

Challenges of Exporting Differentiated Products to Developed Countries: The Case of SME-dominated Sectors in a Semi-Industrialized Country

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Abstract

In contrast to many other developing countries that have established a substantial and consistent presence of their differentiated products (mostly manufactures) in high-income markets, Argentina's exports of those products have not shown similar dynamism despite initiating its industrialization process decades earlier. While standard theories of international trade could in principle account for Argentina's opaque manufacturing export performance, we provide evidence suggesting that at least part of the explanation lies elsewhere. We conduct case studies of four emerging export sectors: Light Motorboats, TV Programs, Wine, and Wooden Furniture. By studying sectors with substantial export growth we can distinguish what exporters do differently from non-exporters. We find that achieving persistent export sales to high-income countries involves a radical change in the way firms conceive and conduct business. The main obstacle that firms face to implement such a change is their lack of understanding of foreign markets, in particular their preferences and business practices. This lack of (mostly tacit) knowledge is solved by some specific entrepreneurs who pioneered export emergence in each sector. As a notable regularity those export pioneers display a knowledge advantage about how foreign markets operate acquired *previously* and *independently* of their decision to export. Once the export pioneer demonstrates the economic viability of the exporting activity in the sector, other producers follow him spurring a process of export emergence in the sector.