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World experience of export promotion

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Abstract: This article talks about the global experience of export development.

Key words: international cooperation, various economic associations, World Trade Organization.

INTRODUCTION

In developed and developing countries, export promotion policies have been conducted at different stages of development, which has greatly changed and expanded the promotion tools and approach in time. It cannot be argued that there is a single policy of export promotion that has been uniformly successful in the case of many countries.

Each country used different methods of export promotion in its development based on its economic conditions, stage of development, as well as the economic and political situation in the world.

LITERATURE REVIEW

Drawing on foreign experiences, countries have promoted their own exports as a means of government intervention and also by relying more on market mechanisms. Thus, promotion of export by means of state intervention has given positive results, especially in non-traditional export or export of modern technically complex products, which require significant investments to set up production and bring it to the world market.

In this situation, the financial support of the state, its actions in mobilizing private capital, the foundation of infrastructures gained great importance and ensured the perfection of export structures in a relatively short period of time.¹

On the other hand, the experience of a number of other countries (Malaysia, Singapore, Thailand, Taiwan) mainly reflects reliance on market mechanisms. In most export-oriented industrialized countries (Thailand, Taiwan, Malaysia), the government has hardly interfered in export matters.²

Studies show that the main means of export promotion are: a favorable macroeconomic environment and the creation of export incentives for producers. Export promotion measures are implemented both at the state level and within the territorial divisions.

The main means of export promotion can be: tax and duty incentives; providing grants and preferential loans; setting and controlling the exchange rate; creation of special state funds, organizations and centers in the country and abroad to accelerate exports. In many situations, not only exports, but also production in general are subsidized, pointing to hidden protectionist barriers. Subsidies are widely used for exports of capital goods as well

¹ www.budgetrf.nsu.ru

² www.budgetrf.nsu.ru

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as some finished products, especially agricultural products. For example, the South Korean government subsidizes agricultural exports worth an average of W25.95 billion annually.

These subsidies will apply to fruits, flowers, vegetables, ginseng and black cattle products³.

DISCUSSION

Export credits are mainly given to finished products, and include long and short-term credits. Lending is carried out by refinancing, subsidizing or paying through special insurance funds. Creation of special lending funds is carried out through banks and intergovernmental banking organizations⁴.

Export insurance is implemented by providing government guarantees for export credits. Guarantees are given to banks providing export credits. Insurance covers not only traditional commercial, but also political risks. Nowadays, it has spread to a wide range of products and countries. Insurance periods are very different.

Insurance is carried out through special organizations such as the Export-Import Bank (USA), Export Credit Guarantee Department (Great Britain) or private insurance companies (Germany, Belgium) that have the right to use public funds for these purposes. For example, in Brazil, export financing, insurance and guarantees are provided through a special Program (PROEX) that provides credit to Brazilian exporters for many products, such as agricultural products, machinery, durable goods and services⁵.

Short-term fixed-rate financing in Malaysia is financed and regulated by the Export-Import Bank of Malaysia (EIB) through commercial banks. Thus, short-term financing is given to industrial producers, trading companies and indirect exporters (suppliers of direct producers). In South Korea, the EIB provides export loans and their insurance only against the risk of default⁶.

The EIB also promotes exports through insurance against commercial and political risks. For example, in 2002, the maximum coverage of medium and long-term export insurance increased from 95% to 100% of the contract value. Exporters of capital products (industrial products, machinery and shipbuilding) made up the main part of borrowers. Exports in these sectors increased by 13% to W42 trillion (almost 1/5 of total exports), of which 80% was provided by short-term insurance.⁷

Tax and duty relief is provided by exempting exporters from paying direct and indirect taxes. Also, reducing the tax payment of companies opening foreign branches, exempting from tax the expenses spent on research for opening a branch abroad, tax exemption for the preparation of materials and components used in the production of products destined for export, creation of tax-exempt funds for the development of exports, customs It is also possible to reduce and refund the fees. For example, in South Korea, imported raw

³ WTO Secretariat, «Trade Policy Review: South Korea», 2000, in www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry

⁴ www.budgetrf.nsu.ru

⁵ WTO Secretariat, "Trade Policy Review: Brazil", 2000, in www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry

⁶ WTO Secretariat, "Trade Policy Review: South Korea", 2000, in www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry

⁷ WTO Secretariat, "Trade Policy Review: South Korea", 2000, in www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry

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materials regularly used in export production are exempted from customs duties⁸. In Malaysia, the importation of machine tools, equipment, raw materials and components of industrial production for export is exempted from customs duties and taxes.

If the products imported for use in export production are exported within 12 months, 90% of customs fees and turnover tax paid will be refunded to the manufacturer⁹.

In Singapore, companies involved in international trade are provided with tax incentives by the government. In order to obtain tax deductions in the US, exporters must open a foreign branch to sell their products in a foreign country. If an American firm exports its products through a foreign subsidiary, part of the profits are exempt from tax under US law. In this way, American exporters save 1.5 billion US dollars annually by taking advantage of the system of tax credits. The value of the currency is very important in terms of ensuring the competitiveness of domestic producers. Many countries that are rapidly developing their export potential (Chile, Colombia, Mexico, Taiwan, China, South Korea, Indonesia) have followed the path of artificially keeping the value of their national currency at a low level in order to stimulate exports.

For the same purpose, they used a program of progressive depreciation of the national currency, sometimes using the "creepy peg" method (a system in which the value of the currency is fixed at a certain level) or a sharp devaluation of their currency. In this case, the growth of exports is the main measure of the necessary level of devaluation and, at the same time, the effectiveness of such a policy.

In terms of organizational forms, the state can establish special funds that support exporters or establish special organizations that promote the export of national producers at home and abroad. These organizations are primarily government organizations and provide national exporters with commercial information, marketing research, foreign buyer services, and advice on loading, transportation, and packaging.

Some of these institutions have developed programs to train and encourage exporters, and at the same time provide them with export licenses and participate in investment promotion. For example, in the USA, the promotion of American exports is carried out by creating special institutions focused on export promotion.

One such organization is the Overseas Private Investment Corporation (OPIK), founded in 1969. The main export promotion fund is financed in part by the public and private sectors. Since 1971, the total volume of investments financed through OPIK is 138 billion. amounted to US dollars.

Implementation of investment projects through the OPIK network will bring 63 billion dollars to the US economy. made a contribution of 250,000 new jobs. Since the corporation usually finances only a part of the investment projects, the actual scale of the allocations made with its help is much larger¹⁰.

RESULTS

⁸ WTO Secretariat, "Trade Policy Review: South Korea", 2001, in www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry

⁹ WTO Secretariat, "Trade Policy Review: Malaysia", 2001, in www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry

¹⁰ www.fkpi.ru/index.php?page=analytics_06

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The experience of Great Britain can also serve as an example. Here the government established the International Trade Agency (XSA) under the Foreign Office and the Ministry of Trade and Industry. It is concerned with ministries and departments, chambers of commerce, business associations and, above all, the Confederation of British Industry and the Secret Export Council, and directs the co-ordination of the activities of the commercial departments of British diplomatic missions abroad¹¹.

More complex schemes of export promotion have been referred to. For example, South Korea during 1961-1973 pursued an aggressive policy of import protection while supporting exports. Strict control of trade and exchange rates was carried out in harmony with a consistent fiscal and industrial policy. The trade policy, while being neutral on the export structure, was clearly oriented towards export promotion.

Exporters were supported by many benefits such as different currency values, direct financial support, permission to use the earned foreign currency to import products they need, and the right to receive loans in foreign currency¹².

Singapore's experience, on the other hand, relied on free trade policies. Even during the Asian crisis, there was no sign of protectionist policies in Singapore. The government of Singapore fully agrees that investment promotion and free trade policies are key determinants of successful participation on the world stage. In this way, free trade policies combined with a stable economic base gave Singapore the highest GDP in the world and allowed it to recover rapidly from the Asian crisis¹³.

All of the above export promotion measures are used to one degree or another in the modern experience of various countries. However, the significance of a particular one of these measures in the experience of a certain state during a certain period of time or at different stages of development is not at all equal. This is explained by the fact that the importance of the previously used means of export promotion has significantly decreased due to consistent changes in international trade conditions and the results of globalization. For example, today export credit insurance is common, whereas a few decades ago export subsidies were more important.

The concept of subsidies was developed within the framework of the WTO, and their forms and reduction measures were defined. For example, the WTO has banned export subsidies for countries with a per capita GDP of more than 1,000 US dollars, which many countries suffer from. Only countries with per capita GNP of less than 1000 US dollars have the right to use this tool. If a country achieves this level of GNI per capita, it must forgo the use of export subsidies for eight years¹⁴.

The main argument against the use of export subsidies is that, while the state supports domestic producers, it artificially lowers the real value of goods and services.

¹¹ www.economy.gov.ru/webcontent/economy/www.economy.gov.ru/merit/svti/korinf/grbritain/3-3.html

¹² Kihwan, K., 1985, "The Korean Economy: Past Performance, Current Reforms and Future Prospects", Korean Development Institute

¹³ WTO Secretariat, "Trade Policy Review: Singapore", 2000, in www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry

¹⁴ Hoekman, Bernard, and Michel M. Kostecki, 2001. The Political Economy of the World Trading System: The WTO and Beyond. 2ded. New York: Oxford University Press

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As part of the GATS agreement, the WTO imposes export limits and quantitative restrictions, which greatly complicates the participation of many countries in international trade. Thus, attention is drawn to the issues of limiting export subsidies that artificially lower and distort the international value of products and services, reducing the level of protectionism policy and ensuring conditions for unhindered market penetration.

Columbia University professor Arvind Panagarya notes that developing countries, which are net importers of food products, have the right to duty-free access to the market of developed countries, and it is they who will suffer more from the liberalization of agriculture. Because this reform affects the price of imported food products at a time when the importance of the system of preferences is reduced. In contrast, the World Bank¹⁵ reacts as follows: even if some countries suffer as a result of agricultural support reforms, the overall result will be positive.

CONCLUSION

After all, measures of trade liberalization in the international experience of countries serve to increase the possibility of unhindered access to world markets and export potential for developing countries.

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¹⁵ Financial Times, Январь 11, 2005