International Growth Centre

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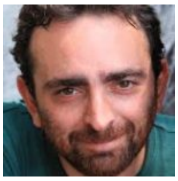

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# Successful strategies to help developing countries boost exports

Increasing exports ranks among the highest priorities of any government wishing to stimulate economic growth. There is, however, still strong disagreement on how governments should intervene. For instance, it has often been argued that the best governments can do is to eliminate the obstacles to the smooth functioning of market forces and provide information to exporting firms about destination markets and foreign competitors. This view is, of course, far from being unanimously shared.

While policymakers continue to debate the issue, our survey of the literature on successful strategies and practices for boosting export has enabled us to compile a list of best practices (Belloc and Di Maio 2011):

- **Creation of duty drawback schemes.** Among the traditional measures, the duty drawback scheme is, as surveys of entrepreneurs' opinions suggest, one measure that has proven to be successful in the past. Standard duty drawback schemes can be improved by: (a) making them accessible also to indirect exporters and extending them to imported inputs used in production of exported final products; (b) eliminating duty pre-payment for exporting firms in order to reduce credit requirements.
- **Increasing the availability of credit.** The availability of short and (especially) long-term credit is crucial to exporters. This is decisive for small and medium enterprises (SMEs), for which the credit constraints are more binding than for large firms. Since SMEs make up the large majority of firms in developing countries, improvements in this domain are necessary to favour export growth.
- **Simplifying regulation.** The government should simplify regulation related to exports; long bureaucracy procedures negatively affect especially new exporters. At the same time, governments should improve information collection and dissemination about foreign markets and requirements for exporting. Actions in this category should also consider product standards and other technical requirements imposed for exporting to developed country markets.
- **Improving cooperation among economic actors.** Besides traditional policy instruments, export growth could be favoured by improving cooperation among exporters and between the government and business actors. For instance, there is nowadays increasing awareness about the possibility of using export

increasing awareness about the possibility of using export consortia to help SMEs access the international markets. This may be seen as a complement to other forms of government intervention.
- **Combining short-term and long-term export growth policies.** The stimulation of export growth requires the combination of short- and long-term policies. In this context, it is important to also exploit the complementarity between EPPs and other domestic policies (aimed, for instance, at enhancing productivity and technological content of domestic products).

Strategic collaboration between different levels of government (sub-national and national level, for instance) and the private sector is widely considered a key element for policy success.

Indeed, a pre-condition for successful EPPs is the domestic government ability, including policy design, implementation, enforcement and monitoring. It follows that the policy mix suggested for a given country must be tailored on the basis of capabilities available to national government, sub-national government and the domestic agencies. In the extreme case, this argument could lead to very practical criteria for policy design, suggesting the (second) best policy mix relying on considerations about the most efficient (least corrupted) governmental institutions. Adopting such criteria could minimise resource waste and reduce the danger of fostering powerful domestic interest groups and rent-seeking activities.

The careful analysis of the specificities of the local economic and institutional environment suggests not to borrow policy strategies from other countries simply because they have been successful there. Indeed, the same policy (or policy mix) implemented in two different countries may yield completely different outcomes. In particular, the country specific institutional environment is crucial for policy results.

Institutional and policy complementarities are important. Domestic policies may affect export performance either directly, through the set of policy instruments with direct influence on foreign trade, or indirectly, through the set of policy measures that have their direct influence on other aspects of the economic systems (for instance, monetary and fiscal policies, production and price controls, investment policies, exchange rate policies) and, in turn, stimulate foreign trade performance. All these policy measures cannot be considered in isolation; not only does the choice of policy matter, but also the economic and institutional context and policy mix within which it is implemented.

In conclusion, our review of the literature finds that successful export promotion policies have clearly defined priorities, goals, and objectives. In particular, they:

- enhance the domestic enabling environment for potential exporters (in terms of infrastructures, regulation, access to finance, insurance, fiscal policies);
- foster the strategic cooperation between private and public actors and among domestic producers, exporters, and policymakers;
- improve the productivity and technological content of domestic goods, and provide incentives to nurturing innovation;

- facilitate the access to credit,
- serve to build the country image in foreign markets (through marketing, information provision, advocacy);
- offer targeted and tailored assistance, and rely on continuous evaluation;
- are supported by monetary and fiscal policies designed to improve the enabling environment; and
- stimulate institutional development, also considering institutional complementarities.

**Further reading**

Belloc, M and M Di Maio (2011), "Survey of the literature on successful strategies and practices for export promotion by developing countries", IGC Working Paper 11/0248.