1998-2000) and ‘Go International’ (50 mill Euros in 2004-06)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>The government increased the leading government TPO, Team Canada’s budget from CAN$130 mill in 1994, to CAN$170 mill in 2004 (by 30%, covering aggregate internationalisation promotion); Trade Commissioners’ budget increased from CAN$221 mill in 1998, and CAN$241 mill in 2002 (by 9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>The government increased its share of funding of the leading private TPO, Finpro from 30% in pre-1990s, to 65% in 2003 (while Finpro’s total budget declined)</td>
<td>The government increased diplomatic missions’ operational budget from 715 mill Euros in 2003 to 824 mill Euros in 2005 (by 15%)</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>The government temporarily provided funding for the leading private TPO, DIHK through the ‘Weltweit Aktiv’ initiative (2003-06) – budgets for internationalisation promotion (broaden than KES) increased from 90 mill Euros in 2001 to 170 mill Euros in 2004 (by 89%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>The government increased the leading government TPO, ICE’s budget from 67 mill Euros in 1994 to 78 mill Euros in 2004 (by 17%), and in relative terms, the government’s share increased from 80% in 1994 to close to 100% in 2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>No apparent increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td>The government increased diplomatic missions’ budget in 2002 by 0.4 mill Swedish Krona for Swedish design); government funding for diplomatic missions’ ‘foreign trade, export and investment promotion’ increased from 490 mill Swedish Krona in 2005 to 567 mill Krona in 2006 (by 4%)</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>The government increased its contribution to the leading private TPO, OSEC’s budget from 13 mill Swiss Francs in 2000 to 17 mill Swiss Francs in 2005 (by 31%), and in relative terms, the government’s share increased from 25% in 1994 to 67% in 2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>The government increased the leading government TPO, UKTI’s foreign budget (covering investment promotions and diplomatic services too) from 91 mill Pounds in 1999 to 126 mill Pounds in 2004 (by 39%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: various sources for each case-study country

As this table shows, in all countries apart from the Netherlands, governments have increased their financial contributions to TPO operations one way or another. Firstly, the

\textsuperscript{317} In the framework of the European Union’s regional policy, member countries have since the 1980s been eligible for funding from the European Union’s common resources, which they have been able to use for KES purposes.

\textsuperscript{318} Diplomatic missions that provide KES services are either part of the government TPO or operate as the government’s quasi-TPO. Hence, KES funding for diplomatic missions can always be seen as an element of governments’ total funding for TPOs.
government provided financial contributions for the leading private TPO’s KES initiatives in Austria (‘Exportoffensive’ in 1998–2000 and ‘Go International’ in 2004–06) and in Germany (‘Weltweit Aktiv’ in 2003–2006). In both countries, the above internationalisation projects were the first incidences of major government funding for the leading private TPOs’ KES provision. Governments in Austria and Germany, nevertheless, have not started to continuously fund these TPOs’ activities – rather limiting their financial assistance to these distinguished internationalisation projects.

Secondly, government’s most universal TPO funding-related trend across the investigated countries has been the increasing funding for the leading TPO’s budget – be it government or private TPO. In the case of six countries it can be shown by what percentage the leading TPO’s budget has increased by the mid-2000s. These are summarised below.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Government TPO total budget growth in % (post-changes / pre-changes)</th>
<th>Government share in private TPO budget growth in % points (post-changes – pre-changes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>30%</td>
<td>30%[319] points</td>
</tr>
<tr>
<td>Italy</td>
<td>17%</td>
<td>30%[319] points</td>
</tr>
<tr>
<td>Switzerland</td>
<td>42% points</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>39%</td>
<td></td>
</tr>
<tr>
<td>Averages[320]</td>
<td>25%</td>
<td>36% points</td>
</tr>
</tbody>
</table>

Table 28 – Increasing government contributions for TPO budgets

Source: various sources for each case-study country

In the case of government TPOs, the investigated governments’ financial contributions for their TPO budgets have increased by approximately twenty five per cent on average between the mid-1990s and the mid-2000s. In the case of countries where the leading TPO is a private organisation and the government has traditionally sponsored this private TPO, the government’s share of the leading private TPO’s budget has increased in both Finland and Switzerland, on average by thirty six percentage points.

Thirdly, governments have increased their funding for diplomatic missions’ export support activities in Canada, Finland, Sweden and the United Kingdom. It must be empha-

[319] While the government’s relative share in Finpro’s budget was increasing, Finpro’s total budget was in fact declining.

[320] The averages in the table are calculated as simple averages.
sised that diplomatic missions constitute a cross-section between actual and quasi government TPOs in the sense that they are part of the TPO in many countries, including Canada and the United Kingdom. At the same time, when diplomatic missions are not the government’s official foreign arms for export support, they become quasi-TPOs when governments start assigning them with KES responsibilities. This has taken place in Finland and Sweden, for instance, where the respective governments’ increasing funding has been apparent.

Diplomatic missions, even in countries where government funding for their KES activities has not been enumerated, have experienced governments’ growing emphasis on their export support operations. In these countries, rather than just having ‘door-opener’ roles to support their home country’s TPOs, diplomatic missions have started to provide specific and increasing number of KES services since the 1990s (NZTE 2005b)). For instance, Italian governments have opened hundred and fifty Commercial Sections within over two hundred branches of the diplomatic-consular network since 1998, and they have also clarified KES roles of Commercial Sections by the mid-2000s. Swiss governments enhanced and standardised KES services of diplomatic missions by the early 2000s – even, some embassies and consulates have become integral parts of the new foreign network of the leading private TPO, OSEC (Swiss Business Hubs). Based on these and similar examples, one can assume increasing government funding for most diplomatic missions’ export support over the late 1990s and early 2000s, although government documents do not always specify the extent of this.

The findings of growing government funding for diplomatic missions’ export support activities are in line with Lee & Hudson’s (2004) argument that recent years have seen that the balance between commercial elements – such as KES and investment promotion – and political elements of diplomatic activities have significantly swung in favour of the former (Lee & Hudson 2004: 360). They also resonate with Potter’s (2004) finding that

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321 For instance, KES roles of New Zealand’s diplomatic missions include “information on the economy or politics of the market you are targeting; help overcome problems with access for your products to international markets (e.g. tariffs, import restrictions, health or packaging requirements); information about new market access opportunities resulting from trade negotiations; the chance to contribute your views to New Zealand's position on trade agreements; link-ups with government programmes (e.g. Official Development Assistance, trade missions); facilitation of introductions to key players in overseas local government, or business through our network of posts working with NZTE” (NZTE 2005b). For similar summaries on KES roles of the United States, United Kingdom, Canadian and Australian diplomatic missions, see Rose (2005).
the past twenty years have seen “an even stronger commercial-economic influence on foreign policy-making” (Potter 2004: 59), resulting in a stronger accent on diplomatic missions’ KES roles. These developments have also been portrayed as diplomatic missions commercial aggressiveness that is novel to most practitioners (Coolsaet 2001, 2004, 322), while “increasingly marketing themselves as agents of export promotion” (Rose 2005: 1). As part of this agent-like behaviour, governments have also attempted to improve diplomatic missions’ KES provision by ensuring staff’s elevated export support knowledge, aiming for better services for domestic firms’ export assistance.

The table below summarises hitherto discussed findings on the increasing trends for governments’ TPO and quasi-TPO funding, looking at these findings through the lens of governments’ institutional design for export support. The three major types of governments’ TPO and quasi-TPO funding increase are thus cross-tabulated with their ‘No TPO’, ‘TPO Only’ and TPO Plus’ design.

**Table 29 – Governments’ increasing TPO funding by institutional design**

<table>
<thead>
<tr>
<th>Institutional design</th>
<th>Countries</th>
<th>TPO funding forms</th>
<th>Growing KES funding for diplomatic missions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Temporary funding for private TPOs</td>
<td>TPO budget increase</td>
</tr>
<tr>
<td>‘No TPO’</td>
<td>Austria</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finland</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Switzerland</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>‘TPO Only’</td>
<td>Canada</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>‘TPO Plus’</td>
<td>Australia</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Netherlands</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>United Kingdom</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Source: developed by the author

As this table shows, governments with ‘No TPO’ design for export support have increased their relative contributions to the leading private TPO’s budget in countries where they had already sponsored TPOs in the pre-1990s, for instance in Finland (for

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322 KES roles of embassies and consulates may be understood as “the work of diplomatic missions in support of the home country’s firms in their pursuit of international success, as well as the country’s general objective of national development” (Saner & Yiu 2003: 13). On commercial diplomacy, as part of public diplomacy, see Bátora (2005a; 2005b). On the relationship between commercial and traditional diplomacy, see Coolsaet (2004): “Commercial and traditional high diplomacy can be viewed as ‘two linked DNA-chains’, alternately gaining prominence to the detriment of the other, with high diplomacy never disappearing”.

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Finpro) and Switzerland (for OSEC). In addition, governments with ‘NO TPO’ design for export support have started providing funding to the leading private TPO’s budget on a temporary basis in countries where they had not sponsored TPOs in the pre-1990s. This has been the case in Austria (for the AWO of WKÖ) and Germany (for the DIHK).

Governments with ‘TPO Only’ and ‘TPO Plus’ design have increased the total budget of the leading government TPO in a few countries. Amongst countries with governments’ ‘TPO Only’ design, an example for this is Canada (for Team Canada). Amongst countries with governments’ ‘TPO Plus’ design, examples include Australia (for Austrade) and Italy (for ICE). However, budget cuts have also taken place in other countries, such as Sweden (where the government employed ‘maximum restraint’ public expenditure principle and halved the STC’s budget in 1990).

Governments in all types of ‘No TPO’, ‘TPO Only’ and ‘TPO Plus’ design, have increased their budgets allocated specifically for foreign operations of the government TPO or quasi-TPO. Examples include, for ‘No TPO’ arrangement, Finland and Switzerland (for diplomatic missions’ budget, the latter not enumerated); for ‘TPO Only’ arrangement, Canada (for the government TPO, Team Canada’s foreign operations at diplomatic missions); and for ‘TPO Plus’ arrangement, Sweden and Italy (for diplomatic missions’ budget, the latter not enumerated) and the United Kingdom (for the government TPO, UKTI’s foreign operations at diplomatic missions).

Temporary funding for private TPOs is the only type government funding growth that can be associated with a particular institutional design for governments’ export support – the ‘No TPO’ design. Government funding increase for TPO budgets and diplomatic missions’ budgets have taken place in countries with all three types of design, thus cannot be associated with any one institutional design of governments’ export support.

Hence, the conclusion is that even though since the 1980s, budget cut-backs have been a ‘fact of life’ for a number of government-funded TPOs, overall government funding for TPOs and quasi-TPOs has grown in all countries (with the exception of the Nether-
This research thus agrees with previous studies, such as Spence (2000) and Weiss (2005a), arguing that government funding for export support has increased over the past twenty years. In addition, the by and large government funding growth for TPOs has been experienced irrespective of institutional design for government export support.

**New KES programmes and services**

Besides funding growth, another tangible way of governments’ increasing export support has been the proliferation of new KES programmes and services. The aim of this section is to show not only the universal increase of these, but also that the introduction of KES programmes and services has taken place irrespective of governments’ institutional design for export support.

The four most commonly established types of new KES programmes are scrutinised, including new Internet-based services, financial packages with KES focus, market promotion programmes and customised services. Internet-based services and customised services fall into the broad category of objective KES, referring to the fact that these provide export support that educate firms through secondary (Internet-based services) or primary sources (often in the case of customised services). Market promotion programmes fall into the category of experiential KES, as these provide firms with market knowledge that “can only be learned through personal experience” (Johanson & Vahlne 1977: 28). Financial KES packages, on the other hand, may fall into either objective or experiential KES categories, as they can be associated with, for instance, information provision (objective KES) or trade fair participation (experiential KES).

TPO programmes are widely researched. Some of this research focuses on one particular KES programme or service, for instance, the experiential KES service of trade missions (Seringhaus & Mayer 1988; Seringhaus 1989; Spence 1999a, 2001; Spence & Crick

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323 TPO budget cutbacks are described as a ‘fact of life’ in Domeisen (2005). The same study has also discussed that the trend of managing TPOs as a ‘business’ has also been an outcome of the trend towards budget cuts: TPOs have been learning to cut costs, and increase revenues, for instance, by cost-sharing and offering targeted consulting services, and leveraging funds and expertise, for instance, by partnering with universities and research institutions (Domeisen 2005).

324 As for Internet-based services, certainly, all government TPOs have had export support information on their website. This section only analyses the cases when governments have gone beyond providing information and created sophisticated portals with export assistance tools.
2001); others compare several objective and experiential KES services (Jaramillo 1992; Hibbert 1998; Wilkinson & Brouthers 2000); or analyse how TPOs target their KES programmes (Crick 1995; Naidu et al. 1997; Spence 2000; Fischer & Reuber 2003). The general consensus, according to Seringhaus & Rosson (1991b), is that TPOs in the industrialised world have created broadly similar services. However, there is much evidence to suggest that in the 1970s and 1980s, TPOs have been faced with the challenge that their KES programmes were inadequate and unsuitable for the needs of most firms, especially for small and medium-sized companies (Camino 1991; Demick 1998)\(^{325}\). To tackle this challenge, from the mid-1980s, TPOs have started to reform their export support programmes\(^{326}\).

The table below provides a high-level summary of governments’ introduction of such new programmes since the 1990s.

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325 TPOs’ inadequate services were pointed out in a range of studies, including Pointon (1978), Cannon & Willis (1981), Czinkota & Ricks (1981), Buckley (1983), Albaum (1983) and Walters (1983). Coolsaet (2001) has also come to similar conclusions, arguing that the ’routine export promotion effort’ was felt as inadequate considering companies’ needs (Coolsaet 2001).

326 Besides introducing new programmes, governments have also improved existing ones. Studies focussing on improving KES programmes include Cavusgil (1990a; 1990b), Elvey (1990), Seringhaus & Rosson (1991a), Crick (1995) and Demick (1998).
Table 30 – Governments’ new programme launch – Trend summary

<table>
<thead>
<tr>
<th>Countries</th>
<th>New programmes/services</th>
<th>Financial packages</th>
<th>Market promotion</th>
<th>Customised services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1997: The government introduced a new Trade Fair Participation Programme, which involves cost reimbursement on a case-by-case basis</td>
<td>2004-06: Within Go International, the government organised trade missions and visits, and elaborated an action plan to strengthen the ‘Austria-brand’ abroad, through more extensive information provision and marketing activities in potentially important export markets (in conjunction with the leading private TPO, AWO of WKÖ)</td>
<td>1991 and 1997: The government launched Export Access (1991) and TradeStart (1997), to help regional, new-to-export firms with counselling and training</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>1997: The government introduced a new Trade Fair Participation Programme, which involves cost reimbursement on a case-by-case basis</td>
<td>2004-06: Within Go International, the government organised trade missions and visits, and elaborated an action plan to strengthen the ‘Austria-brand’ abroad, through more extensive information provision and marketing activities in potentially important export markets (in conjunction with the leading private TPO, AWO of WKÖ)</td>
<td>1991 and 1997: The government launched Export Access (1991) and TradeStart (1997), to help regional, new-to-export firms with counselling and training</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>1997: The government launched the ExportSource web portal, Canada’s most comprehensive, award-winning online source for government KES information</td>
<td>2004-06: Within Go International, the government organised trade missions and visits, and elaborated an action plan to strengthen the ‘Austria-brand’ abroad, through more extensive information provision and marketing activities in potentially important export markets (in conjunction with the leading private TPO, AWO of WKÖ)</td>
<td>1991 and 1997: The government launched Export Access (1991) and TradeStart (1997), to help regional, new-to-export firms with counselling and training</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>2002: The government launched the web portal Enterprise Finland, providing online KES (and other internationalisation support) services</td>
<td>2001 and 2003-06: The government introduced tailor-made export consultancy within the BfAI’s portfolio</td>
<td>1997: The government introduced a range of personalised KES services against fees, including country or product analysis, partner search and legal KES services.</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1997: The government launched the ExportSource web portal, Canada’s most comprehensive, award-winning online source for government KES information</td>
<td>2004-06: Within Go International, the government organised trade missions and visits, and elaborated an action plan to strengthen the ‘Austria-brand’ abroad, through more extensive information provision and marketing activities in potentially important export markets (in conjunction with the leading private TPO, AWO of WKÖ)</td>
<td>1991 and 1997: The government launched Export Access (1991) and TradeStart (1997), to help regional, new-to-export firms with counselling and training</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>2002: The government launched the programme Swedish Design (2002) and a series of promotional events via diplomatic missions in the ‘Active, Attractive Sweden’ campaign. Introduce</td>
<td>2000 and 2004: The government established the Subsidy Scheme for Export Staff (2000), to help small and medium-sized firms set up and implement export plans; the Programme for Economic Project Cooperation, targeted at exporters to developing countries, providing feasibility studies. Launched the Programme for Co-operation with Emerging Markets (2004)</td>
<td>1997: The government introduced a range of personalised KES services against fees, including country or product analysis, partner search and legal KES services.</td>
<td></td>
</tr>
<tr>
<td>The Netherlands</td>
<td>1998, 2000 and 2001: The government introduced the online service of Export Explorer (1998), the Online Market Introduction Service (2000), which is UKTI’s main channel to provide export information and the online service of Export Fitness Test (2001)</td>
<td>2000 and 2004: The government established the Subsidy Scheme for Export Staff (2000), to help small and medium-sized firms set up and implement export plans; the Programme for Economic Project Cooperation, targeted at exporters to developing countries, providing feasibility studies. Launched the Programme for Co-operation with Emerging Markets (2004)</td>
<td>1997: The government introduced a range of personalised KES services against fees, including country or product analysis, partner search and legal KES services.</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>No new government programmes</td>
<td>1998, 1995, 1996 and 2001: The government introduced the Export Marketing Research Scheme (1988), including assistance for companies to draw up a market research programme to develop market entry strategy, the Export Communications Review (1996), including providing firms with methods of communicating with overseas customers; and Passport to Export Success (2001), including customised service to new-to-exports firms to enhance their market knowledge and confidence</td>
<td>1998, 1995, 1996 and 2001: The government introduced the Export Marketing Research Scheme (1988), including assistance for companies to draw up a market research programme to develop market entry strategy, the Export Communications Review (1996), including providing firms with methods of communicating with overseas customers; and Passport to Export Success (2001), including customised service to new-to-exports firms to enhance their market knowledge and confidence</td>
<td></td>
</tr>
</tbody>
</table>
Firstly, six governments have introduced new, sophisticated Internet-based KES services since the 1990s. In Canada (in 1997), the United Kingdom (2000), Italy (2001), Germany (2001) and Austria (2004), the government launched comprehensive web portals containing readily available general export information as well as direct links to specific export support tools. Similarly, the Finnish government (in 2002) also created a web portal containing export support information and tools, nevertheless, this portal has had a broader scope than ‘just’ export support, focusing on several other areas of internationalisation promotion as well.

In Austria and Germany, where the leading TPOs are private rather than government organisations, the governments have taken the lead role in further Internet-based services. In Austria, within the frameworks of the Internationalisation Partnership programme, the government introduced an Internet platform to improve the Internet presence of firms and their products. In Germany, the government launched an online export contact site ‘e-trade-center’, which directly links German firms with their potential international trading partners. United Kingdom governments have also gone beyond ‘just’ providing a sophisticated export support portal by also introducing the specific online KES services of Export Explorer (in 1998), and Export Fitness Test (in 2001).

Certainly, for these new KES programmes and services to be viable, the prerequisite was the advance of new technology, and particularly, the spread of Internet use. Governments would not be able to launch export support web portals – replacing old ‘bricks-and-mortar’ brochures and other publications – unless the majority of existing or aspiring exporters had Internet access. In fact, the growing domination of the knowledge-based economy has almost ‘by default’ led to new information-technology-related KES services, as it is a relatively cheap and very fast way of providing information. Besides the Internet, other technology-based changes can be described as follows:
“The way TPOs communicate with their customers has certainly evolved over the past 15 years. From a situation where all contact was by post, telephone or telex, TPOs now communicate by e-mail, through web sites or SMS (short message service), and have organized their enquiry response facilities in call centres, frequently offshore. A call to the London office of a TPO about an export to Germany can be, and is now routinely, transferred automatically to Germany for a response. None of this was even dreamed of 15 years ago” (Reynolds 2005: 1).\(^{(327)}\)

A further example of governments that have introduced exceptionally state-of-the-art information technological changes for their TPOs is South Korea. Since the mid-1990s, South Korean governments have reformed the leading government TPO, KOTRA, which has become the benchmark in high-technology-based KES provision (Ki-Wha 2002).\(^{(328)}\)

Secondly, four of the ten governments have introduced new financial packages with KES focus. The Canadian government (in 1994) established a financial package for small and medium-sized exporters, which provides market information and export links, and requires exporters to reimburse the programme contribution if export sales result. The Italian government (in 2000) launched a programme that covers fifty per cent of new exporters’ marketing costs to new markets. The Dutch government (in 2001) introduced two programmes aimed for small and medium-sized firms to diversify exports and encourage new-to-export companies by providing them with market entry contributions. The German government (in 2004) started providing financial assistance for firms to participate in trade conferences, symposia and international fairs.

Of these new KES-related financial packages, the Canadian is the only one that requires firms to reimburse the government’s financial contribution in the case of successful export transactions. Along with Canadian governments, French governments have introduced refundable financial packages for exporters as well, which are also repayable only if there is profit generated from the export transaction financed through the package (Spence 2000). Nevertheless, apart from these examples, it is more common for governments to provide non-refundable financial packages for export support – which can be seen through the examples of Italian, Dutch and German governments.

\(^{327}\) For an historical analysis of the impact of technological changes on economic, including KES developments, see Lipsey (1999). For a review of how technological changes have been analysed from an KES perspective, see Walton (2005).

\(^{328}\) KOTRA has been awarded for being the benchmark TPO in terms of applying high-technology with a customer-focus. To take maximum advantage of the era of e-business, KOTRA launched the interactive internet portal site ‘Silkroad21’ in 2000 (ITC UNCTAD/WTO 2004a).
Thirdly, a further trend includes that market promotion has become an essential KES tool for many governments (Spitzer 1998)(329). KES services under the umbrella term market promotion cover assistance for companies’ participation in trade exhibitions and trade fairs domestically and in host countries, and arranging special events such as marketing campaigns in foreign countries. New promotional KES programmes have been introduced by the Australian (in 1997), Italian (in 2000), Swedish (in 2002 and 2003) and Austrian (in 2004) governments. In Australia and Italy, the focus of these programmes have been on trade fair participation. In Sweden, the new promotional programmes focussed on country-promotion events, while in Austria, they have been centred around trade missions and visits to ‘strengthen the Austria brand’. It must also be noted that governments in the Netherlands and Italy have traditionally used market promotional KES programmes, so in their cases these programmes cannot be considered new.

Fourthly, another novelty in the palette of government KES programmes has been the tendency towards more tailor-made KES instruments, such as individual counselling for aspiring or existing exporters (Bélisle 2003)(330). Governments in the United Kingdom (in 1988, 1995, 1996 and 2001), Australia (in 1991 and 1997), Italy (1997) and Germany (2001) introduced programmes with one-on-one export support focus. United Kingdom, Italian and German governments have offered the new customised services broadly to any small and medium-sized exporters, while Australian governments have focussed on regional exporters, and Dutch governments (besides their customised export support programme for small and medium-sized firms in general) focussed on exporters to emerging economies. Other countries where governments have introduced new tailor-made export support services include Norway (through the leading TPO, Innovation Norway) and Japan (through the leading TPO, JETRO) (ITC UNCTAD/WTO 2004a). The table below summarises the types and numbers of new KES programmes and services introduced by each government since the 1990s.

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329 For a further view on governments’ market promotion roles, see a quote from Spitzer (1998): “More and more countries are using market promotion to support efforts unlikely ever to be undertaken by private companies on their own. These government promotions are used mainly to help propel small and medium-sized companies into international markets for the first time” (Spitzer 1998: 2).

330 Besides using more customised services, Reynolds (2005) describes a number of generally experienced qualitative changes for government TPOs’ programmes, such as greater customer focus, KES instruments with a more global perspective, streamlined customer care and clear adjustment of KES instruments for small and medium-sized companies’ needs (Reynolds 2005).
Table 31 – Numbers and types of governments’ new KES programmes

<table>
<thead>
<tr>
<th>Countries</th>
<th>Internet-based</th>
<th>Financial packages</th>
<th>Market promotion</th>
<th>Customised services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Austria</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Canada</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Finland</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Germany</td>
<td>2</td>
<td></td>
<td>1</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Italy</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>The Netherlands</td>
<td></td>
<td>1</td>
<td></td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Switzerland</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3</td>
<td></td>
<td></td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

Source: developed by the author

As this table shows, on average, governments introduced two or three new KES programmes or services since the 1990s. The only country whose governments have not established and launched new KES services is Switzerland, while the country with most new programmes and services is the United Kingdom.

Besides the number of these new programmes, their targeted nature has also undergone changes. Governments have generally started geographic KES targeting, wherein they have encouraged exports – including the use of newly established KES programmes – in relation to emerging economies. In 1994, the Canadian government led a major trade mission to China, which was indicative of the government intention to extend the importance of China as an export market for Canada (while the China trade mission also provided the forum for the then prime minister to announce the concept of Team Canada). In 2000, the Dutch government established the Programme for Economic Project Cooperation, targeted at exporters to developing countries, providing feasibility studies; and in 2004, launched the Programme for Co-operation with Emerging Markets, offering a ‘stepping-stone’ for a more structural commercial presence for Dutch companies exporting to emerging economies. Through the 2001 export support law, the Swiss government specified that China and India are two of the priority markets on which the OSEC should concentrate its resources. In 2003, the Italian government named Far-Eastern countries to be in the focus of promotional projects, jointly run by the ICE and Chambers. Also in 2003, the Finnish Ministry of Trade and Industry started providing the Export Project
Grants that can be used only by firms that “make Finnish export supply and expertise known in new markets, to extend market shares” (Finnish MTI 2004d, emphasis added). These grants have been used for export projects in a number of countries, including India, China and Brazil (Finnish MFA 2006). In 2005, German governments have helped establish Bilateral Chambers in China. Similar examples of new market-specific KES targeting can be found in Denmark and New Zealand as well.

The table below summarises findings regarding new government KES programmes and also overlays them with governments’ institutional design for export support.

Table 32 – Governments’ new programme launch by institutional design

<table>
<thead>
<tr>
<th>Institutional design</th>
<th>Countries</th>
<th>Internet-based services</th>
<th>Financial packages</th>
<th>Market promotion</th>
<th>Customised services</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘No TPO’</td>
<td>Austria</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Finland</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Switzerland</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘TPO Only’</td>
<td>Canada</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Netherlands</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>United Kingdom</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Source: developed by the author

Having shown the evidence for governments’ proliferating new export support programmes – and their geographic targeting – it also should be noted that governments’ old export support programmes have been extended and expanded in most countries. For instance, Australian governments’ arguably most significant programme, the Export Market Development Grant, has been successfully operating since 1961, and it has been continuously expanded since the late 1980s, with its last major expansion taking place in 2005. Another example is German governments’ trade fair participation assistance.

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331 In the 2003 budget of the Finnish Ministry of Trade and Industry, seventeen million Euros were reserved for the provision of such new KES grants (Finnish MTI 2004d).

332 In Denmark, the leading government TPO, the Danish Trade Council started to direct deliberate KES measures to companies exporting to China in the early 2000s, and established a new TPO post in Chongqing in 2005 (DTC 2006). In New Zealand, since the 1995 re-organisation of the leading government TPO, Tradenz, governments have increasingly supported exporters’ endeavours in new markets. For instance, in its 2006 policy document, New Zealand Trade and Enterprise singled out China and India as strategic priority markets in terms of numerous KES areas, including wood processing-related exports (NZTE 2006).

333 The Export Market Development Grant’s budget increased from $140 mill in 1998 to $170 mill in 2005 (21% increase), while its recipients increased from just over 3,000 in 1998 to 3,300 in 2005 (10% increase).
package, which has been provided since 1949, and the government’s budget for this programme has notably increased since the 1990s\(^{(334)}\).

Through these findings, this thesis agrees with Spence’s (2000) point that during the 1990s – as well as in the early to mid 2000s – government-supported KES programmes have increased (Spence 2000). This thesis has also shown that governments have introduced new KES programmes in countries with ‘No TPO’, ‘TPO Only’ as well as ‘TPO Plus’ institutional design for governments’ export support. Therefore, there is no clear association between governments’ export support design and their likelihood to have launched new export support programmes, whether they be Internet-based programmes, financial packages with KES focus, market promotion or customised services.

**Government TPO expansion**

Governments’ more ‘active’ export support policy, in Abraham & Dewitt’s (2000) words, has increasingly supported the idea of enhancing government export agencies\(^{(335)}\). On the other hand, as Riddle (2002) notes, there is a void in export support research in that scholars have very rarely inquired how TPOs change through time. This section takes a closer look at how governments have strengthened their TPO networks and investigates whether governments’ institutional design for KES has had implications for government decisions whether or not, and how to expand their TPOs.

Before discussing governments’ TPO expansion, the following table summarises what kind of networks government TPOs operated with in the pre-1990s.

---

\(^{(334)}\) The government’s budget for its trade fair participation assistance package increased from 26 mill Euros in 1992 to 34 mill Euros in 2002 (31% increase).

\(^{(335)}\) Abraham & Dewitt’s (2000) study addresses government export support in the form of export insurance, rather than KES.
Table 33 – Leading TPOs’ pre-1990s networks in the case-study countries

<table>
<thead>
<tr>
<th>TPO networks</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government TPO with...</td>
<td></td>
</tr>
<tr>
<td>Only domestic operation in ‘headquarters’, foreign operations via ‘correspondents’</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>Well-established foreign, but not domestic networks</td>
<td>Canada, Sweden, United Kingdom</td>
</tr>
<tr>
<td>Well-established foreign and domestic networks</td>
<td>Australia, Italy</td>
</tr>
</tbody>
</table>

Sources: various sources for each case-study country.

The only two countries where governments have traditionally had TPOs with integral domestic as well as foreign networks are Australia and Italy. In Canada, Sweden and the United Kingdom, governments operated extensive foreign networks for their TPOs, however, they did not have multiple domestic posts. The Netherlands is the only case study country where the leading government TPO operated practically from the headquarters in the pre-1990s.

The table below provides a summary of how governments have expanded their domestic and foreign TPO networks since the 1990s.

Table 34 – Government TPO expansion – Trend summary

<table>
<thead>
<tr>
<th>Countries</th>
<th>Government measures to enhance their TPO networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>The government has enhanced the leading government TPO, Austrade’s, regional network, opening 17 new regional Austrade offices since 1994 (27 in 2004), establishing TradeStart offices (50 in 2005) and creating Export Hubs (8 in 2006)</td>
</tr>
<tr>
<td>Canada</td>
<td>The government TPO, Team Canada’s domestic networks have been established, mainly drawing on International Trade Centres and their Trade Commissioners since 1997 (44 in 2005)</td>
</tr>
<tr>
<td>Italy</td>
<td>In 1997, the government has in fact reduced the number of the leading government TPO, ICE’s regional offices</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Since the 1990s, the leading government TPO, EVD’s domestic operations have been enhanced by ‘attaching’ Chambers as a new regional network for the EVD</td>
</tr>
<tr>
<td>Sweden</td>
<td>The government has expanded the leading government TPO, STC’s domestic networks by the establishment of Export Centres in 1995 (20 in 2004)</td>
</tr>
<tr>
<td>UK</td>
<td>A new, integral domestic network has been created for the leading government TPO, UKTI, through the inclusion of Business Links since 2000</td>
</tr>
</tbody>
</table>

Source: various sources for each case-study country

336 Other examples for a TPO’s one-location home country representation include Belgium, Greece, Ireland and Portugal.
337 Other examples for a TPO’s integral foreign, but no domestic networks include Denmark, Norway, Spain and the United States.
338 Other examples for a TPO’s integral domestic network include government TPOs in France, Italy, Japan, South Korea, New Zealand and the United States.
TPO networks – be they domestic or foreign – may be enhanced in three ways: by expanding old, creating new, and gradually attaching existing networks. Firstly, governments may simply increase the number of the ‘old’ networks’ posts, without undertaking any major structural or operational reforms. This is a relatively straightforward way to expand a TPO. Nonetheless, due to prevailing budget constraints, opening up new TPO offices requires governments to carefully weigh up what geographic areas they should focus on by allocating extra resources in additional offices.

Countries whose government TPOs had already had integral domestic or regional networks in the pre-1990s period include Australia and Italy. In Australia, the leading TPO, Austrade’s traditional regional posts have been expanded from ten in 1994 to twenty seven in 2004. In Italy, on the other hand, the government was compelled to shut down a few of the leading government TPO, ICE’s domestic offices in 1997, as part of a rationalisation reform.

Countries whose government TPOs had already had an integral foreign network in the pre-1990s period include Australia, Canada, Italy, Sweden and the United Kingdom. Governments in all of these countries have increased the number of foreign TPO offices by the mid-2000s, the numbers and percentage growth in their foreign office numbers highlighted in the table below.

Table 35 – Government TPOs’ foreign network expansion

<table>
<thead>
<tr>
<th>Countries</th>
<th>Foreign TPO networks</th>
<th>Pre-expansion</th>
<th>Post-expansion</th>
<th>Change (absolute)</th>
<th>Change (% growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td></td>
<td>67</td>
<td>149</td>
<td>82</td>
<td>122%</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td>110</td>
<td>160</td>
<td>50</td>
<td>45%</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td>78</td>
<td>104</td>
<td>26</td>
<td>33%</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td>38</td>
<td>48</td>
<td>10</td>
<td>26%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td></td>
<td>200</td>
<td>221</td>
<td>21</td>
<td>11%</td>
</tr>
<tr>
<td>Averages</td>
<td></td>
<td><strong>99</strong></td>
<td><strong>136</strong></td>
<td><strong>37</strong></td>
<td><strong>48%</strong></td>
</tr>
</tbody>
</table>

Source: various sources for each case-study country

On average, the number of these governments’ foreign TPO offices have grown by thirty seven, which signals a close to fifty per cent growth by the mid-2000s. Besides these quantitative changes, qualitative changes have also commonly taken place when governments have expanded their foreign TPO operations. The commonality of these qualita-
tive changes is that governments have attempted to improve foreign KES provision by ensuring the elevated export support knowledge and expertise of TPO staff. In other words, they have aimed at not only higher number of foreign TPO offices, but also better services of their foreign TPO staff as part of their TPO expansion in foreign countries\(^{339}\).

The second way for governments to enhance their TPO networks is to establish a brand new TPO network. In Sweden and Canada, the leading government TPOs did not have integral *domestic* networks in the pre-1990s period. Swedish governments established the regional network of Export Centres in 1995, which have since become the ‘official’ regional arms of the leading TPO, the STC, with twenty offices operating by 2004. Similarly, in Canada, local International Trade Centres began to deliver KES services in 1997, constituting a new domestic network for the leading government TPO, Team Canada. In Australia, in addition to Austrade’s traditionally integral and recently expanded regional network, fifty newly established TradeStart offices and eight newly established Export Hubs also started to operate as Austrade’s regional arms in 2005–2006.

As for newly established *foreign* TPO networks, in the Netherlands, the government TPO, EVD, only had a single head office in the pre-1990s, without foreign representations (and even without regional arms in the Netherlands). Starting with the creation of the first Netherlands Business Support Office in 1997, the government has developed a new foreign network for the EVD. By 2004, there were sixteen Netherlands Business Support Offices operating in six countries.

The third way to enhance TPO networks involves more complex developments. Governments may assign local or regional representations of existing organisations to deliver KES services on their behalf. If ties between the government TPO and organisations delivering these services become very close, the formerly independent organisation with local posts may be seen as the government TPO’s integral network. This has taken place in relation to the *domestic* networks of the Netherlands and the United Kingdom-based leading government TPOs.

\(^{339}\) The point on expanding and improving KES services of diplomatic missions has also been discussed in the section on ‘Increasing funding for TPOs and quasi-TPOs’.
In the Netherlands, the regional network of approximately fifty Chambers have been gradually tied to the EVD: first, through the 2000 covenant between the EVD and Chambers, which officially laid down strategic collaboration between the two parties; then through campaigns run jointly by the two parties throughout 2003–2004—resulting in that by the mid-2000s Chambers have become considered as the EVD’s home network. A similar series of events has led to the ‘attachment’ of United Kingdom-based Chambers, to become the regional arms of the leading government TPO, UKTI: since 1988, UKTI has delegated more and more export support services to Chambers, and through the 2000 restructuring of Business Links and 2003 posting of Trade Advisors to Business Link offices, Chambers have become to be seen as UKTI’s official regional representations.

These three avenues of government TPO network expansion are summarised in the table below by governments’ institutional design for their pre-1990s export support.

### Table 36 – Government TPO expansion by institutional design

<table>
<thead>
<tr>
<th>Institutional design</th>
<th>Country</th>
<th>Domestic network</th>
<th>Foreign networks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>‘Adding posts’</td>
<td>‘New network’</td>
</tr>
<tr>
<td>‘TPO Only’</td>
<td>Canada</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>‘TPO Plus’</td>
<td></td>
<td>‘Complex attachment’</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Netherlands</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>United Kingdom</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Source: developed by the author

Governments in all of the six countries with ‘TPO Only’ or ‘TPO Plus’ institutional design have expanded their TPOs’ domestic, foreign or both domestic and foreign networks. The only (partial) exception is Italy, where the number of domestic offices of the government TPO, ICE, has been reduced. However, even in Italy, the number of foreign posts of the government TPO has increased by twenty six additional offices between the mid-1990s and the mid-2000s.
These findings indicate that pre-1990s features of governments’ institutional design for KES do not explain which governments and how have expanded their TPOs in the post-1990s. In other words, TPO expansion has been undertaken by governments that used to focus on KES delivery only within the frameworks of their TPO (such as Canada), just like by governments that used to exhibit KES involvement in further ways beyond TPO operations (such as Australia, the Netherlands, Sweden and the United Kingdom). The other important finding is the cross-national consistency of governments’ recognition of the need to enhance export support abroad, which is also not associated with whether or not the government has had a ‘TPO Only’ or a ‘TPO Plus’ institutional design for KES.

**Other forms of government KES growth**

Besides governments’ export support funding growth, the proliferation of new programmes and TPO expansion, there have been other, less tangible or measurable manifestations of governments’ growing export support since the 1990s. These include governments’ increasing assistance and intervention in private TPOs’ operations, expanding the legal framework for KES, growing government coordination across TPOs’ (be they government or private TPOs) activities and more focussed policy emphasis on export support (including the coordinated and strategic nature of export support policy).

The following sections take an ‘analytical look’ at these developments, overlaying them with the institutional design of governments’ export support. The aim is to draw conclusions on the relationship (if any) between the institutional design and growth in the above areas of government export support. Because these areas cannot be enumerated, it is not possible to base the conclusions on quantitative analyses. However, as King, Keohane & Verba (1994) note, classic political economy studies have shown that descriptive conclusions may also flawlessly prove their case\(^{340}\). In many cases, the very appearance of these forms of government KES involvement indicate governments’ growing KES.

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\(^{340}\) King, Keohane & Verba (1994) cite Bates (1981) and Katzenstein (1985), as classic examples for political science studies that provide descriptive, rather than explanatory conclusions.
Governments’ assistance and intervention in private KES provision

Governments certainly focus attention and resources on their own TPOs. Nevertheless, what is noticeable throughout the country description sections is that governments have also started to attribute a great deal of attention to private TPOs’ operations. This section analyses these changes aiming to establish whether governments’ institutional design for export support has had implications for the increasing government assistance and intervention in private TPOs’ KES delivery.

There has been no uniform agreement on the nature or extent of government versus private involvement in the national arena of KES (Pointon 1978) – nor on the nature and extent of government assistance and intervention in private TPOs’ KES provision. As Spitzer (1998) notes, in many countries, governments have traditionally worked as partners with private TPOs (341). Badrinath (1994) also argues that “close cooperation between the government, its promotional institutions and the business community is essential for expanding the exports” (Badrinath 1994: 4). According to Zois & Tsirigoti (1999), a number of changes have taken place in government-private KES partnership, which has been partly a consequence of the fact that more and more organised actors from the private sector have appeared in national KES arenas, and increased their scope of KES operations. In particular, private Chambers of Commerce have increasingly become to be seen as important partners for government KES (Zois & Tsirigoti 1999).

The following table summarises key manifestations of governments’ increasing assistance and intervention in private TPO operations by four areas: logistical assistance for TPO posts, establishing the TPO’s export support plan and budget allocations for this plan, transferring government officials to the private TPO’s networks and assigning the private TPO to deliver KES programmes or services on the government’s behalf.

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341 Government–private funding has been generally employed “to create national and regional brand images, sponsor trade shows and trade missions, provide technical assistance and support other activities creating new opportunities in a number of markets for a variety of products” (Spitzer 1998: 2).
Table 37 – Government assistance and intervention in private TPOs’ operations – Trend summary

<table>
<thead>
<tr>
<th>Countries</th>
<th>Forms of assistance/intervention</th>
<th>Delivery on government’s behalf</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Logistical</strong></td>
<td><strong>Plan/expenditure</strong></td>
<td><strong>Transferring government officials</strong></td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td></td>
<td>2002: The government assigned private Chambers with regional delivery of the leading government TPO, Austrade’s instruments, such as Trade Start and Export Access</td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>1990: The government provided officials of the leading private TPO, AWO of WKÖ with diplomat status and facilitated the logistical integration of the AWO of WKÖ posts and diplomatic missions</td>
<td>2004: The government helped develop plans and budget allocations of the AWO of WKÖ in the frameworks of the Go International campaign</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>1997: The government integrated the leading private TPO, Finpro’s domestic network into a wholly government network of the Employment and Economic Development Centres</td>
<td>1995: The government created a framework agreement, which redefined cooperation between the government and Finpro on the basis of a ‘buyer-producer relationship’ while also providing operational guidelines</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>2003: The government started assisting the opening of Bilateral Chambers, which constitute the foreign network of the leading private TPO, DIHK</td>
<td>1992: The government started intervening in Finpro’s regional KES delivery by transferring Trade Commissioners to Finpro’s domestic posts</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>2000: The government officially laid down collaboration between the leading government TPO, EVD and Chambers’ KES delivery</td>
<td>2001: The government transferred government officials to regional posts of the private TPO, the Dutch Centre for Trade Promotion</td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>1990: The government first set requirements and guidelines for the allocation of the Basic Government Assistance grants for the semi-government leading TPO, the STC</td>
<td>1990: The government introduced the Chambers law, regulating the authorisation process and the trade documents issued by the Chambers, and tied Chambers administration closer to the government</td>
</tr>
<tr>
<td><strong>Switzerland</strong></td>
<td>2001: The government intensified its control over the leading private TPO, OSEC, by precisely regulating its domestic and foreign KES provision</td>
<td></td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td></td>
<td>1988: The government started to delegate KES instruments, including the Export Marketing Research Scheme to Chambers</td>
</tr>
</tbody>
</table>

Source: various sources for each case-study country

As this table shows, examples of governments’ logistical assistance for private TPOs include Austrian, Finnish and German developments. In Austria (in 1990) and Germany (in 2003), governments started to facilitate that foreign networks of the leading private TPOs (the AWO of WKÖ in Austria, and the DIHK in Germany) can be logistically integrated with diplomatic missions. In Austria, the government also provided senior officials of the leading private TPO, the AWO of WKÖ with diplomat status. Finland is the
third country where the government has begun to provide logistical assistance to the leading private TPO, Finpro, by integrating Finpro’s domestic network into the government network of the Employment and Economic Development Centres (in 1997).

Governments’ participation in elaborating private TPOs’ KES plans and expenditure has taken place in Italy, Sweden, Finland, the Netherlands, Switzerland and Austria. In Italy, the government provided rules for Export Consortia (1989 and 1991), and by acknowledging Bilateral Chambers as part of the Italian Chambers Association, they have also extended their detailed regulation – traditionally exercised in the case of Italy-based Chambers – to Bilateral Chambers (in 1993). Swedish governments started setting requirements for the allocation of the Basic Government Assistance grants for the semi-government leading TPO, the STC, while also regulating what are as it should focus on (in 1990). In Finland, the government created a framework agreement (in 1995), which re-defined cooperation between the government and Finpro on the basis of a ‘buyer-producer relationship’, while also providing operational guidelines. Dutch governments laid down the rules of collaboration between the leading government TPO, EVD and Chambers’ KES delivery (in 2000). In Switzerland, the government intensified its control over the leading private TPO, OSEC, by precisely regulating all areas of OSEC’s KES provision (in 2001). In Austria, governments jointly elaborated KES goals and action plans with the AWO of WKÖ (within the frameworks of the initiative ‘Go International’ in 2004–2006).

As another form of governments’ increasing intervention, transferring government officials to private TPOs’ posts has taken place in Finland and the Netherlands. In Finland, the government started transferring Trade Commissioners to Finpro’s regional posts in 1992. In the Netherlands, government officials started working in regional posts of the private TPO, the Dutch Centre for Trade Promotion in 2001.

Some private TPOs entered agreements with the government, arranging the private delivery of KES programmes on the government’s behalf. This has taken place in the United Kingdom, Sweden, the Netherlands and Australia. In the United Kingdom, the government started to delegate the Export Marketing Research Scheme to Chambers (in 1988).
Swedish governments introduced the Chambers law, which regulated the authorisation process and the international trade documents to be issued by the Chambers, and tied the Chambers administration – including its KES service delivery – closer to the government (in 1990). In the Netherlands, the government assigned Chambers and the Dutch Centre for Trade Promotion to deliver the EVD’s newly developed KES programmes on the EVD’s behalf (in 2000). Similarly, in Australia, the government assigned private Chambers (as well as local government bodies) with regional delivery of Austrade’s instruments such as Trade Start and Export Access (in 2002).

As a result of governments’ increasing assistance and control over private TPOs, by the early 2000s, a number of private TPOs have come to be seen as ‘government agents’\(^\text{342}\). These include Netherlands-based Chambers, United Kingdom-based Business Links (mainly operated by Chambers), and the Austrian AWO of WKÖ.

The table below provides an overview of growing government intervention in private TPO operations by governments’ institutional design for export support.

**Table 38 – Governments’ growing assistance and intervention in private TPO operations by institutional design**

<table>
<thead>
<tr>
<th>Institutional design</th>
<th>Countries</th>
<th>Forms of government assistance/intervention in private TPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Logistical</td>
</tr>
<tr>
<td>‘No TPO’</td>
<td>Austria</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Finland</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Switzerland</td>
<td></td>
</tr>
<tr>
<td>‘TPO Only’</td>
<td>Canada</td>
<td></td>
</tr>
<tr>
<td>‘TPO Plus’</td>
<td>Australia</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Netherlands</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>United Kingdom</td>
<td></td>
</tr>
</tbody>
</table>

Source: developed by the author

Logistical integration of private TPO outlets with government networks is a form of increasing government assistance, which is associated only with countries where governments have had a ‘No TPO’ design for export support. Other forms of governments’

\(^{342}\) For instance, Weiss (2005a) describes private TPOs as ‘government agents’.
growing assistance and intervention in private TPO operations have taken place in countries with ‘No TPO’ and ‘TPO Plus’ design. In Canada, with ‘TPO Only’ institutional design for government export support, there have been no discernible changes in terms of government-private TPO cooperation.

In conclusion, governments’ intention to more closely watch, control or better assist private TPO operations is apparent in all of the investigated countries (with the exception of Canada). Therefore, along with governments’ funding growth, new KES programmes and TPO expansion, no particular institutional design is a prerequisite for this dimension of growing government export support either.

**Governments’ coordination of KES provision across multiple TPOs**

Weiss (2005a) notes that “trade infrastructure – instruments, organisations and programmes – for promoting exports has expanded” (Weiss 2005a). This trend has since the 1990s been accompanied by the need for coordination of government efforts within the national arena of KES, mainly for the following reasons:

“[T]he more actors there were, the more duplication occurred: whether on the domestic delivery of market intelligence and export preparedness, or program delivery abroad; or development of government policies and strategic priorities in consultation with industry” (Potter 2004).

Increased synchronisation of multiple actors’ KES provision has taken place in a number of countries: domestically, abroad, or affecting both domestic and foreign KES networks. The following table summarises governments’ efforts to coordinate multiple TPO operations.
Table 39 – Governments’ coordination mechanisms for multiple TPOs’ KES provision – Trend summary

<table>
<thead>
<tr>
<th>Countries</th>
<th>Coordinating/interating the operations of KES actors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic KES actors</td>
</tr>
<tr>
<td>Australia</td>
<td>2005: The government started to create a regional one-stop-shop environment (Export Hubs) to unite the service provision of the leading government TPO, Austrade and AusIndustry with regional development organisations, state and territory governments, the Export Finance and Insurance Corporation and industry associations</td>
</tr>
<tr>
<td>Austria</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>2002: The government introduced the Enterprise Finland virtual (online) network, combining public online services of the leading private TPO, Finpro, as well as other government development or internationalisation agencies such as Finnvera, Tekes, Sitra, the Employment and Economic Development Centres and Finnish Industry Investment</td>
</tr>
<tr>
<td>Germany</td>
<td>1997: The government launched the ‘Sistema Italia’ initiative, creating one-stop-shops operated by the leading government TPO, ICE’s regional offices; other government internationalisation agencies such as SACE, Simest and Finest; local government bodies; and private KES forces, including Chambers and Export Consortia</td>
</tr>
<tr>
<td>Italy</td>
<td>1997: The same initiative of ‘Sistema Italia’ attempted to also synchronise KES delivery of diplomatic missions; foreign ICE offices; and Bilateral Chambers’ in foreign one-stop-shops</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2004: The government established the Dutch Trade Board, which combined KES forces of the leading TPO, EVD, the Dutch Centre for Trade Promotion, the Federation for Dutch Export and the Netherlands Export Consortium</td>
</tr>
<tr>
<td>Sweden</td>
<td>1995: The government integrated domestic service provision of the leading TPO, STC, Chambers and Almi, by creating the regional network of Export Centres as a one-stop-stop-like environment with internationalisation focus</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2001: The government coordinated domestic KES operations of the leading private TPO, OSEC and Chambers in Switzerland through the 2001 export support law, resulting in the 2003 framework agreement and ‘contract partnerships’ between OSEC and Chambers</td>
</tr>
<tr>
<td>UK</td>
<td>2000: The government integrated the provision of general business development and the leading government TPO, UKTI’s KES services, by uniting private Chambers with the government’s regional network for business development through Business Links in a one-stop-shop environment</td>
</tr>
<tr>
<td></td>
<td>Foreign KES actors</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2005: The government also coordinated foreign KES operations of OSEC, Bilateral Chambers and diplomatic missions abroad, through establishing the one-stop-shop environment of Swiss Business Hubs through the 2001 export support law</td>
</tr>
</tbody>
</table>

Source: various sources for each case-study country

In terms of *domestic* KES provision, in Sweden (in 1995), Italy (1997), the United Kingdom (2000) and Australia (2005), the government increased its coordination mechanisms for multiple KES actors by creating a one-stop-shop environment across the leading government TPO, other government agencies with internationalisation support or development focus, and private KES actors, such as Chambers. This means that small and medium-sized firms that need general business development advice and specific internationalisation-related support, now only have to go to one location and get many kinds of help at the same place. It also means that duplicated programmes and services of the organisations located under one roof in their regional representations can now be more easily recognised and thus reduced.

In Finland, the government did not go as far as establishing ‘bricks-and-mortar’ regional one-stop-shops, however, in 2002, it did attempt to coordinate KES services of the leading government TPO, Finpro with those of other government internationalisation bodies
in the form of the online initiative Enterprise Finland. In Switzerland, the government provided a legal mandate for the leading private TPO, OSEC, to better integrate its regional service provision with that of Chambers, which took place in a formalised ‘contract partnership’ between OSEC and Chambers by 2003.

In terms of foreign KES provision coordination, governments in Switzerland and Italy provide examples. In Switzerland, the coordination of foreign KES networks has mainly manifested itself in the establishment of Swiss Business Hubs, drawing on organisational frameworks of diplomatic missions and Bilateral Chambers, since 2001. In Italy, under the aegis of the ‘Sistema Italia’ concept, governments have sought to establish one-stop-shop environments not only domestically, but also abroad, since 2004.

In the Netherlands, the government established the Dutch Trade Board in 2003. The aim of the Board was to develop coordination mechanisms between KES operations of the leading government TPO, EVD and other KES actors (including Chambers, the Dutch Centre for Trade Promotion, the Federation for Dutch Export and the Netherlands Export Consortium), both domestically and in foreign countries\(^{343}\). The table below summarises these findings and also overlays them with governments’ institutional design for KES.

Table 40 – Governments’ coordination mechanisms for multiple TPOs’ KES provision by institutional design

<table>
<thead>
<tr>
<th>Institutional design</th>
<th>Countries</th>
<th>Coordinating/integrating the operations of KES actors</th>
<th>Domestic KES actors</th>
<th>Foreign KES actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘No TPO’</td>
<td>Austria</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finland</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Switzerland</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>‘TPO Only’</td>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘TPO Plus’</td>
<td>Australia</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Netherlands</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>United Kingdom</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: developed by the author

\(^{343}\) Besides the above country examples, government coordination across multiple TPOs has increased in a number of other industrialised countries, for instance, in France, Greece, Ireland, Norway and the United States.
Governments have started to coordinate multiple TPOs’ KES services in two countries with ‘No TPO’ institutional design for government KES and all five of the investigated countries with ‘TPO Plus’ institutional design. Because governments have exhibited new coordination mechanisms irrespective of the country’s institutional design for government KES, this area of growing government KES can also not be directly correlated with institutional design.

Policy emphasis on KES, its coordinated and strategic nature

The emergence of KES as a foreign economic policy priority is hard to factually attest as governments can talk about KES as a rhetoric, without attributing genuine priority to it. In some case-study countries, nevertheless, one can find a particular point in time when the government first begins to address KES as an area of thematic foreign economic policy.\(^{344}\) If at this point in time, the government’s addressing KES involves the allocation of staff and other resources to manage KES on the policy level, it can be established that the government starts attributing policy priority to the field of KES.

The table below shows the three case study countries in which the government has started to attribute priority to KES on the policy level since the 1990s.

Table 41 – Emergence of KES as a policy priority – Trend summary

<table>
<thead>
<tr>
<th>Countries</th>
<th>Manifestation of the emergence of KES as a policy priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>The government started to attribute policy priority to KES during two major KES initiatives, including Exportoffensive (1998–2000) and Go International (2004–2006); however, KES has not become a permanent priority</td>
</tr>
<tr>
<td>Finland</td>
<td>The government started to address KES as a policy priority through the Ministry for Foreign Affairs (in 2000, the establishment of Taxell Committee), and the Ministry of Trade and Industry (in 2002, a thorough review on diplomatic missions’ KES activities and the establishment of Enterprise Finland)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>The government started to attribute policy priority to KES through the Department of Economic Affairs in 1999, the establishment of the State Secretariat for Economic Affairs; and the Department of Foreign Affairs in 2000, the first year in which KES appeared as a ‘thematic foreign policy priority’ in the Department’s official documents</td>
</tr>
</tbody>
</table>

Source: various sources for each case-study country

\(^{344}\) For instance, comparing policy documents such as Canadian DFAIT (1970) with those such as Canadian DFAIT (2005b); or government publications such as Australian DFAT (1975) with those such as Australian DFAT (2002a), one can notice a stark difference between how KES was viewed by governments before and after the changes. In this thesis, similar comparisons have been made based on available past and present government documents of all case studies.
In the case of Austria, the emergence of KES as a policy priority is mainly due to the comprehensive KES initiatives introduced in the late 1990s to early 2000s. Apart from the duration of these initiatives, Austrian ministries have not paid major attention to the specific policy area of KES, evidenced in that they have not established permanent bodies to manage KES as a government policy. In Switzerland, a new body was created with major KES responsibilities in 1999, signalling that KES has started to receive policy attention. In Finland, the 2000 foundation of the Taxell Committee indicates that KES has gained specific emphasis within foreign economic policy.

Besides the priority accorded to KES, governments’ increasing export support has also manifested itself in their efforts to coordinate and better manage the various forms of KES involvement across different ministries or government departments. Such coordination and priority status accorded to KES have been strongly related, because – based on the argument in Lee & Hudson (2004) – trade, foreign and economic ministries’ joint management of a ‘whole-of-government’ KES policy is an indication of KES becoming a foreign economic policy priority. Also, as Potter (2004) pointed out, trade policy-making and international business development have become ever more fused since the 1990s (Potter 2004).

This fusion may have taken place through governments’ intensified consultative mechanisms between ministries or departments with foreign economic policy responsibilities and those with general business development responsibilities; and through governments’ creation of new bodies, assigning them with the very responsibility to coordinate between these ministries or departments. The table below summarises examples for both of these methods of KES (and other foreign economic areas) policy coordination that governments have carried out since the 1990s.
Table 42 – Governments’ foreign economic policy harmonisation across ministries or departments – Trend summary

<table>
<thead>
<tr>
<th>Countries</th>
<th>Foreign economic policy harmonisation across ministries/departments(^{[345]})</th>
<th>Consultative</th>
<th>Creating new coordinating body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1991: The government initiated a range of consultative mechanisms to harmonise KES with other fields of foreign economic policy and industry needs, including National Trade Strategy Consultative Process (1991), Standing Interdepartmental Committee on Export Coordination (1993), National Board of Industry, Trade and Investment (1994) and Export Advisory Panels (1996)</td>
<td></td>
<td></td>
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<tr>
<td>Austria</td>
<td>1997: The government created Team Canada by formally harmonising internationalisation policies of the Department of Foreign Affairs, International Trade and Industry, Agriculture and Agri-Food Canada, Atlantic Canada Opportunities Agency, Canadian Commercial Corporation, Canadian Heritage, Canadian International Development Agency and Export Development Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>1997: The government created Team Canada by formally harmonising internationalisation policies of the Department of Foreign Affairs, International Trade and Industry, Agriculture and Agri-Food Canada, Atlantic Canada Opportunities Agency, Canadian Commercial Corporation, Canadian Heritage, Canadian International Development Agency and Export Development Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>2002: The government established the Export Forum, connecting KES policies of the Ministry of Trade and Industry and the Ministry for Foreign Affairs, deciding about: Enterprise Finland; national strategy including KES targets to be achieved jointly by major TPOs; the Ministry of Trade and Industry’s development of its own KES targets; and the Ministry for Foreign Affairs’ efforts to overhaul diplomatic missions’ KES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>2003: During the KES initiative Weltweit Aktiv, the Ministry of Economy and Labour and the Federal Foreign Office harmonised their KES policies to jointly achieve the common internationalisation goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>1999 and 2003: The government created the ‘super-Ministry’ of Productive Activities (in 1999), which has brought together business and internationalisation development policies of the Ministry of Foreign Trade, Ministry of Industry, Trade and Crafts and the Ministry of Foreign Affairs; established the National Coordination Body for Foreign Economic Policy, to facilitate policy dialogues between ICE and the Ministries of Productive Activities and Foreign Affairs (in 2003)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>2003: The government introduced a new intranet system between the Ministry of Economic Affairs and the Ministry of Foreign Affairs to connect their internationalisation, including KES policies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>1995: The government established the Council for the Promotion of Sweden, bringing together internationalisation efforts of the Department for Export Promotion and Internal Market, STC, Invest in Sweden Agency, Swedish Institute and Swedish Travel and Tourism Council</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>2000: The government legally coordinated KES involvement of the Departments of Economic and Foreign Affairs and provided the State Secretariat for Economic Affairs with leading KES responsibilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>2001: The government created the new leading TPO, UKTI by harmonising the formerly disconnected KES policies of the Department of Trade and Industry, and the Foreign and Commonwealth Office</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: various sources for each case-study country

In Australia, Switzerland, Germany and the Netherlands, the government has initiated concentrated consultation processes across ministries or government departments responsible for KES and other areas of foreign economic policy. In Australia (in 1991), this involved the introduction of a range of formal discussions; in Switzerland (in 2000), it manifested in legal regulation of the inter-ministerial cooperation; in Germany (in 2003), a temporary harmonisation process started between two ministries in order to jointly achieve common goals of the Weltweit Aktiv initiative; and in the Netherlands (in 2003),

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\(^{[345]}\) Beyond the case-study countries, policy coordination has taken place in Denmark, France, Ireland, Japan, New Zealand, Norway, Portugal and the United States as well.
a detailed information sharing system was introduced between the participating government bodies.

In Sweden, Canada, Italy, Finland and the United Kingdom, the government went even further and created a new body with the specific responsibility of internationalisation and business development policy coordination across various ministries or departments. In Sweden, by creating the Council for the Promotion of Sweden (in 1995), the government harmonised internationalisation efforts of all related parties. In Canada (in 1997), such harmonisation involved the emergence of the Team Canada concept. In Italy, the government established a ‘super-Ministry’ (in 1999), bringing together business and internationalisation development policies; and established (in 2003) a body that facilitates dialogues between the leading government TPO, ICE and all ministries involved in foreign economic policies. In Finland (in 2002), the government created the Export Forum, which has since become the major force in generating new KES ideas and measures beyond ‘simple’ policy coordination. In the United Kingdom (in 2001), the creation of the leading government TPO, UKTI was the ultimate manifestation of concerting the formerly disconnected KES policies of the Department of Trade and Industry, and the Foreign and Commonwealth Office.

One of the reasons behind such policy coordination is that foreign direct investment flows have become widely acknowledged to encourage exports (Julius 1990; Dunning 1993; Hart & Prakash 1997; Wells & Wint 2000; Domeisen 2005). Along with the growing recognition of their inter-connectedness, the need has appeared for governments to bring together their KES and investment promotion since the 1990s.

Another reason has been that the processes and outcomes of ‘border-in’ and ‘border-out’ KES services are also very much inter-related. Assistance tools relating to firms’ export market access and their market development processes are often referred to as ‘border-out’ KES instruments (Kassa 2002). Such ‘border-out’ tools involve both objective and experiential KES programmes and services. At the same time, ‘border-in’ issues concern KES from a business competitiveness perspective, and mainly involve KES services relating to product development (Makangila 2002). Accordingly, ‘border-in’ elements of
KES mainly manifest themselves in objective KES programmes and services. Some argue that ‘border-in’ issues have priority over international market access and developments primarily because of the aggressiveness and competitive nature of the market, which requires companies’ better preparedness for exporting (Makangila 2002; Finnish MTI 2005)(346). Others say that a ‘master plan’ of KES policy is a balanced approach that addresses both ‘border-in’ and ‘border-out’ issues together, while using ‘border-in’ issues as the starting point (Kassa 2002)(347). Regardless of the approaches taken, governments’ consensus has been that the best way to exploit their synergies is to treat ‘border-in’ and ‘border-out’ issue jointly. The necessity for jointly developing ‘border-in’ and ‘border-out’ KES instruments has been explained by the International Trade Centre as follows:

“Even if exporters are offered free access into international markets and extensive resources are available under the national export strategy to promote these exports in the international markets, there will be few buyers if the quality is not what the buyers want; the price is higher than what they are prepared to pay; or the delivery schedules and volumes are inconsistent with their requirements” (ITC UNCTAD/WTO 2002).

In countries where ‘border-in’ and ‘border-out’ elements of KES had been divided across ministries, governments have increasingly considered their harmonisation as an urgent necessity. Overlapping with the ‘border-in’ versus ‘border-out’ debate, policy areas associated with general business development have also been subject to harmonisation with KES. The need to tie KES policies to other economic policies such as those encouraging entrepreneurship and small business growth, have been generally present in industrialised countries since the mid-1980s (BCG 2004). Harmonisation in all these cases – in terms of KES and investment promotion, ‘border-in’ and ‘border-out’ aspects of KES, as well as KES and associated business development policies – have served the purpose of strengthening governments’ overall internationalisation promotion capacity(348).

As the Finnish MTI (2005) has put it, “internationalisation services are provided to improve the capacity of companies to meet international competition and to maintain their competitiveness in the changing international business environment. The objective of these activities is to speed up economic growth by improving the competitiveness of business enterprises” (Finnish MTI 2005).

Watson (2002) argues that rather than ‘border-out’ versus ‘border-in’ choices, which conceptualises KES as a national-level activity, a more appropriate approach is to develop a national-led trade strategy for every distinct cluster of businesses especially (Watson 2002).

Hoekman & Kostecki (2001b) provides a broad assumption as to why governments have increasingly coordinated their policies with internationalisation promotion focus. According to their study, as foreign economic policy affects the whole economy, policy decisions are optimally made “in a context that allows not only the interests of all potentially affected actors to be considered, but also the efficacy of the set of policies that are pursued by the government” (Hoekman & Kostecki 2001b: 476). In this study, Hoekman & Kostecki (2001b) also add that for such policy coordination, governments must design institutions that take an economy-wide focus.
Besides increasing priority accorded to KES as a policy area, and harmonising KES-related policy infrastructure, some governments have also started setting enumerated KES goals and detailed KES action plans. A large body of literature has investigated the strategic nature of government export support\(^{349}\). Some of these studies advise governments against ‘blindly transplanting’ other governments’ approaches and measures as a strategy for their own national KES arrangements (Jaramillo 1987, 1992). These studies argue that ‘blind transplantations’ across cultures and nations is undesirable, as governments need to take into consideration the cultural, legal and political environment when developing their own KES approaches (Jaramillo 1987; Seringhaus 1990; Jaramillo 1992). Other studies examine countries with highly successful KES arrangements, arguing that governments’ KES involvement is most likely to be successful if it has clearly defined priorities, goals and action plans (Jaramillo 1987), leading to a clear modus operandi (Naidu et al. 1997)\(^{350}\).

This thesis suggests that governments’ KES policy is the most strategic when specific KES objectives and action plans also include enumerated targets, thereby ensuring the measurability of KES efforts. Enumerated KES targets may include the number of exporters overall; the number of new exporters; the number of total or new exporters within specific industry sectors; or simply setting a total exports per GDP ratio to be achieved through KES.

The table below shows governments’ specific, enumerated KES goals, introduced since the 1990s.

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\(^{349}\) The strategic nature of KES policy has been investigated, for instance, by Cavusgil (1983), Jaramillo (1987), Coughlin & Cartwright (1987), Seringhaus & Rosson (1991a) and Crick & Czinkota (1995).

\(^{350}\) Jaramillo (1987) used the adjectives ‘highly successful’ for KES arrangements in which governments have “clearly defined priorities, goals and objectives” (Jaramillo 1987: 29).
Table 43 – Governments’ enumerated KES goals – Trend summary

<table>
<thead>
<tr>
<th>Countries</th>
<th>Governments’ enumerated KES targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1997 and 2002: The government first introduced KES targets (in 1997); KES targets and action plans became even more specific (in 2002), by establishing enumerated goals and the New Exporter Development Program, including the aim of doubling the number of Australian exporters by 2006</td>
</tr>
<tr>
<td>Austria</td>
<td>1998 and 2004: During the KES initiatives Exportoffensive (1998–2000) and Go International (2004–2006), the government developed detailed KES plans, including specific goals to be achieved; during Go International, enumerated KES goals included increasing Austria’s exports per GDP ratio to at least 50% by 2006, through five action plans</td>
</tr>
<tr>
<td>Finland</td>
<td>2004 and 2005: The government elaborated an overall national KES strategy, including increasing the number of exporting companies from 7,000 (in 2004) to 10,000, and raising the share of high-technology exports to 25% by 2010; the Ministry of Trade and Industry introduced its own KES plan in 2004, and the Ministry for Foreign Affairs has specified and finalised its KES plan in 2005</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2001: The government started to set annual targets for KES, e.g., in 2003, the revised goal was to increase the number of new exporters by 6,000, as well as to increase the number of established exporters to 18,000 by 2006</td>
</tr>
</tbody>
</table>

Source: various sources for each case-study country

The Australian (1997), United Kingdom (2001) and Finnish (2004) governments have all started setting KES targets in recent years, with annually revised numbers and assessment on a continuous basis. On the other hand, the Austrian government established temporary, rather then continuous KES targets, particularly for its export support initiatives in 1998 and 2004. Besides governments in these countries, governments in Denmark and in New Zealand have also started to assign strategic directions to their overall KES policies since the 1990s\(^\text{(351)}\).

The trends of emerging KES as a policy priority, harmonising KES-related policy fields, and establishing enumerated targets for KES are summarised by institutional design for governments’ export support in the table below.

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\(^{351}\) In Denmark (in 2002), the government began to set enumerated KES targets, which were to be annually re-assessed for the financial effect of KES, including direct additional exports, and earnings as percentage of costs. These assessments took into consideration the number of new exporters and the number of those assisted through government KES. In New Zealand (in 2002), the government established the new government TPO, New Zealand Trade and Enterprise, with specific KES goals that have been enumerated and annually assessed for each industry sector.
Table 44 – Governments’ increasing policy attention to KES by institutional design

<table>
<thead>
<tr>
<th>Institutional design</th>
<th>Countries</th>
<th>Policy-level changes to KES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Starting attributing priority</td>
<td>Policy harmonisation</td>
<td>Setting targets</td>
</tr>
<tr>
<td>‘No TPO’</td>
<td>Austria</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Finland</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td></td>
<td>Germany</td>
<td>X</td>
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<td></td>
<td>Switzerland</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘TPO Only’</td>
<td>Canada</td>
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<td>X</td>
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<td></td>
<td>Australia</td>
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<td>The Netherlands</td>
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<td>Sweden</td>
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<td>X</td>
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<tr>
<td></td>
<td>United Kingdom</td>
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<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Source: developed by the author

Due to the government KES trends manifesting in the emergence of priority accorded to KES as a policy area; harmonising KES and other foreign economic policy areas; and creating more strategic or target-focussed KES policies, this thesis agrees with Bonvicini, Falautano & Farella’s (1998) study that KES has more and more become a decisive factor in the industrialised countries’ foreign economic policy.

Governments for which KES was not a policy priority in the pre-1990s, evidenced in their decision not to allocate resources to establish a deliberate KES policy field, include Austria, Finland and Switzerland – all of these have had ‘No TPO’ KES design. In each of these countries, KES has appeared as a policy priority since the 1990s. Policy harmonisation across multiple government ministries or departments with KES and other foreign economic policy responsibilities has taken place in every country apart from Austria, which signals that this manifestation of governments’ increasing policy attention on KES has not been associated with any one type of institutional design for government export support. Setting KES targets and thus elaborating a more strategic KES policy has been apparent in countries with ‘No TPO’ (Austria and Finland) and ‘TPO Plus’ design (Australia and the United Kingdom), leading to the conclusion that this element of increasing policy attention has also not been bound to any one institutional design.
Expanding legal framework for KES

Amongst the investigated governments, those in Italy, Sweden, Australia, Finland and Switzerland have expanded legal regulations in relation to KES since the 1990s. In Italy (in 1989, 1991, 1993 and 1997), a range of new laws set rules for private TPO funding and operations, as well as the restructuring of the leading government TPO. In Sweden (in 1990), the government regulated private TPOs’ activities through the new legislation. In Australia (in 1997 and 2004), the new legislation concerned the amendment and expansion of a KES programme, while in Finland (in 2000–2001), the legislation involved the very introduction of new KES programmes.

On the other hand, in Switzerland, the scope of the 2000–2001 KES-specific legislation was broader than the scope of KES legislation in the case of the other four countries. This single – however, very complex – export support law encompassed setting criteria against government KES funding; regulations on a range of areas of organisational and operational features of the leading private TPO, OSEC; and reforming the entire national KES system, including both domestic and foreign KES networks. In fact, most forms of the Swiss governments’ post-1990s KES growth has been associated with the introduction of this comprehensive export support law.

In Italy, Sweden, Australia, Finland and Switzerland, KES policy changes as the consequences of these legal measures have been discussed in detail throughout the previous sections, depending on what KES area they have regulated. It has been shown that governments have introduced legal KES regulations irrespective of their institutional design for KES: in countries in which governments have traditionally had active, as well as in countries in which governments have traditionally had passive KES roles.
Conclusions

Chapter Three has investigated the proposition that governments with traditionally passive KES roles are unlikely to have enhanced their involvement in export support; while governments with traditionally active KES roles are likely to have enhanced their involvement in export support since the 1990s.

First, specification has been provided for the initial observation on growing export support, showing advanced industrialised governments’ steps to increase their KES since the 1990s. Second, this chapter has examined the trends for such government KES growth by institutional design for government export support.

Governments with ‘No TPO’ institutional design for KES have increased their export support by starting to provide major amounts of funding for private TPOs’ export support initiatives, although only on a temporary basis; increasing their financial contributions to private TPOs’ budgets; enhancing diplomatic missions’ budgets and roles in export support; introducing a range of new KES programmes, which they have delivered autonomously or in conjunction with private TPOs; making initial efforts to coordinate KES operations of multiple TPOs; starting to attribute policy priority for KES, harmonising ministries’ export support involvement and introducing enumerated KES targets that signal their increasingly strategic approach to export support. These changes indicate that the traditionally passive KES roles of governments with ‘No TPO’ export support design have not determined their post-1990s behaviour. Rather the opposite: they have started to behave as fairly active actors in the arena of export support.

Governments with ‘TPO Plus’ institutional design for KES have increased their export support by expanding their TPO networks both domestically and in foreign countries; increasing their TPOs’ budgets, as well as their funding for diplomatic missions’ KES delivery; developing and providing a range of new KES programmes; introducing coordinating mechanisms across multiple TPOs’ KES operations; harmonising different ministries’ export support involvement and introducing enumerated export support targets.
These changes – that are in fact fairly similar in nature to those of governments with ‘No TPO’ design – signal that governments with traditional lead roles in their KES arena have become even more active export promoters since the 1990s.

Canadian governments, with ‘TPO Only’ institutional design for KES, have increased their export support by expanding their TPO networks and budgets, introducing new programmes and harmonising several ministries’ KES and related responsibilities. These changes indicate that they have indeed increased their export support. However, they still focus on KES provision mainly within the frameworks of the reformed government TPO, and do not exploit synergies between government and private KES capabilities.

Across all case studies, the most universal and tangible manifestations of governments’ export support growth have been the increasing budgets allocated for KES, the introduction of new KES programmes and services, and the overlapping processes of foreign TPO network expansion and diplomatic missions’ KES enhancement. Other trends that have commonly taken place in most countries include governments’ more control and assistance for private TPOs, new or increasing efforts to coordinate multiple TPOs’ KES provision and the harmonisation of export support responsibilities across different ministries or government departments.

These phenomena have signalled that government KES has increased overall, expressed by growing government KES funding. At the same time, governments have also enhanced their KES in terms of its scope, indicated by the increasing number of government KES programmes and services; and reach, as evidenced by the expanding networks of government TPOs.

Because all these manifestations of governments’ export support growth have taken place in countries with all three types of institutional design for government KES, it is apparent that pre-1990s institutional design has not had sound implications as to whether governments have increased their KES and along what dimensions. In other words, governments with traditionally passive roles in the national export support arena have had the same propensity to increase their export support as have governments with traditionally active roles. In fact, governments with ‘No TPO’ institutional design for KES have not
remained in keeping with their traditional back-seat position in the national KES arena, rather, they have taken numerous KES initiatives and expressed their activity with and even without the cooperation of private TPOs.

Therefore, the proposition in focus of this chapter is rejected: governments’ institutional design for KES has not had explanatory value as to whether they have increased their KES involvement and along what dimensions.
Chapter 4 –

Explanatory Approaches
There are three propositions in the focus of Chapter Four. The first proposition investigates whether governments have increased their export support since the 1990s, because they have been faced with their countries’ poor trade performance (the first variable tested) or formalised political pressures to take measures to improve trade performance (the second variable tested). In other words, this section addresses the question of whether the internal factors of poor export and trade performance, or ‘pushes’ to improve trade performance have compelled post-1990s governments to do as much as they can to help exports.

The second proposition, examined in the second section of this chapter, is that the recently overhauled disciplinary powers of the multilateral trade regime have led to the increasing trend across governments’ KES activities. The specific question posed is whether the world trade regime, transformed during the Uruguay Round, has started to influence governments’ export support policies to a greater degree than ever before.

In the third section, the proposition under scrutiny is that some governments may have taken certain export support measures by simply emulating other governments’ policy actions. More frequent inter-TPO consultations have driven intensified ‘idea-borrowing’ across the industrialised world, which has contributed to an ever more prevalent phenomenon of international policy diffusion. The question is whether the theories of policy diffusion can provide a complementary view to explain governments’ increasing KES in the post-WTO era.

External pressures driven by the world trade regime have impacted on foreign economic policies of all industrialised countries since the late 1940s. Nevertheless, until the 1990s, governments could still ‘afford’ to remain passive in the national KES arena. How come that only since the 1990s have governments been compelled, regardless of their traditionally passive versus active KES roles, to simultaneously increase their export support through more KES funding, expanding TPO networks and overhauling diplomatic missions’ KES provision? The aim of these sections is to determine whether global forces, such as the pressures of international competition flowing from deeper economic integration or policy copying have led to governments’ increasing KES since the 1990s.
Trade performance and political pressures

All of the investigated countries have been in the world’s elite in terms of GDP per capita indicators. This, however, does not mean that they are protected against economic hardships such as relatively slow GDP growth or poor trade performance. It also does not mean that there are no organised political pressure groups that influence governments to increase their export support.

In the following, first, case-study countries’ export and total trade performances are discussed and analysed. This is followed by investigating trade-related political pressures. These two variables tested to establish whether they help explain why governments, although long exposed to multifaceted impacts of the global trade regime, only since the 1990s have generally increased their KES.

Export problems and poor trade performances

If all of the investigated countries have experienced export problems or poor trade performance overall since the 1990s, this would potentially provide such an explanation. The proxy this section applies to establish the comparative extent of export problems across the case study countries is export growth relative to GDP growth. Countries whose exports growth is the slowest compared to their GDP growth, are considered in this research as those with the most serious export problems. On the other hand, the proxy used to determine countries’ relative trade performances is the trade balance per GDP indicator. Countries whose trade deficit is the highest compared to their GDP are considered as those with the worst trade performance. Through these proxies, this section examines export and overall trade performances of the case-study countries, juxtaposing governments’ direct responses to problems in these areas, vis-à-vis their KES initiatives and new KES programme development.

Numerous studies have investigated how governments’ foreign economic policy choices influence countries’ trade performance, focussing on how successful foreign economic
policies are in terms of improving export performance\(^{352}\). Within foreign economic policies, KES has received less research attention. One of the few examples of such KES-focussed research is that of Crick’s (1992), arguing that there is a causal connection between trade performance and governments’ KES expenditure (Crick 1992)\(^{353}\).

The following graph indicates export growth relative to GDP growth in the case-study countries. The percentage figures are based on annual real export growth and real GDP growth figures, which do not have the distorting impacts of country-specific inflation. The index figures are calculated as average export growth divided by average GDP growth, and the countries are ranked based on these indexes.

**Figure 5 – Case-study countries’ export and GDP growth, 1990–2003 averages**

![Graph showing export growth relative to GDP growth for case-study countries.](source)

In absolute terms, Finland has exhibited the fastest export growth, and Switzerland the slowest. When looking at export growth relative to GDP growth, the country whose ex-

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\(^{352}\) Examples for such studies, in the context of developing countries, include Rodrik (1992), Morrissey & Rudaheranwa (1998), Rodrik (1998b) and Santos-Paulino & Thirlwall (2004). For instance, Santos-Paulino & Thirlwall (2004) investigated the effect of governments’ trade liberalisation measures on export growth, import growth, the balance of trade and the balance of payments for a sample of twenty-two developing countries (Santos-Paulino & Thirlwall 2004).

\(^{353}\) Crick (1992) suggests that the United Kingdom’s trade deficits were associated with budget cut-backs for KES throughout the 1980s (Crick 1992).
Ports have grown the fastest relative to its GDP growth is Finland again, while the country with the slowest export growth relative to its GDP is Australia.

Incorporating import as well as export figures, the following graph shows trade balance per GDP indicators in each case-study country. Again, Finland is the country with the ‘healthiest’, while the United Kingdom is the one with the worst trade balance per GDP indicators.

**Figure 6 – Case-study countries’ trade balance per GDP, 1992–2001 averages**

Countries’ export problems and unsatisfactory trade performances have driven some governments to develop new KES programmes. For instance, in 2001, the United Kingdom government’s introduction of the Passport to Export Success programme was a clearly communicated response to the country’s export and overall trade problems. Similarly, the Australian government’s New Exporter Development Program, launched in 2002 served the purpose to tackle national export issues. In the meantime, both countries’ governments have also expanded their TPO networks and increased KES funding as well.
Nevertheless, countries with outstanding export and overall trade performance, such as Finland, have also experienced increased government export support. Finnish governments launched new financial KES packages such as the State Aid for Promotion of Internationalisation and on General Aid to Organisations and Corporations Enhancing Foreign Trade and Internationalisation in 2001, the web portal Enterprise Finland, providing online internationalisation support services in 2002, and the Export Project Grants for exporters to new or emerging markets in 2003. At the same time, they have also increased their relative share in the leading private TPO’s budget, and enhanced their financial support for KES provision of diplomatic missions.

Some elements of governments’ growing export support, including new KES programme development, can thus be associated with export problems and relatively bad trade performance indicators. Country examples of such association are the United Kingdom and Australia. However, new government KES programmes have also been introduced in countries with outstanding export and trade performance, such as Finland. In Finland’s case, the government’s KES activism is even more remarkable, as Finnish governments have traditionally played the secondary role in the national export support arena, leaving KES provision for the private sector under a ‘No TPO’ institutional design.

Overall, case-study countries have exhibited diverse performances in the 1990s and early 2000s, based on their export growth and trade balance indicators. Export and trade performances have contributed to KES programme development, thus these influences have shaped particular policy responses to increase government KES in specific countries. However, export problems and poor trade performance do not by-and-large explain why all governments – long exposed to multifaceted impacts of the global trade regime – only since the 1990s have simultaneously increased their KES. Therefore, the proposition that governments have analogously increased their export support since the 1990s because they have been faced with export problems or poor trade performance is discarded as a general explanation.
Trade performance-related political pressures

Even though the case-study countries have not universally experienced poor export and trade performances, formalised political pressures for governments to take measures aiming to improve trade results could have still been present in all case-study countries. If pressure groups have ‘pushed’ governments to increase their support in order to achieve better trade results, this could be a substantial mediating factor in the context of global pressures and governments’ generally growing KES since the 1990s. Hence, the proposition tested in this section is that governments have increased their export support since the 1990s, because they have been faced with formalised political pressures to improve trade performance.

Formalised political pressures on government KES are understood in this thesis as organised forces or associations that influence the government to engage in or change KES-related activities or approaches. Accordingly, formalised political pressure groups include organised associations of exporters that aim to impact on the government’s KES involvement.

A number of studies have examined how parties, corporatist regimes, and special-interest lobbying shape governments’ foreign economic policies (Pincus 1975; Milner 1988; Hillman & Ursprung 1988). Such studies can be classified under the umbrella term ‘pressure group’ or ‘interest group’ model, signalling their emphasis on how the productive private sector – represented by parties or other organised groups – pressures politicians to move policy in a direction that would be favourable for them (Krishna & Gawande 2003). An example of this model is when by-and-large outward orientation, as a policy-influencing framework regarding countries’ foreign trade regimes, comes to the

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354 For recent studies focussing on political pressure groups, see Persson (1998), considering the impacts of lobby groups on economic policy-making; Berger (2000) and Milner & Judkins (2004), examining left and right political parties and their influence on foreign economic policy decisions; Capling (2001), investigating domestic pressures on trade policy-making in the Australian context; and Grossman & Helpman (2002), considering numerous ‘special interest groups’, in terms of influencing policy-making processes in democratic countries.
forefront initiated by private interests\(^{(355)}\). Another, rather contrary example is when private forces in import-competing sectors lobby governments for barriers against imports.

Using the pressure group model in the area of KES, if domestic exporters wish for more KES, they could form pressure groups and ‘push’ governments to increase their export support. However, there are at least two major reasons why conventional pressure group arguments are not applicable when one attempts to explain generally growing government export support.

Firstly, the major recipients of KES are small and medium-sized firms, be they existing or aspiring exporters\(^{(356)}\). Due to their size and typically weak associational forms, small and medium-sized exporters tend to be too powerless to constitute efficient lobby groups (Solanko 2003)\(^{(357)}\). From a pressure group perspective, large multi-national companies have a great deal more bargaining power, thus they would be more likely to successfully pressure governments for export support. However, large companies have their own channels and resources in place to acquire informational, marketing or consultancy-related know-how for exports. Hence, when they decide to lobby for government export support, this tends to be about export-related tax rebates and deductions, soft loans for export-related investments, or other complex forms of government support, rather than just ‘basic’ KES services. There is no research indicating that since the 1990s, exporter pressure groups driven by large multi-national companies would have lobbied for governments to increase their KES support.

Secondly, while conventional pressure group models, by definition, seek to influence the government, in the context of KES, exporters may try to motivate or pressure private TPOs to boost their support services. For instance, in Austria, Finland, Germany and Switzerland, where governments have traditionally taken a back-seat position in the national KES arena, if exporters wanted more KES, they would not need to turn to the government, as the leading TPOs are private organisations in these countries.

\(^{355}\) Seringhaus (1993) investigates inward versus outward orientation of developing countries, as a policy-influencing framework regarding their foreign trade regimes. In the context of highly industrialised countries, outward orientation has been a dominant framework for decades.

\(^{356}\) For more explanation on why small and medium-sized firms are the most likely to be the recipients of KES, see page 15.

\(^{357}\) Small and medium-sized companies have less lobbying power than their large counterparts in established industries, suggesting that they are unlikely to lobby (Solanko 2003). However, in countries with public-law Chambers, Chambers representation may result in relatively strong pressure groups constituted by small and medium-sized exporters.
Nevertheless, Austrian developments provide an example which appears to contradict both of the above reasons – showing that exporters may in fact pressure the government for increasing export support in countries with ‘No TPO’ institutional design for government KES. Austria’s leading private TPO is an integral part of the Chambers organisation, which embraces the entire productive private sector. Due to the size and scope of their TPO, Austrian exporters are able to put pressure on the government, with the TPO representing the very pressure group. The impact of exporter pressures on governments could be seen when the government started co-sponsoring the leading private TPO’s KES initiatives in 1998 (AWO of WKÖ 2004b).

Apart from the Austrian model of such organised and powerful association of small and medium-sized firms, which is in fact capable of pressuring the government, small and medium-sized exporters of other countries have generally not had such capabilities. Therefore, while pressure group models advance the understanding of how particular export policy responses are shaped in specific countries, their explanatory value appears limited in a multi-country context, wherein the typical recipients of KES services do not constitute strong enough pressures groups, or do not pressure the government (rather, private TPOs) for increasing KES.

In conclusion, these sections have led to failing to accept the propositions that industrialised governments have by-and-large increased their KES since the 1990s because they have been faced with export problems and poor trade performance or by formalised political pressures to improve trade performance. Such trade-related national factors would appear to explain certain government KES measures in certain countries. However, they fail to explain the simultaneous growth of government KES in national economies with diverse export and trade performances, and different exposures to organised political pressure groups.
Post-Uruguay power boost to the world trade regime

In an attempt to explain why it is only since the 1990s that all governments have sought to increase their KES, this section scrutinises the post-Uruguay power enhancement of the world trade regime. According to Ostry (1998), since the late 1980s, the capacities of the WTO have become stronger and broader than ever, ensuring disciplinary impacts that were ‘unimaginable’ in the pre-Uruguay years.

The proposition this section focuses on is that governments have increased their export support since the 1990s, because the multilateral trade regime has gained major disciplinary powers inducing a ‘deeper integration’ (358).

Since the establishment of GATT in 1947, the regime has had two overlapping types of responsibilities. The first responsibility has been to help establish and spread market liberalisation policies through multilateral negotiations and agreements – these tasks may be referred to as the regime’s ‘negotiator’ responsibilities. The second type of role has been to monitor, maintain and defend market liberalisation policies and practices, by ensuring that governments do not conduct trade-distorting policies, while advocating liberal principles – these may be referred to as ‘enforcer’ responsibilities. The GATT/WTO regime’s dual roles in terms of ‘negotiating’ and ‘enforcing’ rules and regulations have been remarkably enhanced since the 1986 Uruguay Round (359). This enhancement is expected to affect governments’ KES involvement specifically within their national foreign economic policy suites.

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358 This research understands ‘deeper integration’ based on Hart & Prakash’ (2000) conceptualisation: Prior to the Uruguay Round, the international trade regime aimed to reduce trade barriers only – driving ‘shallow integration’; while in the post-1986 years, the regime has sought to diminish a wide-range of non-tariff barriers – driving ‘deeper integration’. Therefore, the ‘deeper integration’ include the trade regime’s more drastic measures towards government-free international trade.

359 The term GATT/WTO regime refers to the rules and regulations of the GATT until 1994, and those of its successor, the WTO since 1995.
The WTO’s enhanced ‘negotiator’ roles

According to the will of the twenty-three governments that initially signed the General Agreement on Tariffs and Trade in 1947, the ‘negotiator’ responsibilities of the GATT initially served the purpose of establishing new trade agreements that would bind governments to reduce tariff levels\(^{360}\). Each such set of agreements is called a round, and is outlined in the table below.

Table 45 – The GATT/WTO regime’s major rounds of negotiations: topics and outcomes

<table>
<thead>
<tr>
<th>Year</th>
<th>Round</th>
<th>Topics and key outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>Geneva Round</td>
<td>23 countries, which accepted the Havana Charter, negotiated tariff cuts covering a trade volume representing half of world trade; over 45,000 concessions were exchanged</td>
</tr>
<tr>
<td>1949</td>
<td>Annecy Round</td>
<td>Additional tariff negotiations; only the Torquay Round yielded appreciable tariff reductions (around 25 per cent in relation to 1948 levels)</td>
</tr>
<tr>
<td>1950–51</td>
<td>Torquay Round</td>
<td>Negotiations were supplemented by a round of tariff negotiations (proposed by Douglas Dillon); modest results: only 4,400 tariff concessions exchanged, agriculture and certain sensitive products not covered</td>
</tr>
<tr>
<td>1955–56</td>
<td>Geneva Round</td>
<td>A new approach to tariff negotiations introduced, resulting in a formula, by which most industrialised countries agreed to reduce their tariffs on industrial products by 50 per cent(^{361}); the Anti-Dumping Code established as the first multilateral GATT agreement on non-tariff measures; starting point for the recognition of the concept of non-reciprocity in trade negotiations between developed and developing countries, and of the commitment by the developed countries to accord high priority to granting improved market access in products of export interest to the developing countries</td>
</tr>
<tr>
<td>1961–62</td>
<td>Dillon Round</td>
<td>Negotiations’ scope far beyond the scope of previous negotiations, particularly in the field of non-tariff measures; in the tariff negotiations, industrialised countries applied a harmonisation reduction formula for industrial products, which resulted in a 34 per cent cut in the trade-weighted average(^{362}) of these duties</td>
</tr>
<tr>
<td>1963–67</td>
<td>Kennedy Round</td>
<td>It covered the largest range of measures so far, including those concerning: tariffs, non-tariff barriers, natural resource products, textiles and clothing, agriculture, tropical products, GATT articles, Tokyo Round codes, anti-dumping, subsidies, intellectual property, investment measures, dispute settlement, the GATT system and services; the main outcome was the overall reduction of tariffs by one-third; it also resulted in the WTO replacing GATT (in 1995)</td>
</tr>
<tr>
<td>2001–</td>
<td>Doha Round (under WTO)</td>
<td>21 subjects were listed in the Doha Declaration, providing mandates for negotiations on a range of subjects, and on issues concerning the implementation of the present agreements; subjects include implementation-related issues and concerns, agriculture, services, market access for non-agricultural products, trade-related aspects of intellectual property rights, relationship between trade and investment, interaction between trade and competition policy, transparency in government procurement, trade facilitation, WTO rules, dispute settlement understanding, trade and environment, electronic commerce, small economies, trade, debt and finance, trade and transfer of technology, technical cooperation and capacity-building, least-developed countries, special and differential treatment, organisation and management of the work programme</td>
</tr>
</tbody>
</table>

Source: WTO (2005a)

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\(^{360}\) Amongst the case-study countries, Australia, Canada, the Netherlands, and the United Kingdom signed the original treaty in 1947, whereas the last case-study country to sign it was Switzerland in 1967. Hence, since the late 1960s, all case-study countries have gradually liberalised their trade, following the GATT/WTO regime’s ‘outward-oriented’, liberal principles.

\(^{361}\) However, due to exceptions to the formula, an average reduction of only 35 per cent was obtained (WTO 2005a). This approach was not applied to agricultural products, which were subject to product-specific concessions on the basis of requests and offers. For more detail, see WTO (2005a).

\(^{362}\) A trade-weighted average means the rate of duty weighted according to the value of trade (WTO 2005a).
Besides binding the members to reduce certain tariffs, the rounds have decided about a number of special-case treatments of individual products, as well as exceptions and modifications for each country (WTO 2006a, 2006b). By 2005, the number of countries signing up for these rounds – becoming WTO members – and binding themselves to liberalise their trade had increased to one hundred and forty-nine, while thirty-two countries participated as ‘observers’, without obligations to enter into trade agreements(363).

This table also indicates that the purposes and scope of the GATT regime underwent significant changes by the time the WTO came into being in 1995, replacing the GATT due to its perceived inadequacies(364). Compared to the GATT’s sole purpose of tariff-reduction prior to the 1970s, a number of other areas, such as dismantling non-tariff barriers (since the 1970s), intellectual property rights (since the 1980s), and investment-related government measures; as well as the economic development of developing countries (since the 1990s) have also become central issues of the WTO protocols (Czinkota 1994; Francois, Meijl & Tongeren 2003). These and further forms of expansion of the GATT/WTO regime’s agenda signal that the GATT’s initial intention to induce a relatively ‘shallow integration’ of its member countries has turned into the WTO’s more ambitious goals of ‘deeper integration’(365).

Ostry (1998a; 1998b; 2000) analyses a number of aspects of the WTO’s ‘deeper integration’, reporting that the new restrictions on trade-related services, intellectual property rights and investment-related government measures have meant a ‘quantum leap’ in the trade regime’s rules and regulations, as these barriers are “not at the border and are not necessarily transparent, but rather involved mainly domestic regulatory and legal systems” (Ostry 1998b: 8). In other words, the WTO’s broadened agenda disciplines the multilateral trading system in a way that – besides affecting a wide range of foreign economic policy tools – regulates numerous domestic economic policy areas as well. This was, in Ostry’s (1998) words, ‘unimaginable’ in the pre-Uruguay years.

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363 This means that in 2005, most countries are members of or associated with the WTO. On the gradual growth of the number of countries joining of the GATT and then its successor, the WTO, see details in WTO (2006a).

364 Ostry (2000), analysing some of the GATT’s inadequacies, notes that the Uruguay Round launched the first small step on the long and difficult path to a rules-based regime for a single global market, but it was inadequate to implement the ambitious changes proposed. At the same time, the WTO was created to provide the institutional infrastructure for the much-needed ‘extraordinary undertaking’.

365 Hart & Prakash (2000) contend that the efforts of the international trade regime to reduce trade barriers foster ‘shallow integration’, while the regime’s steps to rollback non-tariff barriers foster ‘deeper integration’.
Such interference of the supranational trade regime has meant that since the 1990s, governments not only have been exposed to more constraints in terms of the sheer number of policy restrictions, but also that these constraints have also been more radical and more rapidly introduced than any other restrictions introduced between the 1940s and late 1980s.

**The WTO’s enhanced ‘enforcer’ roles**

The WTO regime’s aim for such ‘deeper integration’ has manifested itself not only in the provision of more rules and regulations within the framework of an extended agenda, but also in terms of strengthening the regime’s capacities to monitor, as well as directly intervene and stop governments’ trade-distorting practices (Amsden & Hikino 2000). To increase transparency on both the multilateral (WTO) and national levels, the WTO has developed a new monitoring mechanism for foreign economic policies, the Trade Policy Review Mechanism (Hoekman & Kostecki 2001a). This Mechanism includes surveillance of national trade policies, whilst the frequency of country reviews varies according to countries’ shares of world trade (WTO 2005b). Through the Trade Policy Review Mechanism, the WTO has taken a significantly ‘closer look’ at governments’ foreign economic policies and identified trade-distorting practices (Czinkota 2002). As Ostry (1998b) reports, the WTO’s new monitoring methods have ensured a ‘different meaning’ of transparency compared to the policy monitoring systems of the GATT.\(^{(366)}\)

Drawing on the heightened monitoring mechanisms and increased transparency, the WTO has been able to step in international trade transactions more successfully than the GATT did. The WTO regime has reformed the GATT’s framework for rule-enforcement and developed strict dispute settlement procedures, which – along with the expanded agenda, renewed monitoring system and increased transparency – became a fundamental element of the multilateral trading system by the late 1990s (Hoekman & Mavroidis

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\(^{(366)}\) The principles of transparency, under the WTO, require the “publication of laws and regulations and the mode of administration in services or, to a more limited extent, investment regimes” (Ostry 1998b: 11).
When the new dispute settlement procedures were introduced, commentators such as Jackson (1998) and Anderson (2002) predicted that the Dispute Settlement Body of the WTO, replacing the GATT body formally known as the Body of Understanding on Rules and Procedures Governing the Settlement of Disputes (WTO 2001), was likely to become one of the most important developments in international trade relations. According to Anderson (2002), the WTO’s new dispute settlement body raised great expectations of not only more definitive, but also more expeditious resolution of trade disputes than occurred under the laws of the GATT.

Through its reformed dispute settlement framework, the WTO has sought to ensure that member countries entirely comply with multilaterally agreed bans on trade-distorting measures (Krueger & Aturupane 1998). In the case of non-compliance with specific agreements, that is, when WTO member governments are unwilling to bring a WTO-inconsistent trade measure into conformity, the WTO has become able to impose serious sanctions via the newly established dispute settlement framework (Anderson 2002). If a WTO member is found to have WTO-inconsistent policies, and does not reform those policies sufficiently to satisfy complainants – and a WTO panel finds the new policies still inconsistent with WTO rules as well – the complainant country is entitled to compensation, which is set by the parties involved in the dispute (Anderson 2002).

Furthermore, if an agreement on compensation is not forthcoming, the complainant may retaliate against the respondent. If the extent of retaliation is not agreed between the parties, a WTO panel, as an arbitrator, determines the magnitude of compensation and sanction. As Weiss (2005a) notes, in the mid 2000s, besides negotiating multilateral treaties among member-governments on trade liberalisation policies, the WTO also arbitrates disputes between countries, and even determines the sanctions to be applied.

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Footnotes:

367 Indicating its importance, the WTO dispute settlement process has been described as the ‘backbone’ of contemporary multilateral trading system (Busch & Reinhardt 2001). On the evolution and legal continuity of the WTO’s dispute settlement system, see Petersmann (1997), Busch & Reinhardt (2001) and UNCTAD (2003).

368 On non-compliance matters, and on the problematic nature of the WTO’s dispute settlement rules regarding non-compliance, see a critical analysis in Charnovitz (2002).

369 Since the Uruguay Round, due to the new dispute settlement rules, the dispute resolution procedures allow sanctions to be imposed against countries with trade-distorting practices (Andersen 2002). For analyses on dispute settlement and sanctions, see Mavroidis (2000), Valles & McGivern (2000), Charnovitz (2001) and Anderson (2002).

370 Legal details of dispute settlement rules and procedures are available in WTO (2001).

371 Rickard (2005) reports that virtually every dispute litigated in the WTO framework relates to governments’ narrowly targeted subsidisation and benefits.
Hence, as the second crucial part of the WTO’s ‘deeper integration’, the regime’s ‘enforcer’ roles have also gained a major power boost since the late 1980s. In the post-Uruguay Round years, the WTO has more severely compelled governments to adjust their policy-making to the proliferating constraints – and governments have less and less been able to find loopholes from the strict enforcement mechanisms.

**The implications of the heightened WTO for government KES**

Through its intensified dual roles of ‘negotiator’ and ‘enforcer’, the WTO regime has essentially increased its capacities to directly influence governments’ foreign economic (as well as some domestic economic) policy areas – as summarised in the figure below.

**Figure 7 – The WTO regime’s heightened complex influences since the 1990s**

Compared to the pre-Uruguay Round period, the global trade regime’s power has been radically transformed. This transformation has led to governments’ more intense experiences of restricted policy options, more ‘painful’ perceptions of growing constraints and shrinking room to manoeuvre in their foreign economic policies (Weiss 1999a). Therefore, as McGinnis (2004) notes, the WTO has increasingly been seen as a ‘force for limited government’ in the name of trade liberalisation.

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372 While most studies discuss the WTO regime’s influences as forces that increasingly constrain government policies, according to Howse & Nicolaidis (2003), the WTO does not constrain several policy areas ‘tightly enough’.

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If the world trade regime has ever played a major role in governments’ export support policy making, this is most likely to have taken place since the 1990s. Government KES has not been a subject of the regime’s direct policy constraints, however, indirect impacts of the regime are likely to have shaped government KES in the post-Uruguay era of trade liberalisation, to a greater extent than ever before.

Nevertheless, the proposition that governments’ KES has increased since the 1990s, because the multilateral trade regime has gained major disciplinary powers after the Uruguay Round cannot be accepted based on this general finding only. In fact, the WTO’s enhanced disciplinary powers need to be further investigated in terms of their actual implications for governments’ KES, through countries’ growing economic vulnerability, firms’ intensified international competitive pressures and the emergence of new export markets.
International policy diffusion

Policy diffusion may elucidate some reasons why government KES has grown generally since the 1990s. As Goldstein & Martin (2000) note, political scientists have always attempted to explain why governments adopt the policies they do – and the topic of policy diffusion has attracted ever growing research interest in the early 2000s (Simmons & Elkins 2004)\(^\text{373}\). While the terminology and focus significantly vary, a general definition for policy diffusion can be summarised as “successive adoptions of policy innovations, administrative arrangements, and ideas” (Freeman & Tester 1996: 9)\(^\text{374}\). Studies addressing policy diffusion mainly focus on why and how policies, administrative arrangements and ideas in one political system (past or present) ‘spread over’ to another political system (Dolowitz & Marsh 2000).

This dissertation conceptualises policy diffusion in the context of government export support along similar lines: governments’ successive adoptions of KES policy innovations, administrative arrangements, and ideas. Accordingly, policy diffusion impacts on export support simply via governments’ emulating one another’s KES actions. The analysis of policy diffusion includes empirical examples of governments’ similar, successive KES measures and proliferating TPO conversations on the international level.

In the area of foreign economic policy, diffusion has not been explored, and has been especially overlooked in the field of KES\(^\text{375}\). The assumption that policy diffusion has become ever more frequent and prevalent with the advance of global pressures, may shed some light on why the analogous increase to government KES has been taking place since the 1990s. The proposition tested is that governments have increased their export support since the 1990s, because policy diffusion has become prevalent.

\(^{373}\) For reviews on policy diffusion, see Bennett (1991), Stone (2000), Dolowitz & Marsh (2000), Kern et al. (2001) and Henisz, Zelner & Guillen (2004), for instance.

\(^{374}\) Besides the frequently used ‘policy diffusion’, ‘policy convergence’, ‘policy learning’ and ‘policy transfer’, other terms such as ‘systematically pinching ideas’ (Schneider & Ingram 1988), ‘policy band-wagoning’ (Ikenberry 1990), ‘lesson-drawing’ (Rose 1993), ‘policy borrowing’ (Cox 1999), ‘policy shopping’ (Freeman 1999), ‘exporting ideas’ and ‘policy pusher’ (Nedley 1999), have been used more-or-less interchangeably. For the sake of simplicity, this study hereafter uses only policy diffusion. Policy diffusion involves the more specific processes of imitation, demonstration, mimicry, emulation, isomorphism, contagion, dissemination and transfer of policies (Strang 1991; Simmons & Elkins 2004).

\(^{375}\) In the literature on policy diffusion, a number of studies have addressed the governments’ specific economic policies, such as those relating to social security systems (Collier & Messick 1975); growth of the welfare state (Strang & Chang 1993); environmental issues (Frank, Hirokaka & Schofer 2000), macroeconomic policies (Yebra 2003) and pension privatisation (Weyland 2003). See further economic areas in the framework of policy diffusion analysis in Henisz, Zelner & Guillen (2004).
The ‘fast track’ of export support policy changes

Successive steps of increasing government KES can be shown by creating timelines that graphically represent time gaps between governments’ similar KES-related decisions. The figure below demonstrates which governments have introduced new customised KES services in which year.

Figure 8 – Timeline of governments’ launching new customised KES services

| 1. | 1988 – The United Kingdom government introduced the Export Marketing Research Scheme, including assistance for companies to draw up a market research programme to develop market entry strategy |
| 2. | 1991 – The Australian government launched the Export Access programme, to help regional, new-to-export small and medium sized firms with counselling and training |
| 3. | 1995 – The United Kingdom government introduced the programme of personalised contact search and export sales leads |
| 4. | 1996 – The United Kingdom government launched the Export Communications Review (1996), including providing firms with methods to improve their communication with overseas customers |
| 5. | 1997 – The Australian government launched the TradeStart programme, to help regional, new-to-export small and medium sized firms with counselling and training |
| 6. | 1997 – The Italian government introduced a range of personalised KES services against fees, including tailor-made country or product analysis, partner search and legal KES services |
| 7. | 2000 – The Dutch government established the Subsidy Scheme for Export Staff, aimed at small and medium-sized businesses, helping them set up export plans; and the Programme for Economic Project Cooperation, which is specifically targeted at exporters to developing countries, providing feasibility studies in the preliminary stage of an export project |
| 8. | 2001 – The German government introduced tailor-made export consultancy within the BfAI’s portfolio |
| 9. | 2001 – The United Kingdom government launched the Passport to Export Success programme, including customised services to new-to-exports firms to enhance their market knowledge and confidence |
| 10. | 2004 – The Dutch government launched the Programme for Co-operation with Emerging Markets, offering a ‘stepping-stone’ for a more structural commercial presence for Dutch companies exporting to emerging economies |

This figure shows that after the United Kingdom government’s 1988 decision to introduce customised KES services, four other governments – including Australian, Italian, Dutch and German governments – have also done so during the following decade. The German government was the only industrialised country with a ‘No TPO’ institutional design for KES to start providing customised KES services in 2001. Besides the proliferation of new, tailor-made KES services, other government KES programmes such as Internet-based services, financial packages and market promotion programmes have also been introduced fast after one another.
Another example of governments’ rapidly proliferating ideas along similar lines is the introduction of enumerated KES targets and plans, demonstrated in the figure below.

**Figure 9 – Timeline of governments’ introduction of enumerated KES targets**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>-</td>
</tr>
<tr>
<td>1985</td>
<td>-</td>
</tr>
<tr>
<td>1990</td>
<td>-</td>
</tr>
<tr>
<td>1995</td>
<td>-</td>
</tr>
<tr>
<td>2000</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>-</td>
</tr>
</tbody>
</table>

1. 2001 – The United Kingdom government’s first enumerated KES goals and specific action plans (mainly to be achieved by UKTI, the leading government TPO)
2. 2002 – The Australian government’s first enumerated KES goals and specific action plans (mainly to be achieved by Austrade, the leading government TPO)
3. 2004 – The Finnish government’s first enumerated KES goals and specific action plans (mainly to be achieved by Finpro, the leading private TPO)
4. 2004 – The Austrian government’s first enumerated KES goals and specific action plans (mainly to be achieved by AWO of WKÖ, the leading private TPO, in the framework of a comprehensive government-private KES initiative, ‘Go International’)

This figure shows that within three years after the United Kingdom government’s first decision to enumerate KES goals, and thus create a more strategic KES plan for the leading government TPO in 2001, three other governments (including those in Australia, Finland and Austria) have taken similar measures. Austrian governments – with a ‘No TPO’ KES design – established such goals not for government, but for the leading private TPO, nevertheless, in very similar ways.

Such ‘fast tracks’ of the introduction of government policy changes of similar nature can be shown for any other dimension of government KES involvement since the 1990s. Successive KES policy changes, especially because they have occurred so rapidly after one another, suggest that governments have been inspired by one another’s decisions to introduce new KES programmes and enumerated KES goals and other specific KES actions. However, one can only speculate, rather than conclude that when governments are searching for policy reforms, they, in Kern’s words, “increasingly look for [them] abroad” (Kern et al. 2001: 8). This section thus concludes that policy diffusion is likely to have existed since the 1990s, nevertheless, further research is required to investigate its nature and outcomes.

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This thesis, mainly due to scope limitations, does not address ‘how’ questions – the very mechanisms of policy diffusion.
Increased TPO conversations

A phenomenon that has increased the likelihood of finding KES-related solutions internationally is the intensifying cooperation between TPOs. The proposition in the focus of this section, that post-1990s governments have enhanced their KES, because policy diffusion has become prevalent, is further investigated in the following paragraphs, through the lenses of more frequent international conversations amongst TPOs.

Major TPOs, be they government or private bodies, have had ever more frequent discussions, mainly via the consultative mechanisms of the International Trade Centre\(^{377}\). The Centre has intensified these discussions to provide a regular forum wherein government TPOs of developing countries learn successful KES techniques from TPOs of industrialised countries (ITC UNCTAD/WTO 2004a). The Centre has anticipated that, through learning and applying new KES measures, governments of developing countries will improve their capabilities to better trade performance. By encouraging TPOs of industrialised countries to reveal and share KES ideas for the benefit of developing countries, the Centre has contributed to policy diffusion amongst the case-study countries as well.

Some of the important milestones of this intensifying consultation and cooperation are summarised in the table below.

Table 46 – Major consultation fora of leading TPOs

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>Cartagena</td>
<td>Impact of the new multilateral trading system on TPO operations, in the wake of the creation of the WTO</td>
</tr>
<tr>
<td>1998</td>
<td>Santiago</td>
<td>RES programmes and services and their changes</td>
</tr>
<tr>
<td>2000</td>
<td>Marrakech</td>
<td>RES and the digital economy; challenges of public-private partnership and impact assessment</td>
</tr>
<tr>
<td>2002</td>
<td>Beijing</td>
<td>Turbulent business environment, impacting on TPO operations</td>
</tr>
<tr>
<td>2004</td>
<td>Malta</td>
<td>Innovation and practical TPO action as a response to rapid evolutions in global trade</td>
</tr>
</tbody>
</table>

Source: adaptation from Domeiseen (2005)

\(^{377}\) This study recognises that the process of policy diffusion may be initiated and enhanced by private actors besides governments. For more detail on how private organisations contribute to policy diffusion, see Stone (2000).
Even when considering such increased consultation amongst TPOs, the existence of policy diffusion may only be demonstrated for individual dimensions or aspects of government KES measures, such as those concerning the introduction of new KES programmes and the establishment of enumerated KES targets and specific action plans. Within each of these dimensions, government measures are comparable, and thus thorough policy-diffusion analyses (which have not been conducted, only outlined in this section) may provide appropriate frameworks to explain analogous changes along that particular dimension. At the same time, such analysis becomes too simplistic when government KES involvement is analysed as a whole.

For example, the simultaneously growing government KES in the United Kingdom and Switzerland has manifested in different policy decisions – along different aspects of government KES involvement. In the United Kingdom, governments have expanded their TPO networks, increased KES funding, introduced new KES programmes and enhanced their cooperation and support for private TPOs. At the same time, in Switzerland, governments’ increasing export support has mainly manifested in their intensified control over the leading private TPO, by precisely regulating its domestic and foreign KES delivery, while also increasing their budget contributions to this private TPO and enhancing KES provision of diplomatic missions. Through these examples, it becomes apparent that one cannot conclusively argue that either of these governments has acted in an attempt to emulate one another, or any other one of the investigated governments.

Policy diffusion may be a reason behind some successive export policy changes of the investigated governments. Due to the ever increasing consultation between TPOs, policy diffusion may have played heightened roles in governments’ increasing export support. However, the more prevalent policy diffusion since the 1990s cannot be the by-and-large catalysing force for government export support, as governments’ increasing KES is too multifaceted to sustain such a simple theory that can only be applied for individual dimensions of government KES involvement. Therefore, the proposition on policy diffusion does not help explain the simultaneously growing government KES.
Conclusions

This chapter has posed the question why governments – those with traditionally active, just like those with traditionally passive KES roles – have sought to increase their export support only since the 1990s. Three propositions have been investigated: whether the similar government KES growth has taken place because governments have been faced with export problems and poor trade performance or political pressures to improve trade performance; because the global trade regime has gained major powers; or because policy diffusion has become more prevalent since the 1990s.

After establishing that case-study countries have had diverse export and trade performances since the 1990s, this chapter has shown that export problems have driven the development of certain KES programmes in some countries, such as Australia and the United Kingdom. However, governments in countries with good trade performance, such as Finland, have also introduced a range of new KES programmes. In addition, other elements of government export support, such as funding, TPO networks and assistance to private TPOs have also exhibited growth irrespective of countries’ export problems and poor trade performances.

Regardless of export and trade performances, organised political pressure groups could have simultaneously ‘pushed’ governments to increase their assistance in the 1990s. Nevertheless, apart from the Austrian model, wherein small and medium-sized exporters (as the main recipients of KES) have been capable of pressuring the government, small and medium-sized exporters of most countries have not had such capabilities.

The second section of this chapter has shown that, since the 1990s, the expanded ‘negotiator’ roles of the world trade regime have resulted in that governments not only have been exposed to more policy constraints, but the new restrictions have also been more severe than those introduced between the 1940s and 1980s. The ‘enforcer’ roles of the regime have also undergone major enhancement, thus the WTO has become able to more rigorously compel governments to adjust their policy-making to the proliferating con-
straints. Government KES has not been a subject of the regime’s such policy restrictions. Nonetheless, in the post-Uruguay era of trade liberalisation, these constraints – in a complex, indirect way – are likely to have impacted on governments’ KES to a greater extent than before the 1990s.

This chapter has also demonstrated how similar government measures indicating growing KES have rapidly followed one another across borders – suggesting that governments have been inspired by one another’s policy changes. Considering the enhanced consultation amongst TPOs since the 1990s, the existence of policy diffusion becomes even more likely. However, policy diffusion can only be traced vis-à-vis discrete elements of government KES, such as the introduction of KES programmes and the establishment of enumerated KES targets. Policy diffusion thus appears to be a reason behind some successive export policy changes of the investigated governments. However, it has not had by-and-large catalysing impacts on government export support, as governments’ increasing KES is too multifaceted to sustain a theory that can only be applied for individual dimensions of government KES.

Overall, countries’ export and trade performances, political pressures on governments’ KES and international policy diffusion have led to the growth of some elements of government export support. These factors, nevertheless, can drive only certain dimensions of certain governments’ KES. On the other hand, the WTO, driven by its post-Uruguay power boost, has impacted on government KES as a whole, in the case of all governments. The impacts of the reformed multilateral trade system, embodied in the enhanced WTO and the ‘deeper integration’ the regime has induced, can thus be the main force behind governments’ generally growing KES since the 1990s.

Therefore, the main conclusion of this chapter is that the only proposition that has not been rejected, that government KES growth can be attributed to the new disciplinary powers of the multilateral trade regime, requires further investigation. This investigation will focus on the enhanced WTO powers for governments’ KES.
Chapter 5 –

Globalisation and Government Activism
This last chapter of the dissertation investigates two propositions. The first proposition is that the WTO-driven post-1990s ‘deeper integration’ has increased countries’ economic vulnerability, therefore industrialised governments have enhanced their export support (driven by a top-down approach). The second proposition states that this ‘deeper integration’ has intensified firms’ international competitive pressures, therefore industrialised governments have enhanced their export support (as a response to bottom-up pressures).

Governments have been ever more exposed to the intensified constraining influences of the global trade regime in the post-Uruguay years. Besides restricting a range of policy options for governments, the WTO protocols have also provided principles and opportunities that governments have used creatively to innovate and expand their KES involvement within these constraints. These opportunities originate from the ‘deeper integration’ of the WTO, which has increased countries’ economic vulnerability and domestic firms’ international competitive pressures. This chapter first explains why and how these impacts of the WTO have led to governments’ generally growing KES – in other words, how the complex influences of the WTO have been working as the catalyst for increasing government export support.

Then this chapter refines the debate on constraining versus enabling forces of globalisation, in the context of government KES. Accepting both propositions, while also drawing conclusions from the previous chapters, this chapter provides the explanation for the paradox of growing government support in the era of deepening trade liberalisation.

\[378\] This finding on governments’ creative use of undisciplined policy areas resonates with arguments presented in Weiss (2003) and Campbell (2004).
‘Deeper integration’ as the enabler of growing government export support

The heightened roles of the WTO regime – involving an expanded agenda and better enforcement of rules and regulations in the name of ‘deeper integration’ – have brought about ever more severe constraints for governments.

In the light of these constraints, the following sections analyse the complex impacts of the WTO-induced ‘deeper integration’, including countries’ increasing economic vulnerability and domestic firms’ heightened international competitive pressures, focusing on the implications of these for governments’ export support policies.

Increasing economic vulnerability

The proposition in the focus of this section is that driven by the WTO’s ‘deeper integration’, countries’ economic vulnerability has increased, which has led to industrialised governments’ enhanced their KES.

All countries in the world are exposed to foreign economic uncertainties or risks, however, their level of exposure may be very different. This is because, as Briguglio (1995) notes, the degree of exposure to foreign economic uncertainties is derived from the aggregate of variables such as the degree to which an economy depends on foreign trade (exports and imports); the degree to which an economy depends on a narrow range of export products; the degree to which an economy depends on imported technologies and imported expertise; and the degree to which an economy is a price-taker (Briguglio 1995: 1619). Such variables exhibit a great deal of diversity across developing and developed countries. In the context of industrialised economies, a high level of trade openness is the main reason for a relatively high degree of international risk exposure.

Exposure to uncertainties and risks does not equal vulnerability. Sarewitz, Pielke & Keykhah (2003) explain vulnerability as “inherent characteristics of a system that create
the potential for harm but are independent of the probabilistic risk of the occurrence […] of any particular hazard or extreme event” (Sarewitz, Pielke & Keykhah 2003: 805, emphasis added)\(^{(379)}\). Drawing on Bussière & Mulder’s (1999) study as well, this thesis applies a similar logic to explain countries’ economic vulnerability in the context of multifaceted risks coming from the international arena: a country’s economic vulnerability is a national feature that indicates the depth of recession a country faces when exposed to serious international uncertainties or crisis situations\(^{(380)}\). In this sense, countries’ economic vulnerability becomes tangible especially in light of international politico-economic uncertainties, although not dependent on these\(^{(381)}\). Simply put, countries are susceptible or vulnerable to international risks, but their economic vulnerability is not created by or dependent on these.

The economic vulnerability of a country is associated with the government’s ability to handle international economic risks or crisis situations. The government’s capacity to cope with or withstand foreign economic risks, as a result of deliberate policy, can be termed as economic risk resilience (Briguglio & Galea 2002: 3). The ‘action suite’ of governments’ economic risk resilience consists of institutionalised and ad-hoc mechanisms to handle international economic risks and crisis situations, including monetary measures; financial reserves; legal instruments; and a range of foreign economic policy tools. Government economic risk resilience is, in essence, a mediating factor between a country’s risk exposure and its economic vulnerability within the international environment, whilst foreign economic policy is one – and indeed a very complex – asset in such mediation\(^{(382)}\).

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\(^{(379)}\) The vulnerability understanding in Sarewitz, Pielke & Keykhah’s (2003) is in line with that of Brooks (2003), according to which a country’s vulnerability represents the set of socio-economic factors that determine its ability to cope with change.

\(^{(380)}\) Bussière & Mulder (1999) measure the links between economic vulnerability and political instability, coming to the conclusion that “political instability matters [most] for countries with low reserves or weak fundamentals” (Bussière & Mulder 1999: 17). For links between economic vulnerability and other variables (mainly in relation to financial crises), see Kaminsky, Lizondo & Reinhart (1998). The latter study also provides a rich literature review of research on crisis indicators and economic vulnerability (Kaminsky, Lizondo & Reinhart 1998: 27-32).

\(^{(381)}\) As Berg & Pattillo (1999) argue, countries’ economic vulnerability may also be used to predict the probabilities and depth of recession “in response to a shock such as a global downturn in confidence in emerging markets” (Berg & Pattillo 1999: 562).

\(^{(382)}\) In the context of small island states, Briguglio & Galea (2002) differentiate between inherent and nurtured aspects of governments’ economic risk resilience. The inherent aspect of governments’ economic risk resilience may be considered as the opposite of vulnerability, in the sense that countries whose governments lack economic resilience are economically vulnerable. However, as Briguglio & Galea (2002) add, “nurtured resilience on the other hand, is that which can be developed and managed, often as a result of deliberate policy” (Briguglio & Galea 2002: 3).
The figure below graphically demonstrates that countries’ degree of risk exposure and economic vulnerability may exhibit differences, which are not necessarily in line.

**Figure 10 – National economies’ risk exposure, economic vulnerability and government economic risk resilience**

In this figure, compared to country ‘B’, country ‘A’ has larger exposure to international risks, perhaps due to its very high level of trade openness indicated by its trade per GDP ratio. However, economic vulnerability of country ‘A’ may still be lower due to the fact that the same crisis does not cause as deep a recession as in country ‘B’. This lower degree of economic vulnerability of country ‘A’ is likely to be associated with the government’s more successful resilience to risk situations, including its more appropriate or more efficiently deployed foreign economic policy tools.

Foreign risk exposure and economic vulnerability are well-researched in the context of developing countries\(^{383}\). However, there is less research attention directed at advanced industrialised countries’ economic vulnerability\(^{384}\). Compared to developing countries,

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\(^{383}\) Liou & Ding (2004) argue that small developing countries are the most vulnerable to import surges, as they suffer from handicaps such as smallness, remoteness or being land-locked and limited internal market and natural resources, in addition to their general development problems. According to Bernal (2004), developing countries’ vulnerability to import surges is often related to subsidised imports from industrialised countries. Langhammer & Lücke (2001) emphasise the need for a WTO reform to make it easier for such vulnerable economies to accede to and actively participate in the WTO.

\(^{384}\) The economic vulnerability of industrialised countries is highlighted by Weiss (2005a), who discusses industrialised governments’ increasing perceptions of vulnerability due to their intensified economic integration and exposure to international competition. Langhammer (2005) explores the degree of vulnerability of the two ‘big WTO players’, the European Union and the United States, investigating structural performance indicators and trade policy characteristics to compare openness, change in export supply and the degree of outward orientation in domestic trade policies.
advanced industrialised countries are commonly perceived to exhibit lower levels of economic vulnerability, because their economies tend to face only relatively short, small-scale recession when international crises hit. Their governments are also perceived to have superior economic risk resilience, due to more appropriate government measures and mechanisms to handle economic risks and crises coming from the international arena(385).

However, in several instances, industrialised countries have experienced dramatic economic turmoil associated with their high level of economic vulnerability. Examples for such turmoil include the Great Depression in the 1920s and 1930s, when every one of the most industrialised countries were affected. South Korea’s experiences during the East Asian financial crisis provide a more recent example(386). In fact, South Korea – besides Indonesia, Malaysia and Thailand – was one of the countries worst affected by the East Asian financial crisis (Radelet et al. 1998)(387). This, according to Corbett & Vines (1999), was a consequence of South Korea’s heightened vulnerability of due to their open trade and financial markets. In these examples, government economic risk resilience measures could not counterbalance crisis situations.

Due to the GATT/WTO-driven trade liberalisation, and especially, the WTO regime’s post-1986 ‘deeper integration’, industrialised countries have become ever more open. This has manifested in dismantling tariff and non-tariff barriers, growing trade in goods and services, increasing financial transactions and growing foreign direct investments(388). Such increasing openness of industrialised countries has also led to the growing international risk exposure, mainly for their capital markets.

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385 Nonetheless, economic vulnerability may become a major factor for advanced industrialised governments’ foreign economic policy-making as well. Briguglio & Galea’s (2002) finding that countries may be economically vulnerable and yet register a relatively high GDP per capita illuminates that economic vulnerability is not exclusively associated with developing countries. Prime examples for high economic vulnerability and relatively high GDP per capita indicators are Singapore, Cyprus and Malta (Briguglio & Kisanga 2004). For instance, Malta has a very high level of economic vulnerability and a world ranking at 55th place in terms of GDP per capita 2003 (CIA 2003).

386 Since the mid-1990s, the global economy has experienced severe bouts of financial instability, leading to devastating impacts on crisis countries, such as Mexico in 1995, Thailand, Malaysia and Indonesia in 1997–98. As Mishkin (1999) notes, two of the key questions that face policy-makers today include how to reduce the risk of global financial instability, and how to cope with it when it occurs.

387 Japan was also affected in the East Asian financial crisis. However, as Weiss (1999b) notes, “Japan itself was not a victim of the financial meltdown”: while it certainly had a banking crisis of its own, “this was mainly self-induced and long predated the events of 1997” (Weiss 1999b: 132).

388 Since 1990, all of the advanced industrialised countries in focus have increased their exports per GDP (as indicated in Figure 5 on page 225).
Bates, Brock & Tiefenthaler (1991) draw attention to the increasing likelihood of international economic crises, as the international economy poses “not only opportunities for gains from trade, but also the danger of risk” (Bates, Brock & Tiefenthaler 1991: 4). Li & Smith (2002) also argue that, because of trade and financial liberalisation, sudden economic ‘shocks’ and crises have become more likely to arise (389). Kahler (2004) portrays these developments as ones re-defining “economic security in light of the risks posed by cross-border networks of non-state actors and by the economic volatility of the new global environment” (Kahler 2004: 485). Therefore, even though the GATT/WTO regime has attempted to decrease international economic risks and crises situations by ensuring a more transparent international trading system, in fact, the contrary appears to have happened: the global trade regime may have – unintentionally – increased the likelihood of economic ‘shocks’ and crises through heightening trade openness.

An essential consequence of the GATT/WTO-induced trade liberalisation is that industrialised governments have been compelled to relinquish a number of policy tools. Especially since the 1986 start of the Uruguay Round, governments have ever more severely felt the corollaries of losing foreign economic policy tools such as tariffs and export subsidies.

By means of imposing tariffs and non-tariff barriers and subsidising exports, governments in the past were able to respond to sudden economic changes in ways which are no longer available for them. As Berger (2000) notes, when rapid economic growth of the international economy is accompanied by inflation, governments are no longer able to limit the consequences by obstructing the entry of foreign goods that compete with more expensive domestic products (Berger 2000: 53) (390). In addition, having to dismantle export subsidies has deprived governments of the ability to financially assist exports of ‘strategically important’ industry sectors. Such a decline in policy autonomy and control

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389 The South Korean example demonstrates the financial and economic vulnerability of industrialised countries due to high levels of financial and trade liberalisation (see earlier discussion).
390 Berger (2000) further explains the loss of government policy tools as follows: “In the international economy of the post–World War II era, with capital controls and trade barriers, states were able to use interest rates, the exchange rate, and the supply of money as levers of control in their economies. […] When economic growth slowed, governments could devalue the currency to cheapen exports, lower interest rates to stimulate investment, and increase government spending to increase employment. When currencies came under speculative attack, countries responded with currency and investment controls. In a world of free-moving financial capital, once policy-makers renounce the use of capital and trade restrictions, the menu of macroeconomic options is shortened” (Berger 2000: 53).
has thus led to governments’ more serious difficulties when reacting to political or economic uncertainties, or trying to cope with economic ‘shocks’, such as unemployment, transfers offshore or plant closures. In other words, their foreign economic resilience has, or perceived to have decreased.

As the figure below summarises, driven by the WTO regime’s heightened complex influences aiming for ‘deeper integration’, governments have been faced with three major – often inter-related – phenomena associated with their countries’ economic vulnerability\(^{(391)}\): first, the likelihood of the emergence of international economic – for instance, financial – risks has increased; second, countries’ exposure to these risks has been intensified, as they have become more open to trade, financial transactions and investments; third, governments’ economic risk resilience has declined due to their intensified constraints and increasing loss of policy options (not only in foreign, but also in domestic economic policy areas).

**Figure 11 – The WTO, countries’ risk exposure, economic vulnerability and the government**

To offset the increased exposure to international risks – which is an ever more severe issue considering that the likelihood of international economic risk and crisis arousal has

\(^{391}\) As Briguglio (1995) notes, the degree of exposure to foreign economic risks is related to governments’ economic risk resilience and their countries’ economic vulnerability in that “the higher the degree of such exposure the more development within the country becomes determined by foreign economic conditions, thereby decreasing the country’s capacity to control its own destiny” (Briguglio 1995: 1619).
grown as well – governments have chosen to enhance their capacities in policy areas that are not restricted by the WTO regime. Essentially, governments have decided to intensify their economic risk resilience by increasingly and more efficiently applying policy tools that are still permitted by the WTO. Government actions to strengthen their capabilities to better respond to sudden economic changes and thus improve national economic performance have, explicitly or implicitly, been driven by the aim to decrease economic vulnerability.

In the context of export support, instead of the formerly conventional foreign economic tool of export subsidisation – which is now largely prohibited by the WTO – there are a range of alternatives still pursued by governments. These include WTO-consistent measures such as concessional tax and duty provisions, export processing zones, as well as KES. Governments’ growing involvement in KES, as an undisciplined foreign economic area under the WTO protocol, may help governments to better manage their countries’ intensified exposure to international economic risks and reduce economic vulnerability.

This discussion on increasing government KES involvement as an indirect consequence of the GATT/WTO-driven trade liberalisation, is in line with Cameron (1978) and Rodrik’s (1998a) theories on the relationship between governments’ domestic economic involvement and their countries’ trade openness and exposure to external risks. Rodrik (1998a) argues that “government spending plays a risk-reducing role in economies exposed to a significant amount of external risk”, which results in a positive correlation between an economy’s exposure to international trade and the size of its government (Rodrik 1998a: 997).

This research has shown that government expenditure in export promotion has been reinvigorated in the past decade. Considering the WTO-driven ‘deeper integration’, which involves heightened trade openness as well as increased international uncertainties and external risks, the KES-specific findings of this section – including boosted government KES expenditures across the board – appears to support Rodrik’s argument. Overall, the

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392 Cameron (1978) shows that, in eighteen OECD countries, the best single predictor of the increase in governments’ tax revenue as a share of GDP is the openness of the economy, expressed as exports plus imports divided by GDP. Rodrik (1998a) confirms this point in a more recent by arguing that there is a “positive correlation between an economy’s exposure to international trade and the size of its government” (Rodrik 1998a: 997). These studies focus on the size of governments through the lens of social welfare systems.
proposition that the WTO-driven ‘deeper integration’ has led to countries’ increasing economic vulnerability, which – through top-down reasoning – has motivated governments to enhance their KES has thus been accepted in this section.

**Intensified international competitiveness**

Besides growing risk exposure and declining economic risk resilience on a macro-economic level, the WTO-induced ‘deeper integration’ has also led to governments’ intensified need to respond to heightened firm-level pressures. When markets are increasingly ‘borderless’ due to trade liberalisation, not only do existing and aspiring exporters discover and benefit from new export possibilities and increased access to information, but they also face a more and more competitive international environment. The proposition this section investigates is that the WTO-driven post-1990s ‘deeper integration’ has intensified firms’ international competitive pressures, therefore industrialised governments have enhanced their export support – taking bottom-up approaches.

Due to the GATT/WTO-driven trade liberalisation, there is an ever more blurry line between firms’ domestic and international trading environments when “protective tariff and non-tariff walls that used to segregate domestic markets from international markets are slowly coming down” (Hibbert 2000a: 2). This lowering of customs barriers has opened up countless international business opportunities. For firms in industrialised countries, the new opportunities or promises of trade liberalisation include access to world markets, low-cost entry into new export destinations and the ability to gain efficiencies in business processes (Wickramansinghe & Sharma 2005).

In addition, as Julien (2000) notes, globalisation in general and trade liberalisation in particular provide firms with access to numerous material and immaterial resources. These resources include trade-related information, which has become commonly available for exporters, catalysed by the widespread use of the Internet since the 1990s. Petersen, Welch & Liesch (2002) find that through the Internet, firms can find information about

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393 On the topic of export information use, especially in the context of small firms, see studies such as Walters (1983), Reid (1984), Voerman, Wedel & Zwart (1998), Nogales & Petersson (2001), Diamantopoulos et al. (2003) and Julien & Ramangalahy (2003).
trading partners in a way that reduces their search costs and increases their ability to respond to new market opportunities in a flexible way, mainly as a result of reduced sunk costs (Petersen, Welch & Liesch 2002). Such export-related benefits of using the Internet are not directly driven by the WTO, however, the fact that the new market opportunities revealed on the Internet are achievable in the ‘bricks-and-mortar’ world, is mainly due to the past decade’s international trade opening – which is indeed spurred by the WTO.

Petersen, Pedersen & Sharma (2001) argue that the Internet holds the potential of reducing the uncertainty that, on many occasions, largely adheres to doing business in foreign markets. They explain their point as follows:

“Since the uncertainty about foreign markets (as perceived by decision-makers) has been considered to be a major barrier to foreign market expansion the Internet may, in the hands of international managers, be the instrument that accelerates firms’ internationalisation process (Petersen, Pedersen & Sharma 2001: 2).”

Trade liberalisation has nevertheless also led to increased competition and challenges for firms operating domestically, and for those who intend to export. These phenomena are inter-related with the WTO-driven new trade opportunities and heightened access to resources including today’s information super-highway, the Internet.

Increased competition, as Julien (2000) notes, entails that, in their home country, firms are exposed to ever more diversified and rapidly replaced goods and services, which limit the lifespan of national products (Julien 2000: 1). A particular market environment is contested by an increasing number of competitors of different national origins, which demands that many firms re-think how they do business. To ensure that they become successful players in this more competitive domestic arena, firms are often required a large investment in personnel and infrastructure. Certainly, the need for such investments affects smaller-sized firms more negatively and to a greater extent than their larger counterparts. In addition, technological, organisational and marketing hurdles, which have become more visible in a largely liberalised trade environment, have also made it

394 In the study of Petersen, Pedersen & Sharma (2001), the Internet is seen as a medium that may aggravate the risk of information overload of decision-makers, as it is “subject to bounded rationality, and gives opportunities for creating a virtual reality that decision-makers misconceive to be actual business life” (Petersen, Pedersen & Sharma 2001: 3).

395 For more detail on how firms have sought to undertake large investment in personnel and infrastructure in order for them to become better international players in a ‘borderless’ trading environment, see Waterhouse, Brown & Ryan (2004).
increasingly difficult for small and medium-sized firms to succeed in today’s more competitive knowledge-based economies (Wickramansinghe & Sharma 2005: 141).

Discussing implications of the increased competition for domestic firms specifically in the context of export decisions, Walton (2005) reports that export managers have often been compelled to change their approaches to international business decision-making. New management pressures include that export decision makers of small firms have had to respond to structural shifts emanating from trade liberalisation. In Waterhouse, Brown & Ryan’s (2004) words, the virtual marketplace has fostered the growth of new business models, which require restructuring of domestic firms’ management practices when intending to export (Waterhouse, Brown & Ryan 2004: 42).

To provide an example of such structural shifts, traditional and new-age exporters’ management practices can be compared. In a fictitious scenario, the Australian exporter ‘A’ and Swedish exporter ‘B’ specialise in exporting the same raw material necessary for the manufacturing of a niche product. Exporter ‘A’ has long been a supplier for a New Zealand-based manufacturer of the niche product. Before the international trading environment became ‘borderless’ due to the WTO-driven liberalisation, Australian exporter ‘A’ had the low-cost advantage due to the close-to-zero customs imposed between Australian and New Zealand, and the relative geographic proximity of the two firms. Therefore, company ‘A’ could feel safe as the exclusive supplier for the New Zealand manufacturer. However, since the WTO has driven down customs barriers on a global scale, and geographic distance has stopped being an unbridgeable obstacle due to the Internet and other technological innovations, exporter ‘B’ from Sweden may be able to supply the same raw material at the same or even more competitive prices.

Because today’s exporters (such as Australian exporter ‘A’ in the above example) compete with a larger number of exporters from a borderless international environment (such as exporter ‘B’ in the above example), they have to find the most appropriate approaches to international business transactions in order for them to remain competitive suppliers in

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396 Walton, Ashill & Ng (2005) further explain how changes in the global marketplace have shaped domestic firms’ exporting difficulties and have led to new managerial challenges.

397 Technological innovations that help internationalising firms to overcome export obstacles created by large geographic distances, include increasing speed and lowering prices of air transport.
a way that is still economically viable and profitable for them. This often leads to the need to restructure their management practices, and thus respond to the new international challenges and competitive pressures coming from today’s ‘borderless’ trading environment.

Due to such new challenges and pressures, as Sutherland (2005) argues, many firms have become nervous, because for them “the notion of integrating into the global economy is a pipedream given the supply-side constraints under which they often operate” (Sutherland 2005: 348). Becoming competitive domestically – let alone internationally – is a large and often unsettling challenge, and, for many, especially smaller sized firms, the challenge of growing international competition involves too great pressures and obstacles, which they are unable to overcome. Therefore, as Wickramansinghe & Sharma (2005) note, the promises of trade liberalisation may be illusory for many small firms, and exporting for them remains an unachievable aspiration, rather than reality.

Figure 12 – The WTO, firms’ export opportunities and competitive challenges, and the government

As this figure shows, the WTO-driven competitive challenges and pressures that are coming increasingly from the international arena, have impacted on many domestic firms in a negative way. Simply put, even though opportunities and access to some resources (such

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as information available on the Internet) are proliferating and improving, it is becoming ever more difficult, especially for smaller firms, to successfully compete both domestically and internationally. Nonetheless, this figure also draws attention to the fact that governments have numerous means to help counter-balance the increasing hardships of domestic firms, mainly via long-established business development and assistance tools. Recognising the growing competitive pressures that mostly effect small and medium-sized firms, governments may choose to heighten their assistance mechanisms for these.

However, governments’ hands are becoming more and more tied to assist domestic firms, and this phenomenon is being driven by the WTO’s trade liberalisation rules and regulations as well. In Julien’s (2000) words: “governments will no longer be able to help [domestic firms] as directly as has been the case in the past, given new competition rules put in place by supra-national bodies” (Julien 2000: 2). Yet, as previously shown, unlike in many areas of foreign economic policy, KES is in fact an area in which governments still have a great deal of autonomy and control.

Governments have been inspired to reform their ways to assist the internationalisation of domestic firms, within the foreign economic policy constraints constructed and increasingly re-enforced by the WTO. As Czinkota (2002) notes, the new and more competitive international business environment, created by trade liberalisation, motivates governments to establish a ‘new approach’ to KES. In order to function efficiently, while still operating in a permissible way under the WTO protocols, government export support has “become the ‘venture capital’ of international trade by being innovative and iconoclastic” (Czinkota 2002: 315). This logic provides a plausible explanation for governments’ need to innovate their KES involvement, in an era when companies – especially smaller sized firms – are faced with increasing international competitiveness pressures and challenges.

An important theory behind governments’ responses to firms’ increased international pressures builds on the embedded liberalism thesis. Coined by Ruggie (1983), this thesis suggests that governments that are committed to free trade, provide insurance and other transfers to compensate those who lose economically from expanded trade (Hays, Ehrlich
Growing welfare-related compensation has also been described as a ‘new solidarity’ between government and business, which is increasingly taking place in relation to numerous welfare measures (Rhodes 1998). Due to their similar reasoning, the embedded liberalism thesis and solidarity theories are applicable to the questions of government KES involvement as well.

Drawing on the logic of Garrett & Mitchell (2001) and Swank & Steinmo (2002), as protection against cheaper foreign products and financial export assistance have been curtailed by the WTO, governments are compelled to find other ways to compensate exporters for their insecurity. One of the governments’ choices is to increase their export support measures that are still permitted by the WTO protocol. Thereby, governments respond to the WTO’s intensified influences – which increase domestic firms’ international competitiveness pressures and insecurities – by expanding and innovating their undisciplined ways of economic management, for instance, via KES.

Governments may opt for such policy expansion and innovation to assist exporters without being pressured by them. This indicates the government’s top-down support mechanism, seeking to improve national economic performance. As Döhler (1995) notes, since the late 1970s, a growing body of literature has sought to “overcome the traditional picture of a passive government only reacting to group pressure”, and highlight governments’ capabilities as symbiotic, initiative partners in government-business relations (Döhler 1995: 382). Olsen (1991) also argues that the majority of industrialised governments are more in the business of shaping their environment rather than adapting to it. In light of these arguments, the findings of the previous chapter, that organised pressure groups are generally not the driving force behind KES policy changes, do not contradict the finding of this section: that governments may be increasing their KES partly as a consequence of recognising exporters’ growing international competitiveness challenges.

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399 Ruggie’s (1983) embedded liberalism thesis refers to the phenomenon that, in developed democracies, citizens expect their governments to limit the costs and distribute the benefits of open markets through some kind of government intervention and spending, that compensates the losers of the more open economy (Ruggie 1983, 2003).

400 According to Garrett & Mitchell’s (2001) theory, governments are increasingly seeking to compensate the private sector for their increased insecurity and inequalities due to global pressures. The roots of this argument can be found in Cameron’s (1978) argument that growing international economic integration creates incentives for governments’ heightened economic management.

401 Discussing government-business solidarity questions, neither Garrett & Mitchell’s (2001), nor Swank & Steinmo’s (2002) study addresses foreign economic policy, as they focus mainly on governments’ welfare provision.
Overall, this section has argued that the ‘deeper integration’ of the post-Uruguay years has heightened firms’ international competitive pressures, which has led to industrialised governments’ intention to enhance their KES.

The catalyst in action

Since the post-Uruguay overhaul of the world trade regime, governments have been ever more compelled to respond to their radically increased and strictly enforced policy constraints by expanding the use of non-restricted policy instruments and measures. Thereby they have sought to decrease the country’s vulnerability to economic ‘shocks’; and to compensate small and medium-sized exporters for their increased difficulties due to heightened international competitiveness. This means that the WTO regime, unintentionally, has stimulated or catalysed governments’ KES – in countries whose governments have traditionally had active, just like in countries whose governments have traditionally had passive KES roles.

Due to their limited room to move in the case of economic ‘shocks’, vulnerability of national economies has increased. Nevertheless, because the WTO regime’s protocols have not impacted on all foreign economic policy areas, governments have retained their power to increase their involvement in undisciplined fields, such as those related to KES. Governments have increased their funding for KES, expanded their TPO networks, enhanced diplomatic missions’ KES operations, introduced new KES programmes and services and undertaken numerous other measures that signal their increasing commitment to supporting exports. By boosting KES, governments – explicitly or implicitly – have offset the loss of other foreign economic policy tools, including financial export subsidies and tariff barriers, and thus decreased the country’s vulnerability to external economic uncertainties.

The intensified trade liberalisation of the WTO has resulted in a global trade environment that is more competitive for the productive private sector than ever before. In the name of solidarity and social partnership, governments have aimed to better compensate small
and medium-sized firms who lose most from trade liberalisation. Such increasing compensation has manifested itself in increasing government assistance for firms: again, through enhancing policy tools that are still permitted by the WTO protocol, such as KES. The expansion of KES programmes and the enhancement of foreign KES service delivery in each of the investigated countries indicate governments’ recognition that domestic firms have needed better assistance mechanisms both in the home country, as well as locally in the export market. Governments’ intensified mechanisms and innovated policy frameworks for KES, universally experienced in all countries, have thus served the purpose to better assist domestic firms’ international competitiveness.

Since the 1990s, all industrialised governments have increased their export support. Some of the changes can be explained by trade performance and political pressure-related endogenous reasons, others by policy diffusion, however, these variables only account for certain KES policy changes in certain countries. On the other hand, the heightened influence of the WTO regime, involving multifaceted impacts that stimulate governments’ KES involvement, is the only variable accounting for the increase of governments’ KES efforts, in all countries. Therefore, both of the propositions on the implications of economic vulnerability and competitive challenges for governments’ KES are accepted in this chapter.
Conclusions

Government KES has universally increased in industrialised countries. This has manifested itself in the amount of funding dedicated by the government for KES, including growing funds for TPOs and diplomatic missions operating as quasi-TPOs, as well as increasing funding provided on a temporary basis for private TPOs. Government KES has grown in terms of its scope, signalled by the range of new programmes that governments have introduced, such as those related to Internet-based services, financial packages, market promotion and customised services. Furthermore, the reach of government KES has undergone changes as well, driven by expanded and enhanced foreign as well as domestic networks of government TPOs. Other trends signalling increasing government export support include governments’ more control and assistance for private TPOs, new and increasing efforts to coordinate multiple TPOs’ KES provision and the harmonisation of export support responsibilities across different ministries or government departments.

Increasing government export support has taken place in countries where governments have traditionally played active roles in the national arena of KES, taking the leading position ahead of private TPOs. Nevertheless, it has also taken place in the few countries where governments have traditionally taken secondary roles behind private KES forces. Countries in the latter group include Austria, Finland, Germany and Switzerland. Institutionalised differences in governments’ active versus passive KES roles thus could not predict whether governments’ KES would increase. In fact, governments in Austria, Finland, Germany and Switzerland have not remained in keeping with their traditional back-seat position in the national KES arena, rather, they have enhanced their activity in cooperation with, and even without private TPOs. Importantly, because governments have increased their export support along different dimensions, there is no by-and-large convergence in the governments’ cross-national KES arrangements.

Some elements of governments’ increasing export support have been driven by poor export performance, such as the development of certain new KES programmes by the governments in the United Kingdom and Australia. Other elements of government KES growth are attributed to organised pressures on governments’ foreign economic decision-
making, such as the lobbying power employed by Austrian Chambers that has led to the government’s financial contribution to the Chambers’ KES initiatives. Even, some areas of enhanced government KES have been guided by international policy diffusion, which can be seen in the apparent inspiration across governments of the United Kingdom, Australia, Finland and Austria, when they all introduced enumerated KES targets within a three year time period.

These factors, however, can drive only certain dimensions of certain governments’ KES. On the other hand, the global trade regime – after its post-Uruguay revamp – have impacted on government KES as a whole, in the case of all OECD governments. The intensified influences of the enhanced trade regime have constrained governments’ foreign economic policies in an ever more severe way since the 1990s. In the name of a deeper international integration and reduced government intervention in the economy, governments have been widely expected to withdraw from export support.

A ‘more nuanced picture’ of this thesis, nonetheless, has taken into consideration the enabling as well as constraining forces of the WTO. These include increased vulnerability that illuminates governments’ need to enhance foreign economic policies that are still permitted by the regime; and firms’ growing international competitiveness pressures that highlight governments’ need to better assist them. Through these complex impacts, the WTO has also provided principles and opportunities that governments have used to increase their KES within the heightened constraints.

Governments’ ‘increasing drive’ for supporting exports (Demick & O’Reilly 2000) is signalled by growing funding for KES, as well as governments’ strengthening commitments to expanding their “trade infrastructure – instruments, organisations and programmes – for promoting exports” (Weiss 2005a: 723). Governments’ such ‘new thinking’ and ‘new approach’ to supporting exports mirror the enabling influence of the heightened world trade regime. This influence has not only been translated into export support policies through governments’ ‘new thinking’, but it also explains the paradox of growing government export support in an era of deepening trade liberalisation.
Conclusion:
The answer to the research question
The ‘more nuanced picture’ of export support, governments and globalisation

The case of government KES poses a number of challenges to conventional understandings of the relations between globalisation and government capacities. Through analysing industrialised governments’ pre-1990s institutional design for government KES, and evaluating governments’ increasing KES since the 1990s, this dissertation has developed a new way of conceptualising government export support.

KES, an area of increasing and new government export support activities, has been explored in this dissertation not only in terms of what governments have been doing to enhance exports, but also in terms of why governments have been expanding their export support via KES. Temporal differences have been revealed in post-Uruguay government behaviour, when a new kind of government export promotion has emerged.

The aim of this thesis has been to account for governments’ increasing export support in a globalised world where trade has been liberalised by the multilateral trade regime under the WTO. Taking a more nuanced approach on the WTO protocols and their interconnectedness with global politico-economic developments, this thesis has shown that, besides the direct, restricting impacts of the WTO regime on government policies, the regime has had several indirect or enabling impacts as well. These indirect impacts have been intensified by the post-Uruguay overhaul of the WTO, embodied in its strengthened ‘negotiator’ and ‘enforcer’ roles.

The most influential indirect impacts of the WTO include, firstly, an increase in liberalised countries’ economic vulnerability, which has pushed governments toward more involvement in foreign economic policy areas which remain compatible with WTO disciplines. Secondly – and strongly overlapping with the first reason – the WTO’s logic has heightened governments’ need to better assist domestic exporters facing intensified international competitive pressures.

The figure below summarises how the WTO regime impacts.
When investigating these constraining and enabling influences, this thesis has also drawn on governments’ different, institutionalised ways of behaviour in the national economy, which may translate the WTO’s such influences into foreign economic policy needs and objectives differently. It has been demonstrated that even governments that have traditionally had passive roles in the national arena of KES, have intensified their KES involvement since the 1990s. For instance, traditionally passive Austrian, and traditionally active Australian governments have both increased their funding for KES and introduced new KES programmes, although in different forms.

Another variable that has been examined when analysing export support policies in the context of the constraining and enabling influences of the world trade regime, is countries’ trade performance. As a key factor in governments’ export support policies, trade performance of industrialised countries has been very diverse since the 1990s. Poor export performance may have driven the development of certain KES programmes in some countries, such as Australia and the United Kingdom. However, governments in countries with good export performance, such as Finland, have also introduced a range of new KES programmes. Furthermore, governments’ KES funding, TPO networks and assistance to private TPOs have also exhibited growth, regardless of countries’ export performance.
This thesis has shown that organised pressure groups, which in theory, can compel governments to increase their export assistance, have only been effective in Austria. Apart from the Austrian example, wherein small and medium-sized exporters (as the main recipients of KES) have been capable of pressuring the government to provide funding for the KES initiatives of private TPOs, small and medium-sized exporters of most countries do not have such capabilities.

Policy diffusion is another element of the nuanced view this thesis has taken when investigating constraining and enabling forces of the WTO. It has been demonstrated that similar government measures of growing KES have rapidly followed one another across borders, suggesting that governments have been inspired by one another’s policy changes. Considering the enhanced consultation amongst TPOs since the 1990s, the existence of policy diffusion has become even more likely. However, policy diffusion can only be traced in respect of individual aspects of government KES, for instance, the introduction of KES programmes in the United Kingdom, Australia, Italy, the Netherlands and Germany; and the establishment of strategic, detailed KES targets in the United Kingdom, Australia, Finland and Austria.

Overall, countries’ institutional design for KES has not had sound implications as to whether governments have increased their KES and along what dimensions, as all manifestations of governments’ export support growth have taken place in countries with all types of institutional design for government KES. Export performance, pressures on governments’ foreign economic policy and policy diffusion may have compelled some elements of growing government KES. These variables, nevertheless, can drive only particular dimensions of particular governments’ KES.

On the other hand, the WTO has impacted on government KES as a whole, in the case of all industrialised governments. As the ‘deeper integration’ of the WTO protocol has left a number of foreign economic policy areas unrestricted, governments have been able to use these unrestricted policy fields and intensify their involvement in economic management, such as KES, to decrease their countries’ vulnerability to economic ‘shocks’, as well as to compensate domestic (existing or potential) exporting firms for their increased
difficulties due to heightened international competitiveness. The WTO has thus indi-
rectly been the main force behind governments’ generally growing KES since the 1990s,
due to its heightened capacities.

In conclusion, this thesis has argued that KES is an area in which governments, contrary
to free trade expectations, have increased their involvement. Although a number of
commentators have claimed that governments’ export support mechanisms have been
considerably restricted by the WTO’s rules and regulations, this dissertation has argued
that governments’ KES involvement has not only been allowed, but also indirectly stimu-
lated by the WTO’s heightened capacities.

This finding supports Weiss’ (1998; 1999a) argument that “globalization […] has not so
much undermined national capacity for wealth creation as increased the need for it”
(Weiss 1999a: 86). By investigating the enabling impacts of the global trade regime on
foreign economic policies, rather than only examining its constraining influences, a re-
fin ed view has been taken in this dissertation. This has resulted in a ‘more nuanced pic-
ture’, revealing that industrialised governments have generally become more ‘hands-on’
in KES, which has been unintentionally catalysed by the WTO regime’s expanded and
reformed rules and regulations since the 1990s.
Broader theoretical and practical implications

Governments’ post-1990s export support growth is seemingly in contrast with conventional theories of the implications of global forces for government economic management. There has been a strong expectation that the global governance of trade, embodied in the influences of the WTO regime, would compel governments to “relinquish most forms of economic management which target export promotion and similar trade-related strategies” (Weiss 2003: 2). However, this thesis has shown that government KES has simultaneously increased in industrialised countries, and this has been, paradoxically, catalysed by the tightening rules of the WTO regime.

Therefore, despite the number of studies claiming that globalisation must entail less room for the governments’ decision-making capacities in the domestic economy, the capacity-draining effects frequently associated with global integration have not prevailed in the area of export support. An answer thus can be provided for Dunning’s (1999a) question, whether liberalisation of markets requires a different role for governments: in the context of governments’ foreign economic policies, industrialised governments have increased their roles in export support by becoming more ‘hands-on’ in their countries’ KES arrangements. This also leads to a firm ‘no’ – as the KES-specific answer – to the question of whether the multilateral revolution and its expression in institutions like the WTO implies a corresponding obsolescence in the functions and capacities of national governance.

One of the contributions of this research has been the painstaking assembly of mechanisms via which governments attempt to promote exports, and the outcomes of these attempts. In the era of fast changing and proliferating promotional programmes and organisations, the ‘jungle’ of national export support arrangements is best understood by laying down rules that help disentangle the complexities. Such rules have been created in this thesis drawing on conventional system theories in political economy. The national KES system this research has conceptualised consists of TPOs, as main actors; KES pro-
grammes and services, as moving parts; and exporters, as setting. Applying the same rules within this system understanding across all case studies, has facilitated a thorough and comparable exhibit of governments’ KES mechanisms and outcomes.

The institutional design for export support is an issue of major interest to governments and trade promotion agencies around the globe. Three institutional designs of governments’ involvement – ‘No TPO’, ‘TPO Only’ and ‘TPO Plus’ – leads to three different kinds of national KES systems. Within these KES systems, this thesis has taken into account not only quantifiable, but also unquantifiable elements of governments’ KES involvement. Numerous studies have addressed government export support by quoting budget figures for governments’ annual expenditure on internationalisation, export promotion or international business assistance. This research has shown that beyond providing financial resources for TPOs and other organisations with internationalisation focus, governments can and do make other contributions to their countries’ KES arena.

The increasing government KES has been identified and quantified through analysing the amount of government funding for its own TPO, private TPOs and quasi-TPOs, such as diplomatic missions; the number of governments’ new KES programmes; and the size of government TPO networks. The other dimensions by which governments’ increasing KES activism have been identified, but not quantified, include governments’ non-financial assistance and intervention in private TPO operations; coordination of KES provision across various TPOs; emergence of KES as a policy priority; KES harmonisation across several ministries or government departments; and introduction of a comprehensive KES strategy with enumerated goals and specific actions plans. Through such complex KES typology, this dissertation has demonstrated that considering both quantifiable and unquantifiable elements of government KES facilitates a more comprehensive and nuanced analysis on governments’ growing KES activism – compared to analyses than only consider governments’ KES expenditure.

The comparative nature of this thesis has thus facilitated a systematic KES exploration that enriches policy-makers’ knowledge of the cross-national diversity of export support arrangements and governments’ KES mechanisms. Practical implications of this disser-
tation also include that, based on the analysis of governments’ increasing KES involvement, policy-makers may gain better insights into what export support measures work, and what do not work in industrialised countries. This has important public policy implications, in an era where international trade continues to grow.

The exclusive research attention on knowledge-related forms of export promotion has ensured an innovative way to investigate government involvement in the economy. Considering KES and non-KES elements of government export support together may mask some of the behavioural changes that governments appear to be experiencing in the arena of KES, but not necessarily in non-KES areas of government activity. Focussing on KES only has made it possible for this research to pinpoint temporal differences in governments’ export support behaviour since the Uruguay Round.

The impacts of economic vulnerability have not been explored in the context of government KES, hence this thesis enriches theoretical debates on government responses to global pressures vis-à-vis this area. Driven by the concept of outward-orientation, which all of the industrialised countries have adopted, countries’ increasing openness and vulnerability have acted as a policy-influencing framework with respect to governments’ KES policies. This thesis supports Rodrik’s (1998a) argument on the positive correlation between governments’ domestic economic involvement and their countries’ trade openness and exposure to external uncertainties.

Exploring how firms have perceived the changing global competitive environment, this dissertation has also developed a new approach to the ever more competitive international pressures for governments’ KES at the country level. This approach has drawn on theories of Garrett & Mitchell (2001) and Swank & Steinmo (2002), arguing that governments have intended to compensate private sector firms for their increased insecurity arising from global pressures.

Examining export performance indicators, pressure group arguments and intensified policy diffusion, this thesis has concluded that these may enunciate some elements of growing government KES in certain countries, however, their explanatory value is limited.
Therefore, generally increasing government KES across the industrialised world is too multifaceted to sustain such, relatively simplistic explanations.

A broader theoretical implication of this thesis is the rejection of the existence of convergence in the context of governments’ KES changes. Campbell (2004) and others report that a number of studies have claimed that global pressures are levelling differences across countries and leading to policy convergence; while there is a counter-argument that the levelling effects of globalisation are mistaken. Weiss (1998), for instance, notes that “national differences are likely to become more rather than less pronounced in a highly internationalised environment” (Weiss 1998: 27).

This thesis has initially demonstrated that governments have had different institutionalised ways to support KES – some taking passive roles, leaving the arena of KES mainly for the private sector, while others taking the clear leading role. Governments in countries with all types of institutional design for KES have increased their export support, however, this has taken place along different dimensions of KES involvement. Therefore, national differences have not declined in governments’ KES involvement in the industrialised world.
Potential future research avenues

To reveal temporal differences in government behaviour since the 1990s, this thesis has focussed only on knowledge-based elements of governments’ export support, related to KES programmes and services provided by government TPOs, private TPOs and quasi TPOs comprised by diplomatic missions. This way, governments’ industry-centred export support measures have been overlooked. For instance, governments’ choices and methods of supporting specific, strategically important export sectors have not been analysed. Changes in industrialised governments’ sectoral export support may offer fruitful future topics in the context of comparative political economy research on one or several industry sectors.

By investigating KES only, governments’ ways of enhancing exports through risk-related support channels, such as direct financial and insurance support provided by state export credit institutions and insurance corporations, have not been explored either. This thesis recognises the importance of financial and insurance services for exporters, as well as the number of similarities – but also differences – that these exhibit with KES. Trends in government involvement in such export services offer potential research avenues for future studies.

Governments’ efforts to attract foreign direct investment, which has often been an important tool for governments to enhance national exports, has not been examined. The interconnected nature of export support and investment promotion has been well researched, while there is a void in comparative studies focussing on trends and tendencies in governments’ efforts to combine or separate the two. This void may also be filled in future research projects.

Beyond these potential future research avenues deriving from the dissertation’s focussed attention on KES, there are a number of empirical and theoretical issues that this thesis has addressed only in a limited way. In these areas, more in-depth research would potentially yield rewarding, multifaceted insights and contributions to political economy litera-
These areas include sub-national governments’ and Chambers’ KES involvement, which have been briefly discussed in country-specific examples. This dissertation has also not discussed the implications of government KES involvement for national trade performance in detail. Furthermore, exhaustive mechanisms of cross-national policy diffusion in relation to governments’ KES involvement may serve as a future area of research.

Within the theoretical framework of the thesis, deepening integration of the GATT/WTO regime has been discussed. Other trade liberalisation forces, such as those embodied in regional trade agreements, and the integrating forces of the European Union have been acknowledged, but not addressed in detail. Expanding the argument of this thesis to include further trade liberalisation forces besides those of the GATT/WTO regime is another research avenue that would be interesting to pursue.

A broader topic stemming from this thesis includes the impact of globalisation on government-business relations. This dissertation has examined industrialised governments’ authoritative relations and cooperation with private TPOs. Investigating such interactions in the context of KES may be expanded for other forms of government-business relations in a variety of national settings. Alignment of private forces with government, in the context of export support, would thus also offer a future research topic on the changing nature of government-business relations.
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