

Oleksandra Struk  
Ivan Franko National University of Lviv

## Conceptual and Methodical Aspects of Realisation the Export-Oriented Strategy of Economic Growth

### Summary

The aim of the article is to formulate the essence of export-oriented strategy and to determine the methods, instruments of its realization. Research was made basically on the world researches and conclusions of the scientists of World Bank, IMF such as B. Balassa, K. Cukier, M. Gacalov, G. Hanson, B. Klein, S. Levy S. Nolan, T. I. Palley, J. Wang, J. Whalley. Also there was analysed the world bibliography, using Google Books Ngram Viewer. In current observation, the were used the following methods: induction, deduction, logical comparison, analysis, and synthesis.

Based on the world scientific experience there was formulated the definition of the term export-oriented strategy and observed the dynamics of use the main terms in the world literature during the last century. A model of realisation of the economic development export-oriented strategy was elaborated. We considered the criteria of selection of the schemes to promote exports, the basic elements of the successful export-oriented strategy, methods of exports promoting, and organisational forms.

**Article category:** conceptual and methodical aspects.

**Key words:** export-oriented strategy, economic growth, trade policy, liberalisation, export-led growth, method, criteria, model, world.

**JEL codes:** F13

### Background

The reasons for the formation and development the any type of strategy and principles of state intervention in the economy at the particular stage of economic growth are in the interests of the dominant social groups. The degree of the state orientation in implementation the basic principles of economic policy defines the essence of strategy. The complete implementation of it provides the state effective social development strategy that ensures sustainable economic growth, achievement of full employment, high level of industry, lack of inflation and equitable distribution of income.

According to IMF experts' opinion, foreign trade policy is one of the most important factors contributing the economic growth and convergence in developing countries.

This point of view has widespread among scientists. Empirical studies about the correlation between export and economic growth have become popular among scientists of interna-

tional economy since the introduction of the axiom, “exports leads to economic growth” of C. Kindleberger (Kindleberger 1962).

Thus, from the perspective of the countries participation in the international competitive environment it can be identified the export-oriented and import-substituting strategy, autarky or isolationist strategy.

## Results

Based on international experience it can be argued that in the current regulatory environment the active-liberalization and active-protectionist model are competitive.

Implementation of active-liberalization model (opening of the domestic markets by minimizing tariff and non-tariff barriers of trade, no direct and hidden mechanisms of export subsidies, participation in international trade integration associations, active support of its own exporters in foreign markets, etc.) requires certain prerequisites: firstly, the high competitiveness of the national economy; secondly, the specializing in high knowledge-intensive industries; thirdly, the presence of general economic, political, legal, infrastructural and socio-cultural conditions of integration into the world economy.

Active-protectionist model provides into regulatory and foreign policy direction to the markets closing by different barriers with simultaneous active promotion of exports. With the prevalence of protectionism in the domestic market also can be used liberal approaches in foreign markets. This model of trade policy is effectively used mostly by self-sufficient countries, as the United States, with economies able to actively influence for the trade policies of other countries.

Scientists by the last century have developed an effective strategy for trade policy. In the figures 1 and 2 are presented the dynamics of researches the trade policy, export strategies and economic growth in the world. Accordingly, we can see that there is quite small share of scientific researches on this subject, especially in the category of export strategies, as the investigations have been begun since 1970.

Export-oriented strategy – is the concept of economic development, which aim is the investments attracting and developing of the competitive industries on the world market for increasing national exports. This concept is used by a large part of the highly developed countries, countries in transition and “newly industrialized countries”.

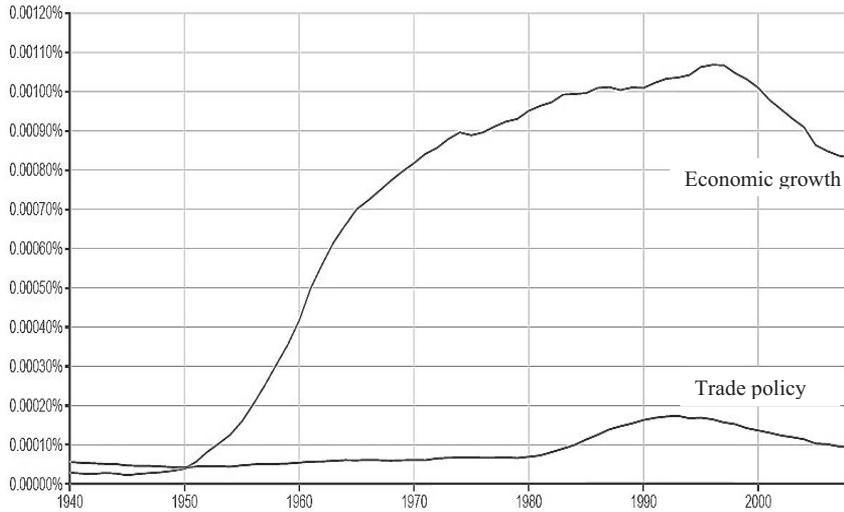
M. Gatsalov notes that the export-oriented model of economic growth - is the orientation of newly established industries primarily to foreign markets, often in complex with foreign capital in export production, or more rarely, in combination with low import duties (Гацалов 2002).

Accordingly, let's formulate the concept of economic development export strategy for its further study.

Export-oriented strategy or export-led growth – is the political and economic system of market and / or public methods and tools for stimulating state exports of competitive sectors on the basis of a favourable institutional environment.

**Figure 1**

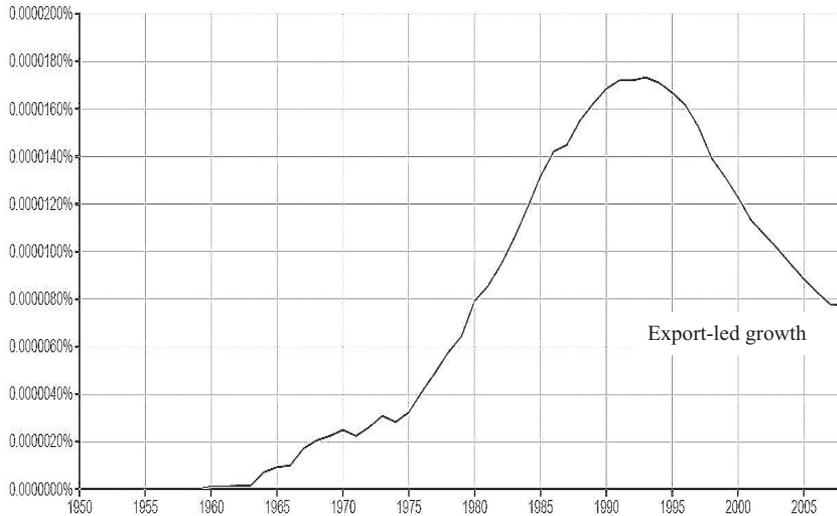
**The dynamics of the use the term “economic growth” and “trade policy” in world literature (5 million books) for years 1940-2010 (% of all scientific research)**



Source: made by the author, based on: Google Books Ngram Viewer (2015).

**Figure 2**

**The dynamics of the use the term “export-led growth” in world literature (5 million books) over the 1965-2010 (% of all scientific research)**



Source: like in Figure 1.

Some scientists also define that the export-led growth is a development strategy aimed at growing productive capacity by focusing on foreign markets, helps capture the economic benefits of openness for developing countries by encouraging best practice adoption; promoting product development; and exposing firms to competition.

T.I. Palley considers the rise of export-led growth as a development paradigm and argues that it is exhausted owing to changed conditions in emerging market and developed economies. The global economy needs a recalibration that facilitates a new paradigm of domestic demand-led growth (Palley 2011).

In the midst of the global financial crisis, an article in *Foreign Affairs* claimed that “the era of export-led growth is over in its current form” (Klein, Cukier 2009). Developing countries, and in particular the BRICs, are becoming consistently more important as sources of world import growth (Hanson 2011). The share of high-income countries, including the US, in world imports has been steadily declining, yet countries like China have implemented highly successful export-led growth strategies. Going forward, we expect that south-south trade will become particularly important as a source of export-led growth for developing countries, provided that policymakers remain committed to the progressive opening of those markets. As just one example of the importance of this phenomenon, Wang and Whalley estimate that Southern trade will account for 50% of China’s total trade by 2020 (Wang, Whalley 2011).

National trade policy can be as well effective lever of improving the exports competitiveness as systemic barriers for the effective export activities. In trade policy, export indirectly or even directly is regulated by other policies, first of all, competitive, investment and innovation. Thus, the development of a competitive environment, governmental regulation of foreign investment in export-oriented industries, export requirements for enterprises with foreign investment or development of innovative programs have a direct impact on the competitiveness of exports, but the unwarranted exchange rate policy is able to reduce it to zero motivation effect.

There are four basic arguments in favor of market-oriented policy reform: economic liberalization reduces static inefficiencies arising from resource misallocation and waste; economic liberalization enhances learning, technological change, and economic growth; outward-oriented economies are better able to cope with adverse external shocks; market-based economic systems are less prone to wasteful rent-seeking activities.

It should be noted that in the dynamic global economic environment the developed country and industries with active foreign trade activities are able for quick and productive respond to external shocks. The case for policy reform was much strengthened by the argument, originating most forcefully in B. Balassa’s work, that export-oriented countries are better positioned to deal with negative external shocks than inward-oriented countries (Balassa 1987). The argument was advanced by analysing the comparative experience of countries during the second half of the 1970s. Focussing on the period following the first oil shock (1974-18 years), B. Balassa first calculated the foreign-exchange impact of terms-of-trade and export demand shocks for several countries. Then, he decomposed the aggregate shock into four types of what he called “policy responses”: additional net external fencing; increase in export market share; import substitution; and import effects of lower GDP growth. He argued that export promoting

countries, unlike inward-oriented countries, were able to increase their world market shares, which in turn favourably affected their economic growth. B. Balassa later confirmed these findings with a larger sample of developing countries.

Some countries consider the macro and microeconomic market mechanisms as the driving force of trade policy. Taiwan, Thailand, Malaysia practically does not regulate exports. In other hand, some states create the favourable macroeconomic conditions for exporters and use special measures to stimulate exports.

S. Levy and S. Nolan systematically analyze policies in the area of trade and direct foreign investment in the presence of excess profits, and present a useful summary of the implications for developing countries (Levy, Nolan 1992). The «lessons» they list are as follows: (1) Competition from foreign firms need not always be beneficial. (2) Imports can be excessive under laissez-faire. (3) Foreign investment can be harmful, even under free trade. (4) Policies that discriminate in favor of domestically-owned firms can be beneficial. (5) Given the available empirical evidence, imperfect competition in the industrial sector of developing countries does not justify nominal tariff rates in excess of 15 percent. (6) Imperfect competition in the industrial sectors of developing countries is not an argument against trade liberalization measures of the type typically under consideration.

In the figure 3 are represented the key aspects of export-oriented strategy realization.

**Figure 3**

**Model of realization the economic development export-oriented strategy**



Source: made by the author.

Some countries achieved the growth of exports on the base of the state industrial policy, by identifying the most perspective industry sectors. In some cases this policy has led the positive results, especially when we talk about the development of non-traditional exports or export of modern technologically products that require a significant investments for production and promotion to world markets. In this case, the financial support of the state, the capital mobilizing of private sector, development of the infrastructure have a great influence and ensure the growth of the export structure in a relatively short time. The good example of this type of export-oriented policy is South Korea.

An important instrument of the successful export-oriented trade policy is export diversification, which means the respecialization of production facilities and processes, choosing sectors for volume growth, diversification of foreign markets competitive products and services and ensuring growth in exports of goods and services.

Today there are no uniform mechanisms that facilitate successful export diversification. It is important for the country the implementation of the measures aimed to develop the economy and production generally. Conditions of export diversification (horizontal and vertical) depend on the level of economic development, technology base of production, the level of investment, management and marketing systems, etc.

In the context of current realities it should be noted that states by sharing products, improve it and therefore the cost of the product increases. Countries reach for resources should carry out all kinds of diversification – by improving products, moving from level of raw materials to the level of goods and also seek new markets, opening its economy. It should be also reached the increase of production, involving mechanization and new technologies.

Generally, export growth is associated with complete liberalization of foreign trade as well as liberalization of import. It should be noted that import liberalization can contribute the worsening of trade balance and balance of payments. To prevent such negative consequences countries use the tools of macroeconomic regulation, such as exchange rate, tax reform, foreign loans and financial assistance.

Promoting export occurs in two main ways: through a favourable macroeconomic climate or creation the necessary incentives for manufacturers and exporters. By stimulation of export production, the state acts as a creditor, guarantor, donor.

<p>Methods of export promoting:</p> <ul style="list-style-type: none"> <li>– Tax benefits;</li> <li>– Subsidies;</li> <li>– Guarantees for private investments;</li> <li>– Preferential loans;</li> <li>– Providing grants;</li> <li>– Assistance in resolving the infrastructure issues;</li> <li>– Encouraging the foreign direct investments.</li> </ul>	<p>Organizational forms:</p> <ul style="list-style-type: none"> <li>– Creation the special state funds;</li> <li>– Mobilizing resources of private institutions;</li> <li>– Creation the specialized institutions, centres in the country and other countries for promotion exports.</li> </ul>
---	---

Let's consider the criteria of selection the schemes to stimulate exports.

The chosen scheme of export promotion is determined by the country and is based on the following criteria:

- Selection of strategic direction of exports policy (government regulation, market forces, market forces combined with specific measures of export stimulating) based on overall macroeconomic policy pursued by countries;
- Definition of the internal constraints on the way to export growth;
- Detection of external export barriers;
- Definition of the most promising export sectors;
- Identifying the opportunities for export promotion in general, as well as specific ways to stimulate exports;
- Comparison of export promotion benefits and costs in the future (in some cases, countries don't have financial opportunities to pursue a policy of export promotion);
- Definition of countries, products, regions, in which can be used the specific export promotion schemes;
- Identifying the specific incentives.

It is important to pay attention for the basic elements of the successful strategy of exports promoting.

Exporters' access to trade by world prices is the first condition for an effective export-oriented policy. Therefore, in the case of major restrictions or high tariffs, the government should create the special conditions for exporters (such as special export zones, exemptions from tariffs, etc.).

The best way for economic growth is a combination of trade liberalization, FDI and the aggressive export policy. In practice, this model is quite difficult to provide but possible, according to the experience of some New Asian Countries (Wade 1990).

If there is a set of conclusions regarding the East Asian experience on which the revisionists and the liberalizers can agree on, it probably goes as follows: there has been a lot of government intervention and an active trade and industrial policy; but intervention has taken place above all in the context of stable macroeconomic policies in the form of small budget deficits and realistic exchange rate management; equally important, the governments' emphasis on and unmitigated commitment to exports has helped minimize the resource costs and incentive problems that would have otherwise arisen from heavy intervention; also, intervention has taken place in an institutional setting characterized by a «hard state and strong government discipline over the private sector; furthermore, such a setting is lacking in most other developing countries.

Another important prerequisite for successful export policy is the existence of large-scale financial support for export promotion. Sources, methods and combination of measures thus depend on the capacity of the state and the choice of donor funding. It is important the caution of state in promoting export sectors for not to affect other sectors of industry, aimed at the domestic market functioning. It is also possible to use the budget financial resources in conjunction with a broad mobilization of private funding sources. Finally, in order to stimulate exports widely are used external sources of financing: loans, aid, credits, etc.

State assistance in markets entering was the third condition for the export “push” that is presented in any kind of exports stimulation policy, even in the most extreme situations when the State eliminated from the solution of export problems outside, leaving them for the market solving. But in this case the success of export was ensured by the creation of a favourable investment climate for domestic and foreign investors and manufacturers, exporters that was one of the major economic problems of the state.

Flexibility of export stimulation policy is the fourth factor that determines its success. Many New Industrial Countries repeatedly changed measures for stimulating export in the process of rejecting the failed application and expanding successful activities. In this regard, a very interesting experience of Argentina, which policy was enough flexible, but was not limited only by macroeconomic measures of export stimulation, but also carried out a wide range of measures to develop the efficiency and competitiveness of national products.

## Conclusions

One of the most important puzzles in understanding economic export promotion reforms is the following: if trade reform is such a great idea, why are governments typically so reluctant to undertake it? There has been increased attention paid by economists to this question recently, for the simple reason that it is impossible to design sensible reform packages without understanding what keeps governments from embracing export reform in the first place.

Based on world experience and scientist researches we can state that steps to economic growth are: analyzing and strengthening the industry sectors, modernizing manufacturing, opening markets and promoting export on concurrent world market.

Thus, there is no single successful export promotion policy for all countries. Different strategies regarding public promotion of their exports is used depending on the state of the economy, stage of development, overall economic and political situation in the world. Every subject of international trade is trying to implement a mechanism of actions that is a policy in this area for protection their interests.

## Bibliography

- Balassa B. (1987), *Intra-Industry Specialization in a Multi-Industry Framework*, “Economic Journal”, No. 97.
- Google Books Ngram Viewer (2015), <https://books.google.com/ngrams/> [access: 24.11.2015].
- Hanson G. (2011), *Changing Dynamics in Global Trade*, (in:) Haddad M., Shepherd B. (Eds.), *Managing Openness: Trade and Outward-Oriented Growth after the Crisis*, World Bank.
- Klein B., Cukier K. (2009), *Tamed Tigers, Distressed Dragon*, “Foreign Affairs”, No. 88(4).
- Kindleberger, C. (1962), *Foreign Trade and the National Economy*. Yale University Press, New Haven.
- Palley T.I. (2011), *The rise and fall of Export-led growth*, New American Foundation, Levy Economics Institute, [http://www.levyinstitute.org/pubs/wp\\_675.pdf](http://www.levyinstitute.org/pubs/wp_675.pdf) [access: 24.11.2015].

- Levy S., Nolan S. (1992), *Trade and foreign investment policies under imperfect competition: Lessons For developing countries*, "Journal of Development Economics", No. 37.
- Wade R. (1990), *Governing the market. Economic theory and the role of government in East Asian industrialization*, Princeton University Press, Princeton, NJ.
- Wang J., Whalley J. (2011), *China's Trade and Investment with the South Pre- and Post-Crisis*, (in:) Haddad M., Shepherd B. (Eds.), *Managing Openness: Trade and Outward-Oriented Growth after the Crisis*, World Bank.
- Гацалов М.М. (2002), *Современный экономический словарь-справочник*, Ухта, УГТУ.

## Koncepcyjno-metodyczne aspekty realizacji zorientowanej na eksport strategii wzrostu gospodarczego

### Streszczenie

Celem artykułu jest sformułowanie istoty zorientowanej na eksport strategii oraz określenie metod i narzędzi jej realizacji. Badania przeprowadzono głównie na podstawie światowych badań i wniosków naukowców z Banku Światowego i MFW, takich jak B. Balassa, K. Cukier, M. Gacalov, G. Hanson, B. Klein, S. Levy S. Nolan, T. I. Palley, J. Wang, J. Whalley. Dokonano również analizy światowej bibliografii wykorzystując do tego Google Books Ngram Viewer. W bieżącej obserwacji zastosowano następujące metody: indukcję, dedukcję, logiczne porównanie, analizę i syntezę. Na podstawie światowych doświadczeń naukowych sformułowano definicję terminu „zorientowana na eksport strategia” oraz obserwowano dynamikę stosowania głównych terminów w literaturze światowej w ostatnim stuleciu. Opracowano model realizacji rozwoju ekonomicznego strategii zorientowanej na eksport. Uwzględniliśmy kryteria wyboru schematów promowania eksportu, podstawowe elementy pomyślanej strategii zorientowanej na eksport, metody promowania eksportu i formy organizacyjne.

**Kategoria artykułu:** aspekty koncepcyjno-metodyczne.

**Słowa kluczowe:** strategia zorientowana na eksport, wzrost gospodarczy, polityka handlowa, liberalizacja, wzrost oparty na eksporcie, metoda, kryteria, model, świat.

**Kody JEL:** F13

## Концептуально-методические аспекты осуществления направленной на экспорт стратегии экономического роста

### Резюме

Цель статьи – сформулировать суть направленной на экспорт стратегии и определить методы и инструменты ее реализации. Изучение провели в основном на основе мировых исследований и выводов ученых из Всемирного банка, МВФ, таких как В. Balassa, К. Cukier, М. Gacalov, G. Hanson, В. Klein, S. Levy S. Nolan, Т. I. Palley, J. Wang, J. Whalley. Провели также анализ ми-

ровой литературы, используя *Google Books Ngram Viewer*. В текущем наблюдении использовали следующие методы: индукцию, дедукцию, логическое сравнение, анализ и синтез. На основе мирового научного опыта определили дефиницию термина «направленная на экспорт стратегия» и наблюдали за динамикой использования основных терминов в мировой литературе на протяжении последнего столетия. Разработали модель осуществления экономического развития направленной на экспорт стратегии. Нами были приняты во внимание критерии отбора схем поощрения экспорта, основные элементы успешной стратегии, направленной на экспорт, методы поощрения экспорта и организационные формы.

**Категория статьи:** концептуально-методические аспекты

**Ключевые слова:** направленная на экспорт стратегия, экономический рост, торговая политика, либерализация, вызванный экспортом рост, метод, критерии, модель, мир.

**Коды JEL:** F13

Artykuł nadesłany do redakcji w lutym 2016 roku

© All rights reserved

Afiliacja  
Oleksandra Struk, PhD student  
Ivan Franko National University of Lviv  
Department of International Analysis and Finance  
Sichovych Strilciv 19  
Lviv, Ukraine  
tel.: +48 509 855 525,  
e-mail: olexandra.struk@gmail.com