Interview with Marcelo Elizondo, Executive Director, Fundacion ExportAR

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Fundacion Export.Ar was formed in 1993. What was the vision behind the foundation of the company and why was it formed at that specific time?

Argentina understood that the country had to create an agency to promote exports. We were a closed economy, and Argentina was trying to become an international actor. Other Latin American countries had created agencies to promote exports, such as Chile establishing ProChile. Argentina decided to create an organisation that was public-private, with autonomy, and capacity to work independently, that would report to the government but had the capacity to work with dynamism and efficiency. Fundacion Export.Ar was created outside the government, and is not part of the administration, but we work for the administration, and our work is based on the policy decisions of the Ministry of Foreign Affairs. Argentina decided to outsource the provision of services for companies that had the potential to be international.

Fundacion Export.Ar is a trade promotion agency. We deliver services to companies to help them become global traders. We are not a policy-making agency. We do not work on the definition of Argentine strategy – we are service providers. Fundacion Export.Ar helps companies to develop strategies to become international players. Most of our clients are small and medium sized companies. We rarely work for international or foreign companies that trade in Argentina: they work on their own. We have the potential to work with every company in Argentina, but mostly we work with smaller companies, and national Argentine companies that work at large scale, but are

not global or international.

Who sets your agenda now? Do you still consider yourselves to be autonomous, or do you take direction from the ministries? Do you rely on what your companies want you to do?

It’s a mix. We tried different strategies in our history. There were moments with more autonomy, and some moments with an agenda that was more linked to the public agenda. During the last seven or eight years, this organisation has been working within the scope of the Argentine strategies following the Ministry of Foreign Affairs, that decides the country’s commercial agenda. We respect that, and we take into account this agenda to work with. Once we know which countries Argentina wants to focus on, and their commercial strategies, then we work on the design of actions. We help companies to take advantage of the strategy that Argentina has decided upon.

From this level downwards, we have autonomy to work with the companies in developing commercial strategies. We work with some companies at home, and with others we work abroad. We work with some sectors as a whole, whereas with others we might work individually. We have autonomy in terms of how to work with each sector and with each company in particular. We have the capacity to work with independence.

We report all our work to the Ministry of Foreign Affairs. The Ministry has complete knowledge of what we do, and around 60% of our budget comes from it, so we depend on that, and the remaining 40% of the budget comes from the private sector. We prepare an annual plan, which is submitted to the Board, which represents both the ministry and the private sector. Once the Board approves the plan, then we develop it, and at the end of year we report the results to the Board. We also submit a detailed report of the use of funds received to the Ministry of Foreign Affairs.

After we prepare the annual plan, first we send it to the Board for approval. Then we have to obtain the funds. So we prepare a budget, and we request from the government what Export.Ar needs in terms of public financial aid. So we are allocated the funds on the basis of our budget report. When we say we will need $2 million to help companies participate in fairs and expositions this year, the government gives us the money to be used for these expositions. We have the autonomy of deciding where the budget is allocated, but we are committed to that once we receive the money.

Argentinean exports have doubled over the last five years. Do you attribute this to the freer rein that the government has given you over that time? What role has Fundacion Export.Ar played in this success?

There are many reasons for this success. Argentina underwent some structural changes that helped exporters, such as the currency policy, and trade agreements such as Mercosur. The strategy of some sectors has been particularly successful, like the one in the food and beverage sector, which became more efficient and successful around that time. Finally there are other factors, like the help that Fundacion Export.Ar provides. The companies that we work with export approximately $20 billion per year.

We work with some large and some small companies, but our average client is medium-sized. Argentina has around 100 companies that export the lion’s share. Most of them don’t require our help. A lot of them are international companies working here, so they have global strategies and instruments already in place. We work with some big companies like Molinos Río de la Plata, but 95% of our clients are medium-sized.

Developing export markets requires a lot of capital and a lot of time, which medium-sized companies don’t always have. How do you help these companies effectively manage their resources?

We help them to develop their own commercial strategies. We rarely work with them on the process of production inside the company, other than providing information, and recommending changes in terms of their production process. When it comes to the production process, we only provide information. In terms of marketing strategy, we provide these companies with knowledge. We work beside them in terms of marketing, but we do not do that with production. We work with them to define markets, selecting tools to help them land in these markets.

Among the Argentinean business community we’ve heard conflicting opinions on what the evolution of the Argentinean export model should look like. Some associations would like to increase exports of hi-tech, value-added products, whereas others think that the successful commodities market should be the one to be focused on. What’s your opinion?

In the 1980s, Argentina was a much closed economy which hardly exported anything. During the 1990s, we improved the process of exporting, not only in terms of volume but also quality. Today, Argentina is a country with a basket of many products. Around 27-28% of our exports are manufactured products from agricultural regions, but they are not primary products. A similar amount come from industrial products, and the rest are primary products from agricultural regions and gas, petroleum and energy. Most of our exports are not primary products: they are commodities, but they are manufactured products such as vegetable oils. There has been an upgrade process, and today we are no longer a country that exports primary products.

However, we now face some challenges in terms of continuing to upgrade the quality of our exports. One of the programmes we have is making alliances with big department stores, supermarkets, and retailers, in order to insert Argentine products into those chains. That's a very successful programme, and we are inserting Argentine products from the food and beverage industry, which is around 50% of our export market. In Europe for instance, we are working with Harrod's in London, Gallerie Lafayette in Paris, and Whole Foods and Food Emporium in the US. We are working in this field because we feel we have to create some incentives for our companies to continue upgrading their quality and adding value to our food and beverage industry.

We see that you divide your exports into 10 main sections. How do you assign resources to each particular sector, and how do you judge priorities? Obviously the food and beverage market is a large one, so that is going to get a lot of attention. How do the others divide up?

We work with the companies, and with the chambers and associations that represent each industry. We have a continuous process of working with them – we don't have one-shot relations with companies. Through this process of links with them, we define the annual plan. Fundaction Export.Ar assigns funds in a similar way to Argentina. Around 55% of our budget is focused on food and beverages, and around 20% on automotive. We do not work with the energy sector: they do not need us or ask for help. There are some small sectors we are trying to promote, such as the service industry, which is taking up a larger share of our budget. Almost every activity we do must be paid for by companies: we have some funds to subsidize our activities, but companies must pay to work with us. The main way of deciding where to focus is to check the market.

I'd like to talk now about pharmaceuticals specifically. Exports from the pharma market last year were $656 million, with a goal to reach $800 million by 2012. How far away do you think this goal is, and how influential and extensive do you think Fundacion Export.Ar's network going to be in assisting this goal?

We are not so far away. This is an unusal year. As a result, we might have to wait a few extra months, but the pharmaceutical sector is competitive and they are working hard. We work with them in different areas. In terms of researching and detecting opportunities, we provide them some commercial intelligence services, and this was the first step in our work together. We also help them in terms of developing promotional activities: we organise their participation in different international fairs and expositions. We usually do that every year. This year, we were trying to organise a big international business round here in Latin America. We didn't know if it was going to take place in Peru or here in Argentina, but we decided to postpone it because of commercial conditions. We will do it by the end of this year or early 2010. The sector will continue growing.

We saw that you have plans for pharmaceutical expositions in Spain, Turkey and Malaysia this year, and you were in Peru back in March. Why did you pick these countries, and what goals and expectations do you have for the missions that are taking place this year?

We spent time researching and studying opportunities. We work through commercial intelligence in every sector. We take information, make analyses, cross-check the information with the conditions of the Argentine offer, and that is how you discover opportunities. We also consider the behaviour of the actors in those markets. You can have a market that you imagine will be interesting, and then regulations and market development, and the conditions of importers and potential clients will prove you wrong. Sometimes large numbers can be misleading, so we cross-check the information.

First we get a picture of a market, then we cross-check it with local companies. We make stress tests with them in order to check the value of the opportunity, and by opportunity I mean that we discover a market, some products, and the conditions to enter this market. The next step is to investigate the local companies, and analyse those potential clients and companies. We work from macro to micro. Based on this, we select some markets, and discard others. We discard more markets than we select. Then we check it with the private companies.

There are some specific markets that we go to because of important events they organise, for instance fairs or expositions. When you go to fairs or expos you consider the country because it is an international event, not just because it is placed in a specific market.

You go from macro to micro. Obviously at some stage you consult with CILFA, who you operate very closely with. How does that process work? Do they put forward companies that they think would be interested? How does the consultation process work at that stage?

There are some sectors that are very well organised here in Argentina. With those sectors, we can work with the chambers that represent them, and that’s enough. There are other sectors, like the pharmaceutical industry, where it is not so easy, because there are different chambers representing different interests, and there are some companies that you have to contact directly. Argentina is not an easy market in terms of representative institutions. This is our culture. When you have industries like this one, we work with chambers like CILFA, and we also work with individual companies. For instance, when we go to a fair or an exposition, we work directly with companies. Each company decides to come to the fair, and they define the conditions of the participation, and we define the schedule of the participation with them directly. They work as a private client asking for services. But when we prepare plans to research export markets, we work with the chamber. It works on two levels, at two speeds, and in two ways. It’s not easy. You have to

accommodate everyone, but it’s the only way to work.

You are one of the people best qualified to talk about future export markets. What do expect to see from Argentina’s pharmaceutical export market in the medium-term?

I’m very optimistic. There are a lot of opportunities, particularly in Latin America, where Argentina has a great reputation and very solid links in terms of chains where companies can insert themselves. We have an industry that is very healthy in terms of innovation. Of course, we have some specific sectors where we need to develop our offer, but I am optimistic, I think that we will reach this $800 million and surpass this goal, because Argentina has a very successful, creative and innovative pharmaceutical sector.

Where do you expect this success will come from – the larger of the national companies, or the SMEs?

Larger companies will lead the process and the rest of the companies will follow. I don’t see a divorce: there’s a change, with different roles, but current exporters will keep exporting. I am optimistic about the capacity we have and so I think there will be opportunities for everyone.

With CILFA members, around 20% of production goes to export. Do you think Argentina has the possibility to become an export hub? We also need to add into the equation the new biotech companies that are developing.

Biotechnology is a great window of opportunity for Argentina because of the companies that we have here, and the conditions we have. There’s a challenge, and we have to do a lot of things in terms of investment, but the human resources we have here are very well-qualified. We have universities and many institutions that are state-of-the-art. However, it will not happen quickly. We have to create the conditions to let them undergo this process.

Does Fundacion Export.Ar work to lobby the government on behalf of companies? At the end of the day, you know the main challenges companies are facing. Do you ever work this way around?

We do it for those sectors that ask us to, but it’s not the case in the pharmaceutical sector; they do that by themselves. We do it with other sectors like some food processing companies that need new regulations, or help to negotiate with other countries. We work with many companies and sectors in terms of lobbying. We are very well respected in government, so often we are a great tool for companies in this regard.

How do you think Argentina is perceived as an exporter?

Argentina is a big exporter in terms of food and beverage, and also an important exporter of automobile products, especially for our region. In terms of the global market, Argentina is a very successful and important exporter of food and beverage products, such as honey, grains, meat, wines, and vegetable oils. We are a medium-sized country, and this is the reality we have to face. We are not looking to become a leader, because we don’t have the right conditions. We will not compete in terms of quantity or low-prices. We will compete in terms of innovation, productivity and quality, because of our numbers and because of our culture.

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