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EXPORT STRATEGY: FORMULATION AND IMPLEMENTATION

by

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Working document

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1. Introduction

Latin American countries generally recognize the importance of expanding industrial exports, but many of them have experienced difficulty in developing the policies and programmes to achieve this objective. The role that expansion and diversification of exports can play in reducing dependence upon exports of primary products, in improving the balance of payments and in earning foreign exchange to purchase essential imports is well known. But expansion of exports of manufactures also enables countries to participate in more dynamic industrial sectors. It leads to multiplier effects and achievement of economies of scale. It fosters improved business management, more modern technology, improved marketing and more rational and efficient production. Thus, expansion of exports of manufactures can stimulate a more rational and modern industrial production for the domestic market as well as for foreign markets and contribute significantly to the economic development of a country.

Experiencing difficulty in developing a concerted and integrated export effort, many countries in Latin America need an export strategy. An export strategy is a way to mount a determined effort in conjunction with business, labour and other groups.

The problem is to formulate a realistic and action-oriented strategy that will lead to response by industrial, trading, financial and other enterprises. A beautifully designed strategy will be meaningless unless it leads to implementation and results. In essence, implementation and formulation of a strategy are mutually interdependent. Implementation of a strategy starts with its formulation. An export strategy should be formulated so that it can lead to implementation.

Achieving meaningful expansion of manufactured exports in some Latin American countries is extremely difficult. In some cases, nothing less than a major restructuring of industrial, trade, fiscal and other policies may be required. An export strategy should provide the basic directions for such policy changes and a concerted export development programme, involving government, business and other groups.

This paper strives to present an integrated point of view with respect to formulation of an export strategy and its implementation. It makes use of the systems approach and several models of an export strategy.

2. System Approach in Export Promotion

The systems approach analyses export promotion as a complex system that has a number of interrelationships, interactions, links and feedbacks, involving government, business and other groups. Actually, there are many possible systems, but the approach should concentrate on those that have analytical significance and are helpful in the export development process.

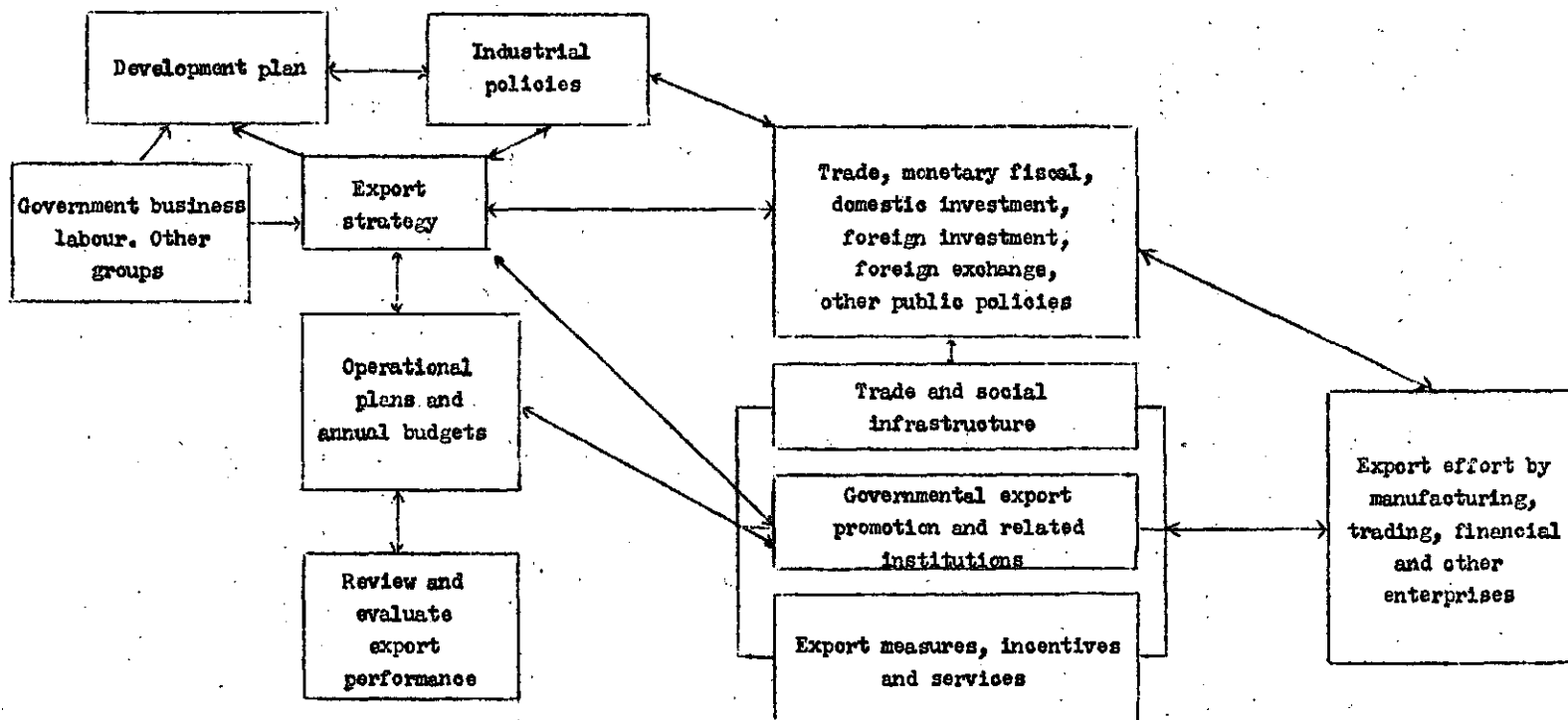
A comprehensive export promotion system as shown in Figure I links development plans, industrial policies, export strategy, trade and other governmental policies, institutional arrangements, trade infrastructure, and public measures, incentives and export services. A key question is whether all components of the system fit together and reinforce each other to give momentum to the expansion and diversification of exports. If this happens there should be a "synergetic" effect where the total results in export expansion add up to more than the sum of the individual components. This type of system generates various types of "multiplier" effects in increasing exports. To achieve this government involvement at all levels is needed, from the top to the operational levels, together with an effective response to exporting by business.

Another key question is what type of export promotion system induces industrial, financial and trading enterprises to engage in a determined export effort. This is, of course, of crucial importance, for in a mixed mixed market economy it is manufacturing and commercial firms that undertake the exporting and they should be supported by financial, transportation and many other types of enterprises. Thus, it is important to analyse the manner in which the export promotion process involves public and private institutions in the development of exports - including various ministries, the central bank, the export promotion and operational governmental departments, business, trade and export associations, domestic manufacturing enterprises, international companies, banks and other financial institutions, trading firms, and other specialized enterprises.

/Figure I

Figure I

A COMPREHENSIVE EXPORT PROMOTION SYSTEM



/Related to

Related to this, a study should be made of the points at which the governmental export promotion effort has a maximum impact on the decisions of domestic manufacturing and commercial enterprises and international companies to export. These matters will be examined in the latter parts of this paper.

The systems approach provides analytical methods for the formulation of an integrated and realistic export strategy and for its implementation. However, it can also be used to evaluate and improve an existing export strategy or any part of the export development process.

An appropriately conceived export strategy, however, is of special significance, for it should provide the framework for changes and adaptations in industrial and other public policies, infrastructure investments, effective governmental export promotion institutions, adequate export incentives and services, business-governmental co-operative arrangements, and a response by manufacturing, commercial and other enterprises. In order to relate export strategy more specifically to other parts of the export development process, time perspective, some models and basic components of an export strategy, and the process of formulating and implementing it will be examined. In doing this, the systems approach and other analytical methods will be used whenever they are appropriate.

3. Time Horizons in an Export Strategy

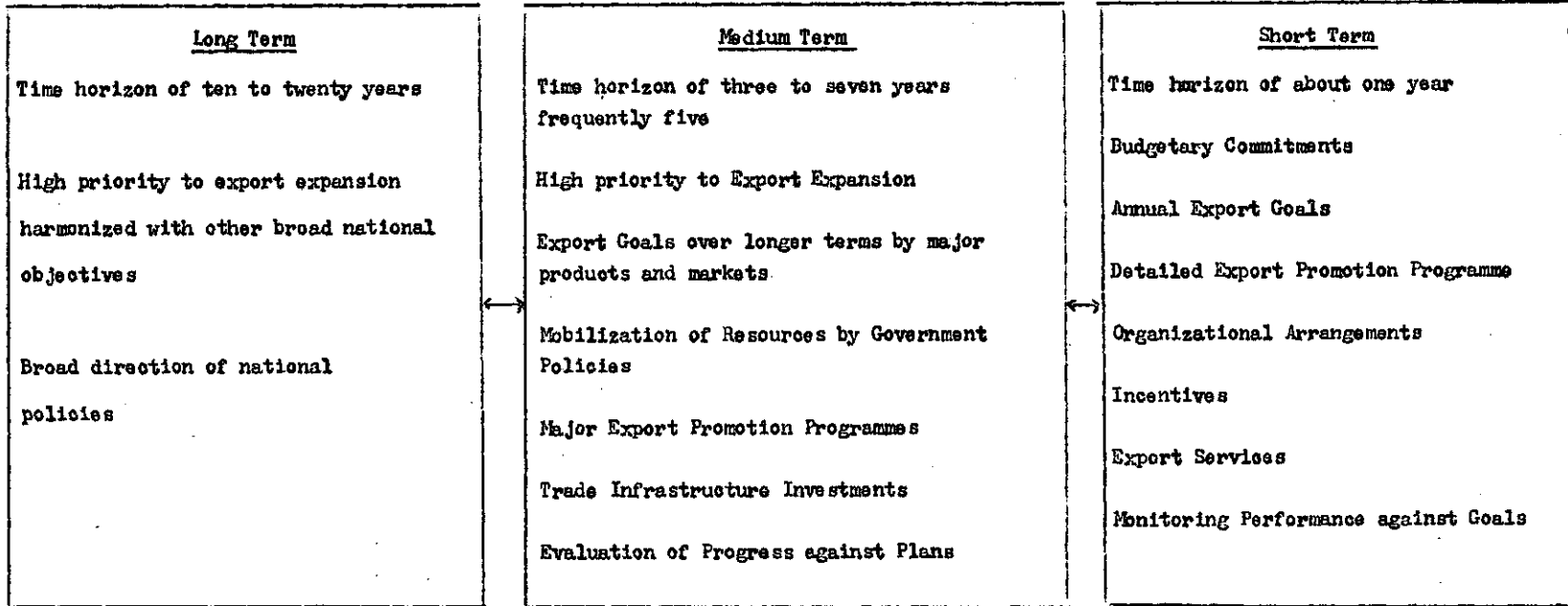
For purpose of formulating and evaluating export strategy as shown in Figure II, three time horizons are especially relevant: (1) a long-term one of ten to twenty years; (2) a medium-term one from three to seven years, commonly five years; and (3) a short-term operational one of a year. The three time horizons should be closely interrelated, be consistent, and in a sense merge into each other. In the long term, which involves perspective planning, a country should give priority to the expansion and diversification of exports in relation to other objectives and establish its broad directions and policy guidelines to achieve its objectives.

Based upon the framework of its long-term perspective planning, a country should formulate a more concrete, action-oriented medium-term strategy. This strategy should set more specific objectives, emphasize

/Figure II

Figure II

TIME PERSPECTIVES IN FORMULATION AND IMPLEMENTATION OF AN EXPORT STRATEGY



export development in relation to other objectives and establish policies and programmes within the context of its national development plans to mobilize the country's material, administrative, technical, entrepreneurial and other human resources to achieve its goals.

The medium term is in many respects the crucial period for an export strategy, because the government can set more realistic export goals, determine the hierarchy of export expansion in relation to other objectives, evaluate crucial parameters in expanding exports and develop ways of dealing with them. While the medium-term export strategy should mesh with, and in many respects emerge from, the development plans, the country's development plans and industrial policies should also reflect the need to give adequate priority to export expansion and be modified where necessary. Thus, in the medium-term export strategy the country makes firm commitments to expand and diversify industrial exports, sets export goals and determines necessary changes in policies and establishes programmes to achieve its goals. This export strategy should be implemented through effective export promotion institutions, adequate infrastructure investments, business-governmental co-operative arrangements and policy measures, incentives and services.

Annual operational plans within the framework of the medium-term export strategy facilitate implementation. The annual export plans should set more specific export goals; they should provide adequate budgetary commitments to establish, improve or continue necessary export promotion institutions, develop supporting economic and social infrastructure, and government-business cooperative arrangements; and they should provide for the appropriate implementation of governmental policy in specific measures and services. Furthermore, a vital aspect of the annual export plans should be a control mechanism that monitors and reviews accomplishments in export expansion and diversification against established goals.

For many countries, a structure of long-term, medium-term and short-term time horizons in an export strategy is too grandiose and complex. In these cases, it is more appropriate to concentrate on export strategy of approximately five years and annual operational plans, emphasizing implementation. Therefore, this paper will deal with export strategy within these two time perspectives.

4. Some Models and Components of an Export Strategy

The export strategy can take many forms; it can be more or less comprehensive; it can involve different degrees of sophistication and elaboration. It is even conceivable for a country to have a well co-ordinated and effective export strategy without specifying detailed plans in writing. What is important is to have a well integrated strategy that sets realistic and yet challenging goals for export expansion, indicates the changes required to achieve established goals, achieves a proper mix of policies and instruments, provides a framework for effective institutions and measures, and mobilizes government, business and other economic interest for a concentrated export effort. In order to do this, the export strategy should be clearly expressed so that it is well understood by all officials and groups who have an important role in its implementation.

In order to be realistic, the export strategy should take into account the country's existing political, economic, industrial, social and institutional situation, considering possible changes in the future, including the following factors:

- (a) Level of economic development and extent of industrialization;
- (b) Country's existing material, financial, entrepreneurial, technical and other resources or these that might be developed.
- (c) Size of the domestic market;
- (d) Recent export trends and performance;
- (e) Country's participation in regional and sub-regional groups;
- (f) Presence of international companies and extent of foreign investments in industries;
- (g) Public administration capabilities of the country.

A small less industrialized country with little in the way of exports of manufactures can start off with a simple export strategy. This strategy may give higher priority to expansion of manufactures and semi-manufactures, development of an export consciousness, evaluation of major obstacles and concentration on a few key programmes, such as developing industrial products for export based upon the country's material, labour and other resources. The strategy should be interrelated with, or form part of, the development plan; it should orient the country's industrial

policies and instruments toward development of some non-traditional export products; and it should set export goals over the planning period. It should also provide for establishment or improvement of well co-ordinated export promotion institutions within the government tailored to the requirements of the country. The export strategy should mobilize and involve business enterprises, labour and other groups in the export effort. Periodically, there should be a review of accomplishments under the strategy and adaptation of the over-all strategy or any aspects of export development programmes.

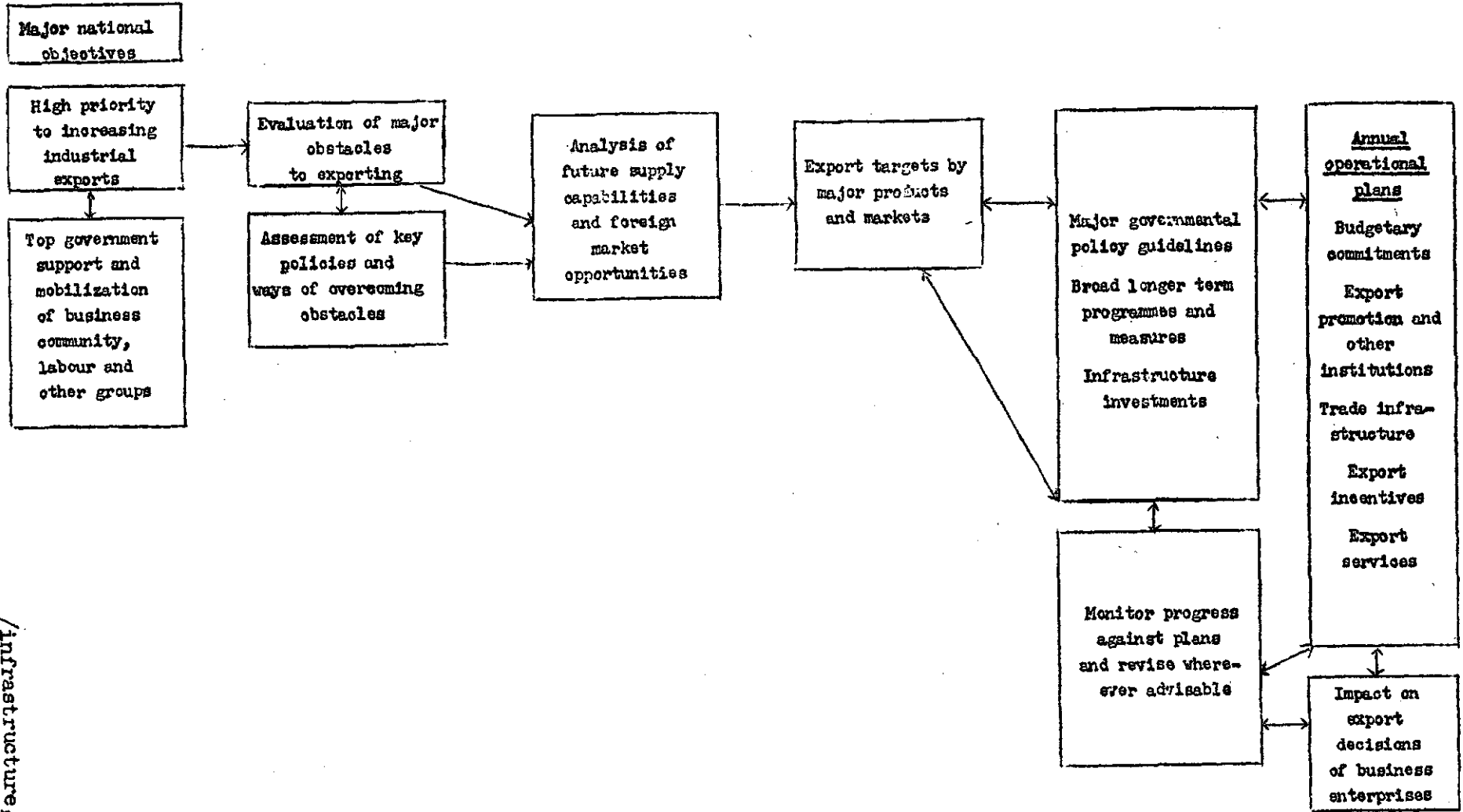
A country with more experience in export development and planning may find it advantageous to have a somewhat more comprehensive and integrated export strategy.

Figure III shows a model of such a strategy which consists of (a) giving high priority to expansion and diversification of industrial exports in relation to other national objectives; (b) evaluation of major obstacles and problems in export development and ways of dealing with them; (c) integrated analysis of future supply capabilities and foreign market opportunities; (d) setting export target over the longer time horizon such as five years; (e) recommendation for changes in governmental policies; (f) establishment of broad character of export promotion programmes and infrastructure investments; (g) regular review and evaluation of export programmes against established targets.

In such an export strategy all phases are organically interrelated and have close links and feedbacks. For example, the export targets depend upon dealing with major obstacles to exporting, changes in key governmental policies, and the formulation of effective export promotion programmes. Initially the export target can be set in broad terms by major industrial products and for key markets for a five year period. In time, the export targets can be established in greater detail by more specific product categories and country markets for the longer term period and year-by-year.

The export strategy provides the framework for annual operational plans, specific governmental budgetary commitments, and detailed programmes involving adequate export promotion and related institutions, trade

Figure III
MODEL FOR AN EXPORT STRATEGY



/Infrastructure, export

infrastructure, export incentives and export services. It is particularly important that business, labour and other groups should participate in export promotion programmes. The export institutions, infrastructure investments, export incentives and services should be designed to motivate manufacturing and trading enterprises to make a determined export effort.

As shown in Figure IV the process and format for elaborating a more comprehensive export strategy involves the following:

(a) Establishing high priority for expansion of industrial exports and synchronizing this goal with other objectives in national economic development.

(b) Setting some broad objectives such as tripling exports of manufactures, reaching a specified value of industrial exports or increasing these exports by a specified annual percentage in the next five years. For example, an export goal of 1,000 million pesos of industrial products in five years may have dramatic impact.

(c) Evaluating major obstacles to expand industrial exports and ways of overcoming such impediments;

(d) Conducting an assessment of major governmental policies - industrial, monetary, fiscal, domestic investment, trade, foreign investments and others - and determining desired changes and the feasibility of such changes in key policies to reinforce export expansion;

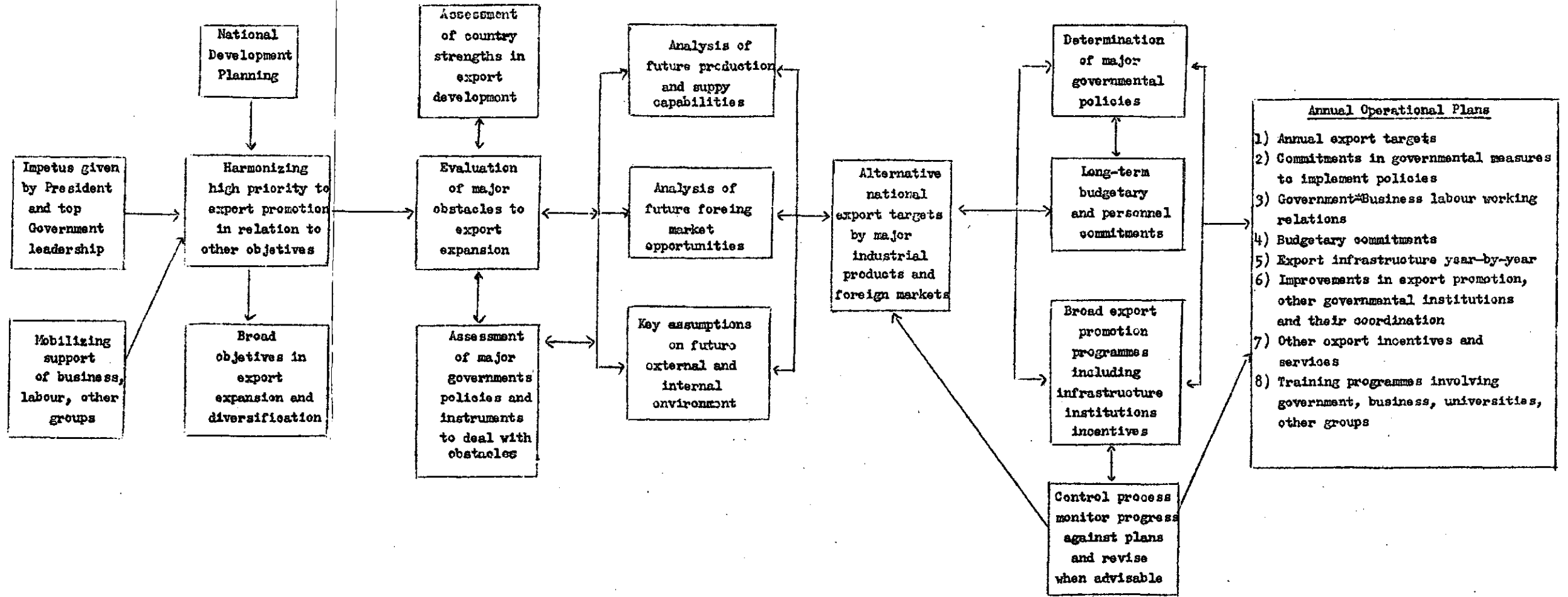
(e) Analysing capabilities of the country in producing and supplying goods for export over the longer-term horizon, such as five years, and in the short term.

(f) Evaluating foreign market opportunities within sub-regional and regional groups, other countries of Latin America, and globally over a five-year period.

(g) Stating other key assumptions for the planning period that are important for purposes of planning an export strategy, such as trade policies in foreign countries, possible tariff preferences, and investment, price, productivity, consumption and other trends within the country;

Figure IV

MODEL FOR FORMULATION AND IMPLEMENTATION OF AN EXPORT STRATEGY



(h) Setting export targets by major product group, and principal foreign markets for the middle-term period such as five years. Alternative export targets can be projected depending upon the policies adopted by governments and the assumption about supply, demand and other conditions in the future.

(i) Determining the governmental policies, monetary, fiscal, public investment, domestic and foreign investment, labour, trade and others, that will encourage business enterprises to produce and market products in foreign markets;

(j) Making a medium-term commitment of financial resources and personnel including top leadership to export promotion;

(k) Developing the broad outline of comprehensive export promotion programmes over the planning period, including major types of activities and incentives;

(l) Establishing a process of control that monitors actual exports against projected exports by major products, regularly, for example, annually and quarter-by-quarter, and analyses reasons for significant variations;

(m) Initiating corrective action in co-operation with business enterprise wherever exports in industrial sectors do not meet established targets;

(n) Reviewing export strategy annually, especially export targets, performance against plans, major export promotion policies and programmes. Revising export targets whenever advisable and modifying key policies and programmes.

An export strategy has to be formulated with implementation in mind; or conversely implementation of an export strategy starts with its formulation. Along this line some key components of an export strategy shown in the previous models will be examined stressing implementation. Then some administrative aspects in the process of formulation and implementation of an export strategy will be considered.

/5. Obstacles

5. Obstacles to Exporting and Ways of Dealing with Them

An export strategy should identify key obstacles to exporting industrial products, assess and weigh the importance of the impediments, and determine alternative ways of dealing with them. The obstacles are usually well known, but a country should array the key obstacles in order of their importance. Usually, there are some overriding obstacles and some specific ones, and the various impediments are closely interrelated and reinforce each other against exports. The excessive import substitution policies long pursued by many Latin American countries constitute one of the overriding obstacles that are related to many of the other impediments. Thus, a country should assess which obstacles are of far reaching significance and what is the interaction between the various impediments to export expansion.

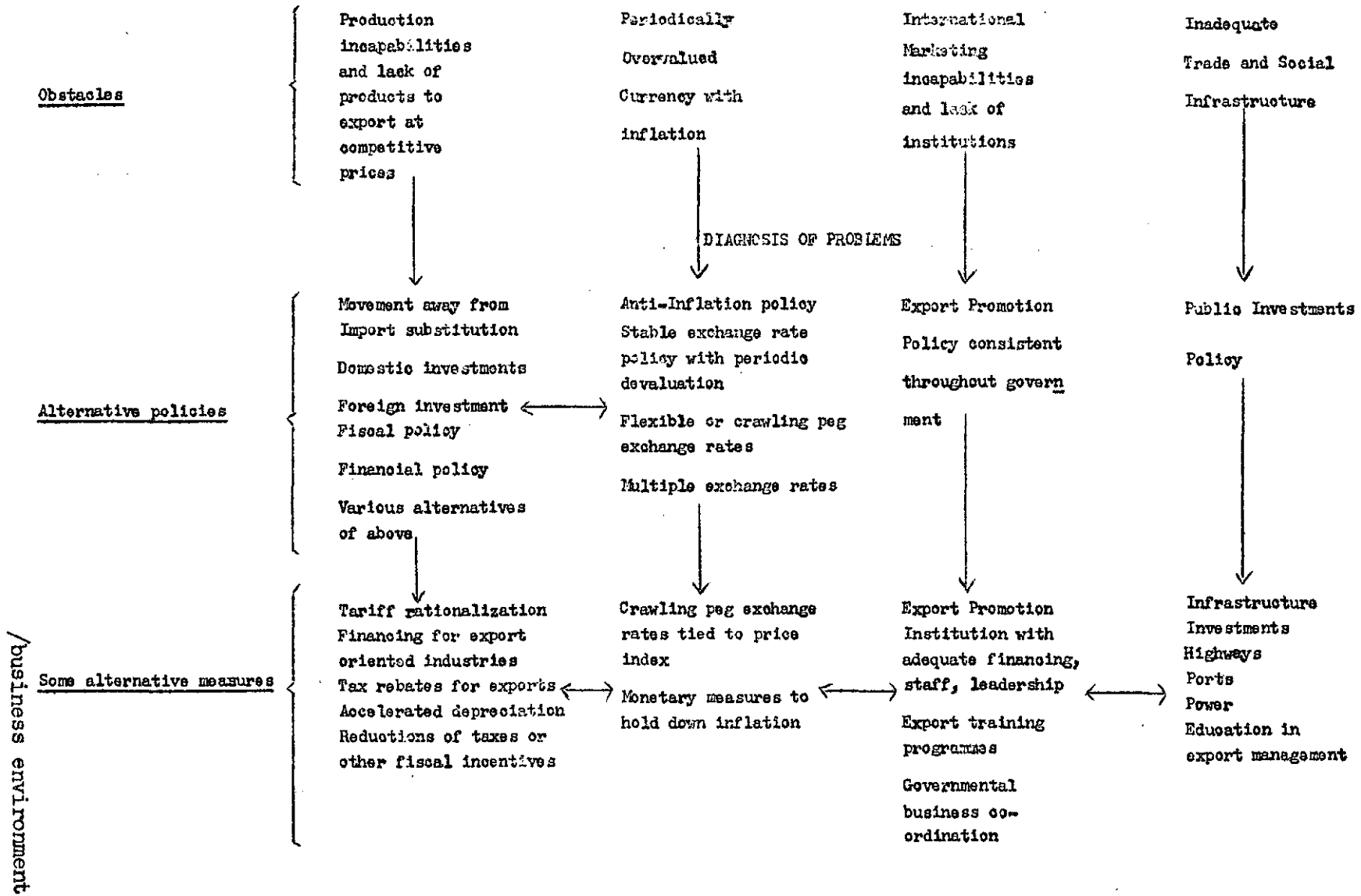
Developing ways of overcoming obstacles, and implementing them is far more difficult than identifying and weighing the impediments to export expansion. The process involves determining modifications and even complete changes in governmental policies and then ascertaining policy instruments and measures that should be adopted. Figure V shows an example of the process of ascertaining public policies and measures to deal with specific obstacles. In the process alternatives in changing policies and employment of measures should be considered.

Deciding on the policies and instruments which are feasible and efficient can lead to some political difficulties as well as differences among experts. Widespread resistance can develop to changes in policies and to specific measures. Furthermore, there may be conflicts between various policies and objectives that have to be reconciled and harmonized.

Nevertheless, what an export strategy should do is to evaluate alternative changes in public policies, policy instruments and specific measures in terms of their feasibility, efficiency, benefits/costs and the extent to which they fit together to achieve the country's export goals. On the basis of such an evaluation an appropriate mix of policies, instruments and measures should be recommended. As a basic principle, the governmental policies, the policy instruments, and public measures with supporting institutional arrangements should transform the economic and

Figure V

EXAMPLE OF ASCERTAINING PUBLIC POLICIES AND MEASURES TO DEAL WITH OBSTACLES TO EXPORTING



business environment so that there are clear profit advantages to the business community in producing and marketing goods in foreign countries relative to the domestic market.

While there are major variations among countries, some key specific obstacles to exporting in many Latin American countries are the following:

(a) Lack of an export consciousness

Manufacturing, trading, and other enterprises frequently have very little experience and interest in, or incentive to, engage in exporting. As a result of import substitution and the development of the economic structure, production and distribution are oriented towards highly protected domestic sellers' markets. Development of an export consciousness is a time consuming, partly educational process. However, a key aspect is to modify governmental policies, programmes and measures so as to make exporting more profitable than producing and selling solely for the domestic markets. Furthermore, getting key segments of business, labour and other groups involved in development of an export strategy and its implementation helps to create an export consciousness. Also, well designed national publicity and training programmes, seminars and conferences for government business labour and other officials through international organizations, such as the International Trade Centre, universities, business associations and the government can make an important contribution. The annual operational plans should provide for publicity and training programmes. Attracting export oriented international companies under conditions favourable to the country can also help to develop an export consciousness.

(b) Production and supply

Industrial production in many Latin American countries is characterized by, high costs, inefficiency and low productivity, small scale of operations, poor or inconsistent quality of products, backwardness in management and technology, difficult relations between labour and business, high social security costs, inferior quality or costly materials, and inferior organization of production. As a result, many countries find it difficult to supply industrial products for export at competitive prices. At the same time, they may have excess capacity in some industries. These industrial problems may be the most difficult ones to deal with in order to develop industrial

/exports. Some

exports. Some countries require nothing less than completely new industrial policies and a transformation of their industrial structure. These matters, which are of crucial importance in an effective export strategy, are dealt with in other papers in this meeting.

(c) Overvalued exchange rates

Some countries find it difficult to export manufactures because they have overvalued currencies or a continuous cycle of inflation-overvalued currency - devaluation - inflation - overvalued currency. Fixed exchange rates and occasional devaluation do not deal with the problem, because persistent or secular inflation in time wipes out the price benefits and leads again to an overvalued currency. The solutions may consist in controlling inflation by a combination of monetary and fiscal policy, but this is not feasible in many countries. Other solutions are flexible or crawling peg exchange rates such as Brazil employs or direct subsidies to subsidize exports to off-set foreign exchange disadvantage. Other countries, such as Venezuela, may have a suitable exchange rate for export of their traditional products such as petroleum, but an overvalued currency for export of manufactures. One way of dealing with the problem is a devaluation and tax on exports of the traditional products, but this is hardly feasible. A more feasible way of dealing with the problem is dual or triple exchange rates. This involves continuing the basic rate of exchange on traditional exports and having one or two preferential exchange rates on exports of manufactures.

(d) Trade and Social Infrastructure

Many countries have inadequate highways, port and other transportation facilities, so that transportation costs are high. Furthermore, the costs of power for manufacturing may add to the cost of producing goods that could be exported. Other types of infrastructure such as foreign freight forwarding, export packing, marine insurance, port handling may be inadequate or costly. At least equally important, there may be a lack of export entrepreneurship and other managerial capabilities characteristic of countries with successful export performance. In this setting, the government should establish public investment policies that give sufficient priority to infrastructure investments that will most significantly improve the country's export possibilities. It should also initiate training programmes in various aspects of export development.

/(e) International

(e) International Marketing

Manufacturing and trading often do not know how to go into exporting. They may lack expertise in foreign market research, establishing channels of distribution, export pricing, advertising and other types of promotion, and other operational aspects of export marketing. The many types of export houses, trading companies, foreign freight forwarders, international banks and marketing consultants available in industrial nations often do not exist in many developing nations. In this setting the strategy should give direction and momentum for a government-wide effort, involving the business community, to establish or improve the export promotion institutions and provide the required export marketing and related services. Furthermore, it should provide for training programmes, seminars, and workshops for government officials, businessmen, and representatives of labour unions.

(f) Financial and fiscal aspects

Adequate capital is not available or is only available at very high interest rates for investments in export oriented industries or for actual export operations. Frequently short-term export financing is not available. Internal taxes place an excessive burden on products that might be exported. Once again alternatives in monetary and fiscal policy and specific measures should be considered. Then the government in co-operation with financial leaders should consider alternative measures and institutions to provide the required financing and appropriate tax incentives.

(g) Governmental Regulations and Procedures

Some countries have export taxes, controls and cumbersome regulations. Sometimes export documentation and procedures are excessively complicated. Drawback or other procedures for dealing with duties on imported materials used in exported products may be burdensome and time consuming. Governmental export promotion services may be diffused and ineffective in aiding export enterprises. Furthermore, governments often do not maintain continuity in their export promotion programmes, institutions, incentives and other measures. Dealing with these problems does not require policy formulation. It requires more efficient public administration at all levels of government and elimination of excessive bureaucracy.

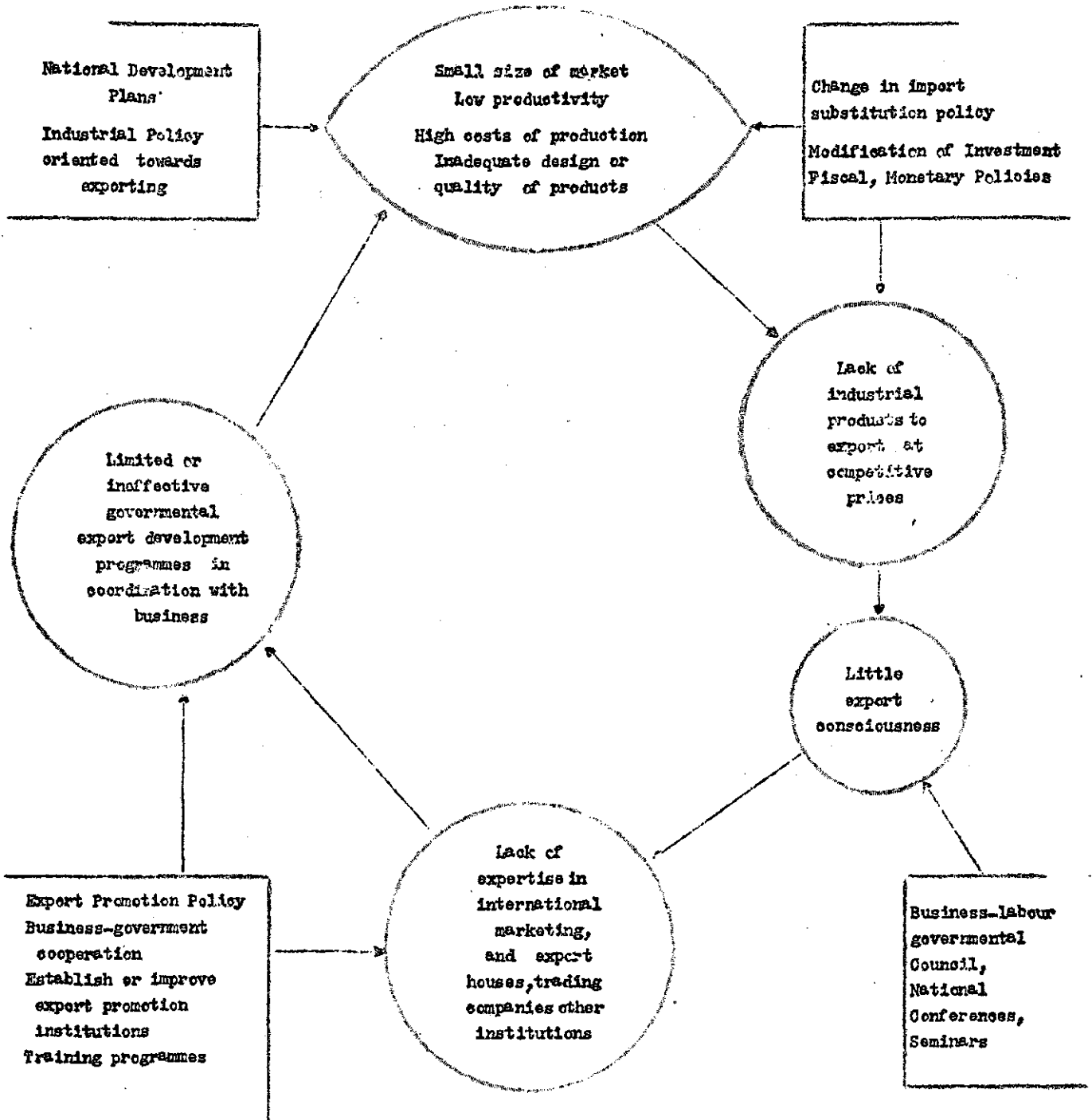
Another way of looking at the obstacles to export development is to consider the vicious circles that reinforce each other and create an overall economic, business and institutional environment strongly biased against exports. Figure VI shows an example of a vicious circle. This is only one of a number of possible vicious circles. From this standpoint, a strategy should recommend changes in public policies and policy instruments or measures that break the vicious circle and give momentum to export expansion. The strategy should provide for breaking down the interlinked obstacles at key points and setting in motion policies and measures that establish virtuous circles that generate export expansion. Of course, this has to be done by each country considering its special and unique characteristics.

6. Assessment of Country's Strengths

Up to this time the emphasis has been on the country assessing and dealing with obstacles to exporting, but equal attention should be given to a country's existing and potential strengths and assets. This is the positive aspect. An export strategy should determine a country's strengths and ways of utilizing them in expansion and diversification of industrial exports. While each country's assets vary, a number of Latin American countries have some of the following: (a) various natural resources; (b) an abundant supply of labour that can be trained for skilled work and can achieve good productivity; (c) domestic and international capital that can be mobilized or obtained; (d) a rising group of business managers and entrepreneurs; (e) a large number of people in public administration that could be trained and oriented more towards export development; (f) a strong import community, some of which could be redirected towards exporting; (g) various development, productivity, management and other institutes and centres that could be oriented towards export development; (h) various industrial, commercial, financial, export and other business associations that could be mobilized in the export effort; (i) strong labour unions and capable leaders, who could be educated on the importance of export development and more actively involved.

The export strategy, thus, should muster the country's strengths and reinforce them with adequate policies, programmes and institutions.

Figure VI
EXAMPLE OF VICIOUS CIRCLE IMPEDING EXPORT OF MANUFACTURES



7. Setting Export Targets

A key aspect of an export strategy involves setting export targets for major industrial sectors or products over the medium-term planning period of approximately five years. The export targets should be based upon projected supply capabilities, considering production, price, competition and other related factors and also demand trends in major foreign markets. These important matters will not be treated here because other papers deal with production and supply factors, including identifying products that have favourable opportunities in foreign markets. Furthermore, UNCTAD, the International Trade Centre and other organizations have made studies of markets for products of developing countries. The export targets should also be based upon key assumptions with regard to matters such as future trade policies in developed nations, possible tariff preferences, progress in regional integration, and domestic economic trends.

It is most important that the export targets should not be merely forecasts based upon past or recent trends. Rather they should be based upon what the country can accomplish upon the basis of its export strategy, necessary modifications of public policies, anticipated programmes, infrastructure investments, export incentives, policy measures, services and business-labour-government co-operation. Thus, as an essential part of the strategy, export targets are set upon the basis of implementation of policy changes, major programmes and detailed measures, with appropriate budgetary and institutional support.

At the beginning, some countries may set export targets by broad industrial products over a five year period, and then in time establish more detailed targets. Other countries, however, may establish more detailed export targets by major industries and products and foreign markets for the five year period and annually.

The export targets set should be realistic and attainable but challenging. It hardly does any good to have very detailed export targets, which cannot be achieved.

The targets should be a means for mobilizing government, business labour and other groups for a concentrated export effort. In order to do this, export and other business associations, industrial, trading and financial enterprises, labour unions and other groups should be actively involved in establishing export targets. As a matter of fact, it would be advisable to have business-labour-government working committees in major industries to advise on export targets in each major sector. Then, the established targets become a goal for each industry to attain over the five year period and year-by-year.

The established export targets should be mutually consistent and well harmonized with other economic development objectives. They should consider forward and backward industrial linkages and interrelationships between factors such as production and import of raw materials, investments in various industries, interdependence between production, domestic consumption and exports, and balances between agriculture, primary production and manufacturing. Thus, the export targets will be based upon reasonable assumptions with respect to the future in attaining productive efficiency and competitiveness in potential export industries, demand in regional groups, other parts of Latin America, and globally, and other internal and external environmental parameters.

Mathematical models and computer programmes can be used in setting export targets, but these newer methods will not necessarily guarantee establishment of valid targets. Once again a great deal depends upon the various economic assumptions made about the future. Furthermore, it is easy for mathematical programmers and planners to become overenthusiastic about the methods and neglect some highly significant and realistic matters involved in implementation of export strategy, policies and programmes. Thus, it is probably more important to have key sectors of government, business and labour involved, on an industry-by-industry basis, in setting export targets and getting them committed to achieving them. In the last analysis, mature judgement and commitment play an important part in fixing realistic and challenging export goals and striving to implement them.

While most countries will find it feasible to start with a single set of export targets, eventually some countries may establish alternative export targets based upon different assumptions. One procedure is to establish three sets of exports targets: (a) targets based upon the most likely assumptions in production, supply, foreign demand, domestic economic conditions and other parameters; (b) targets based upon optimistic assumptions; (c) targets based upon pessimistic assumptions. Of course, there can be various combinations of export targets based upon economic projections in the future and judgemetical probabilities. However, the reasons for establishing export targets should not be lost in striving to attain sophistication and precision. The export targets should serve as goals to mobilize government, business, labour and the country as a whole, to achieve expansion and diversification of its exports to develop and modernize the nation's economy and achieve other national objectives.

The export goals also become a basis for the process of control and regular review of the strategy. Thus, as we shall discuss more fully later, the export strategy should provide for monitoring export performance by major industrial sectors and products against established targets. Once again it should be emphasized that export targets are based upon specified government policies and upon programmes, measures and institutions, that mobilize export activity by business enterprises.

8. Some Major Government Policies

Export strategy to achieve effective expansion and diversification of manufactured exports involves the entire range of government economic policies and many social policies, including industrial, monetary, fiscal, trade, investment, foreign exchange, foreign investment, labour and others. The discussion of these public macro policies is beyond the scope of this paper. Here we shall briefly discuss some considerations that Latin American countries should consider in formulating or modifying import substitution, foreign exchange and foreign investment policies.

(a) Import Substitution

As is well known, the industrial development of Latin American countries has been heavily based on import substitution policies. These import substitution policies have induced the development of many industries for domestic markets, but have not been favourable to exports. Many

/of the

of the industries established have been characterized by small scale plants, production inefficiencies, high costs, unsatisfactory or inconsistent quality of products, unsuitable design and other unsatisfactory product characteristics for foreign markets. The business enterprises protected by tariffs and other import barriers have faced little competition and have little or no incentive to strive to increase productive efficiency, reduce costs of production and develop exports. In fact, the protection offered by import restrictions and the security of selling goods in the domestic market have far outweighed the various incentives offered by governments to encourage exports.

The import substitution policies need to be changed and industrial enterprises should be exposed to competition in order to encourage them to engage in exporting. However, this cannot be accomplished readily. The import substitution policies have become deeply imbedded in many countries and many industries have been established on this basis. A number of questions arise with respect to changing these policies to promote export involving matters such as the most efficient ways of accomplishing this, and the magnitude, tempo, selectivity, and timing of change.

In many respects, the most effective way of moving away from import substitution is to reduce tariffs and other import barriers in those industries with export potential on a scheduled basis over a period of time. For example, Israel has reduced tariffs and continues to do this in order to spur competition in industries with export potential. It plans to reduce tariffs by 30 to 60 per cent by 1974, leaving a tariff structure of about 35 per cent. A number of Latin American countries have reduced some tariffs and other restrictions over the years but this has not necessarily been motivated to expand exports. Some tariff reductions have aimed at reducing the price of consumer goods in the country. This may have been important but has not helped to expand exports of industrial products. From the standpoint of export promotion, the reduction of tariffs and other restrictions should be concentrated on those industries that have export potential. This requires identifying those industries that have export potential and working out patterns of tariff reductions. However, the tariffs and other barriers should also be reduced on those products that are closely linked

/to export

to export industries, particularly in supplying essential industrial materials or components for these industries. While one approach is to have one shot tariff reduction, it seems more advisable to have paced reductions over a period of time, in order to enable business firms to adapt and obtain productive and competitive efficiency.

Governments should provide adequate incentives, financing, marketing and export services in conjunction with reductions of tariffs in industries with export potential. The incentives can include relief from taxes or rebates of taxes, accelerated depreciation on plant and equipment, industrial credit at low interest rates, provision of working capital export credit, sharing of foreign marketing development costs and many others. But the combination of incentives, marketing research and information services and other export aids should be sufficient to encourage industrial enterprises to make a determined export effort in the face of reductions of tariffs.

(b) Exchange Rate Policy

The existence of overvalued exchange rates in some countries is an important obstacle to exports of manufactures. The maintenance of fixed exchange rates frequently leads to overvalued currencies that make the price of industrial products uncompetitive in foreign markets. The problem is compounded by persistent inflation that prevails in some countries. As a result, currencies become more overvalued. This not only makes it difficult to export manufactures but fosters imports, unless they are severely controlled.

Devaluation of a currency is often an adequate solution. There may be strong opposition to a devaluation and it may take time to accomplish. Furthermore, there are always questions about the extent and timing of a devaluation. It may be difficult to balance the requirements of devaluation to export primary products and those to export manufactures. Devaluation also raises the costs of imports, which are essential to most Latin American countries. Furthermore, it leads to new inflationary pressures, that governments usually have difficulty in controlling. Thus, often devaluations only temporarily correct overvalued currencies, and over a period of time the cycle of inflation - overvalued currency - devaluation - inflation - overvalued currency - devaluation continues. Periodic devaluations do not

/encourage industrial

encourage industrial and trading enterprises to concentrate on exporting on a continuous long-term basis, for they find that they are faced with considerable uncertainty and cannot compete during considerable periods of time.

As an alternative to a fixed exchange rate policy, countries can adopt flexible exchange rates. One possibility is to have crawling peg exchange rates that change regularly in relation to some appropriate measure of inflation. Brazil has a type of crawling peg exchange rate that changes roughly in relation to domestic inflation. In the past, Chile was revising its exchange rate approximately once a month in relation to domestic inflation. Such practices have been accepted by the International Monetary Fund. A crawling peg type of exchange rate seems to be more suitable for a number of Latin American countries that undergo persistent inflation than stable exchange rates and occasional devaluations.

On the other hand, some countries may find that they have realistic exchange rates to export traditional products such as petroleum but their exchange rates are overvalued for exports of manufactures. Venezuela is an example of such a country. One alternative would be a devaluation to achieve competitive prices in manufactures, along with a tax on exports of primary products; but this is hardly feasible. A more feasible alternative would be dual or triple exchange rates.

Under dual exchange rates, a country continues its basic exchange rate for traditional products and has a preferential rate for exports of manufactures. However, a country may want to promote certain manufactures more than others, especially more technologically oriented products. These types of manufactures may require relatively greater stimulus. In such cases, the country can adopt triple exchange rates, with two preferential rates, one for more labour intensive products and another for more capital intensive exports.

Dual or triple exchange rates create a number of problems and encounter considerable resistance. A number of countries in Latin America have had multiple exchange rates, especially with respect to imports but also pertaining to exports. Multiple exchange rates have proved to be extremely cumbersome and in a number of cases quite arbitrary. They have

run into the opposition of the International Monetary Fund and other trading nations.

Dual or triple rates may also encounter international opposition. They may be difficult to administer, because world supply and demand conditions in both primary and manufactured products may vary from one time to another. Dual exchange rates appropriate at one time may be ineffective later. They may also be looked upon as the equivalent of a subsidy to manufactured exports. In practice it may be difficult for various countries to establish an appropriate preferential exchange rate for manufactured products. At a low exchange rate the country can export any manufactured products that it produces and at a higher one it will export few. Even in the same industry with a number of producers, a somewhat more favourable exchange rate can enable the more efficient manufactures to export, while a substantially lower exchange rate may be required to enable less efficient producers to export. Furthermore, various questions arise on the use of subsidies. Will it encourage manufacturing enterprises to attain efficiency in manufacturing in the long term? Or will it perpetuate an inefficient manufacturing structure? Will it enable more efficient producers to earn larger profits? What will be the benefits of dual exchange rates compared to the over-all costs to all sectors of the economy including domestic consumers? Will the increased exports of manufactures and the direct and indirect benefits in industrial development justify the problems of administering such a system and the possible costs to domestic consumers in higher domestic prices.

At any rate, while dual or triple exchange rates encounter some definite international and domestic problems, they may be an appropriate device for some countries to foster exports of industrial products. However, one of the key aspects is to determine an appropriate level of dual rates that balances a country's interests in promoting manufactured products and in maintaining exports of traditional products. Furthermore, the dual exchange rates should not involve too much subsidy to manufacturing enterprises and perpetuate inefficiency. The dual or triple exchange rates should be adjusted periodically to adapt to changing domestic and international economic conditions.

(c) Foreign Investment Policy

Foreign investment in manufacturing enterprises can make a positive contribution to fostering expansion of exports of manufactured products by contributing managerial, technological, and marketing expertise. But foreign investments in manufacturing in Latin America have not usually been oriented towards establishing export oriented industries. Rather most investments in manufacturing industries have been defensive in character to protect existing markets. International companies have established plants in these countries in order to maintain sales, since they have found it increasingly difficult to export to these markets. In other words, the foreign investments of international companies have been related to the import substitution policies of governments. The governments have established high tariffs and other barriers and in some case have encouraged international companies to invest in plants in the country. The result has been the establishment of relatively small plants oriented to the domestic market and protected by high tariffs and other import restrictions. Furthermore, such foreign enterprises have usually faced little competition from other companies and have often attained a semi-monopoly position.

Thus, the combination of defensive investments by international companies and import substitution policies of a number of Latin American countries has not been favourable to establishing export oriented enterprises and a modern industrial structure. In some cases foreign investment has been in consumer industries, such as soft drinks, processed foods, appliances and automobiles, oriented towards small middle and upper income groups. Many of these industries have not involved high inputs of technology. Using a longer time horizon concerning future expansion of the market, some international companies have invested in larger plants than were justified by existing demand. But in some cases, because of low productivity, high costs, the rather small number of existing consumers in the middle and upper class, the slow growth of family income, demand has not grown as rapidly as expected and the plants have had excess capacity. Furthermore, international companies have had little incentive to modernize the productive facilities. They have found the rate of return lower than in other areas of the world, considering devaluations of currencies, inflation, exchange

/controls on

controls on remission of dividends, various labour and other laws, and political instability. Thus, in a number of cases the foreign investments in manufacturing have not brought the modern industrial structure for either the domestic market or for export.

Nevertheless, foreign investments have been a key factor in stimulating exports of manufactures of a number of countries, such as Israel, South Korea, Hong Kong, Taiwan, Mexico, and Brazil. The role of foreign investments has varied in these countries. For example, foreign investments in South Korea, Taiwan, and Hong Kong have emphasized production of electronic components, textiles, and other products utilizing the cheap labour available. The government of Israel has granted many incentives to international companies to invest in a number of industries, including high technology industries, that utilize the skilled labour, entrepreneurship, and technical know-how available in the country. The incentives include cash grants, accelerated depreciation allowances and long-term loans at subsidized interest rates. The government of Israel has also had an effective export strategy that has involved a number of complementary fiscal, domestic investment, trade and other policies and a comprehensive export promotion programme.

International companies investing in Brazil and Mexico have benefited from a fairly large domestic market and have become efficient enough to export to other ALALC countries as well as to other parts of the world. Mexico has recently placed major priority on export oriented foreign investment, and is beginning to require that international companies export enough to earn foreign exchange to finance their import requirements. It has also encouraged or required joint ventures. International companies have been responsible for an important part of Brazil's exports of manufactures, but a substantial part has been to ALALC countries. Brazil is beginning to grant a reduced tax on remittance of profits to international companies based upon their exports of manufactures. The tax will be reduced when countries increase the percentage of their industrial exports.

/The manufacturing

The manufacturing enterprises of international companies in Latin America can evolve along the following lines: (a) production for the domestic market, usually behind high tariffs and other import restrictions; (b) production of finished products for the national market and export of semi-manufactures and components to regional markets such as LAFTA; (c) production and marketing of finished products as well as components to regional groups (such as above); (d) production and exporting of semi-manufactures and components in world markets; and (e) production and marketing of finished products as well as components in world markets. Once again the manufacturing enterprises of international companies do not have to go through all of these stages. However, manufacturing enterprises by international companies in Latin America have generally concentrated on stage 1; however, some in Brazil, Mexico and Argentina have reached stage 2 and to a lesser extent stage 3 and 4. A few of them are approaching the last stage. Latin American countries should strive to induce international manufacturing enterprises to move into the later stages.

The evolution and development of international and multinational companies has had an important impact on international trade and economic relationships during the last two decades. The international business of these companies tends to evolve along the following items: (a) exporting; (b) licensing; (c) direct investments in manufacturing plants in a number of countries, most of them wholly owned but some joint ventures. They also enter into management contracts, technology agreements and co-production arrangements. They can engage in all of these types of activities simultaneously in various parts of the world. Multinational companies tend to move toward a global perspective with respect to marketing, investments, finance, production and technology. They have accumulated a considerable degree of international marketing, managerial, and technological capabilities. They are key channels for transmission of managerial and business knowhow and modern technology. They have substantial marketing capabilities, that can be used to develop exports of manufactures. They also play an important part in training national personnel to acquire such skills.

/However, direct

However, direct foreign investments by international companies have their costs as well as their benefits. Furthermore, the policies of international companies may conflict with the aspirations and national interests of developing countries. Foreign investments may lead to longer term pressures on the balance of payments as a result of remission of profits. They may lead to the establishment of powerful and even semi-monopolistic enterprises that sometimes impede the development of native enterprises. Foreign subsidiaries may dominate key sectors of industry. Some of these points are uncertain and controversial. The international company can do a great deal to train and raise the level of national management and encourage the development of complementary industries.

However, in some respect the most important issues are the matter of control and the center of decision making. While the international company may delegate some authority to national subsidiaries, it usually centralizes key policies and decisions at headquarters. Thus headquarters usually makes decisions on investments, the type of production, exporting, expansion, financing, remission of dividends and many other matters. The multinational company will try to maximize profits of its entire system of enterprises around the world rather than any particular subsidiary. Thus, decisions of international companies may conflict with the national interests of particular countries and governments may feel that key decisions that vitally affect their economy, are outside their control.

While there can be some difficult problems in reconciling the interests of developing countries and international companies, governments can do so by establishing clear policies on foreign investments. Not all countries will necessarily want to encourage foreign investments by international companies because of their experiences of the past and because of their general economic and political philosophy. But some governments will want to obtain the contributions of their international companies in modern technology, business knowhow, and marketing expertise and in training of national personnel in these key fields. They will want to utilize the international company to foster development of efficient industries that are export oriented. In order to do this, countries will have to provide a favourable investment climate for international companies so that they

/can obtain

can obtain a reasonable return on investment. At the same time they will want to ensure that the activities of international companies are compatible with national goals and policies.

Along this line, governments can establish a number of criteria and conditions for foreign investments by international companies. They can give priority to foreign investments that are export oriented. In fact, governments can establish some standards for exports by international enterprises and even negotiate export targets with the companies. The granting of specific incentives can be tied to achievement of export targets. However, usually governments should not solely use export criteria as a basis for foreign investment. This will also want to encourage foreign investments in higher technology industries where exports are not expected to be substantial. Some of those industries may be complementary to export industries. Governments will also want to encourage foreign investments that play a significant role in training national managers and in the development of other key industries important to economic growth.

In order to further reconcile the interests of countries and international enterprises, governments may establish policies that provide for or encourage the establishment of joint ventures. Along these lines it has to be recognized that most multinational companies especially in high technology fields strive for wholly owned subsidiaries in foreign countries. However, in recent years more international companies have been accepting joint ventures, although they usually want a substantial majority ownership. Yet, a number of countries including Mexico, India, Pakistan and Japan have been successful in getting many international companies to accept joint ventures, even those with 50-50 and minority ownership. Latin American developing countries can foster joint ventures by international companies in a number of ways. They may require joint ventures in some key industries that they consider of mayor national importance. However, in the case of highly export oriented enterprises, they may be less demanding that international companies establish joint ventures. They may permit international companies to have a substantial majority ownership of affiliates that are highly geared to exporting. However, they may require that nationals obtain at least fifty per cent or majority ownership of foreign affiliates gradually within a definite period of time such as ten to fifteen years.

/Governments may

Governments may also encourage international companies to enter into management contracts to provide managerial, marketing, technology and other services for industrial enterprises, that are oriented towards exporting. Such managerial contracts may be combined with 50-50 or minority equity ownership, or the managerial contracts may be utilized without equity ownership. Of course, these management and technology agreements have to be attractive to international companies. Thus, there are many ways of encouraging participation of international companies to make a positive contribution to export expansion.

9. Export promotion programme

On the basis of the policy recommendations, the export strategy should develop the broad export promotion programme for the planning period, such as five years. The programme should preferably make longer term budgetary commitments. It should also provide for high priority infrastructure investments, the establishment of an effective and well co-ordinated institutional structure within the government for an integrated approach to export development, and the broad line of policy instruments, incentives, and export-supporting services. The export strategy should provide for an appropriate balance or mix between the infrastructure, incentives, export services and other measures.

In most governments, it is difficult if not impossible to make firm budgetary commitments for export development for a five year period. Yet, continuity and adequate financial support is indispensable for success. Governments can often make broad commitments as part of their development plan. As another approach, governments can follow the example of Colombia and Mexico to create a special fund. They can set a special tax, for example of one or one-and-a-half per cent on imports or foreign exchange sales, to obtain a fund that would be used exclusively to expand and diversify exports.

Other papers and discussions by experts are dealing with effective public institutional arrangements for export development. The institutions comprise those throughout the government that should be involved in all phases of export development. They include the ministries and governmental

/bodies involved

bodies involved in industrial production and supply for export, trade policy, infrastructure investments, various export incentives, and export marketing and other types of services. What is essential is that the governmental institutions are well designed and closely integrated for an all out export effort. Furthermore, the institutional arrangements should provide for effective government-business-labour co-operation at various levels to develop exports.

As part of the over-all export strategy, the export promotion programme should plan key infrastructure investments that are essential to expand and diversify industrial exports. These infrastructure investments should include not only those in highways, ports, other transportation facilities, communications, and power, but also social overhead investments in educational and training programmes to develop export oriented public officials and businessmen. Along this line plans can be developed to have schools of business administration train export entrepreneurs.

The export strategy should determine the priority of the export infrastructure investments and the appropriate mix between infrastructure investments, export incentives and other measures recognizing that they are complementary. The infrastructure investments may reduce the cost of producing and supplying products for export. On the other hand, export incentives can in various ways reduce costs or prices of exported goods or make exporting more profitable. Export marketing and other services can aid business enterprises in exporting. Thus, as part of its strategy a country should strive to determine the optimum mix of infrastructure investments, export incentives and other measures.

A variation of the Planning-Programming Budgeting System (PPB) used by the Department of Defense in the United States can be used to develop more detailed programmes and specific activities in export development. This system may be termed Objectives-Policies-Programmes-Budgets-Measures-Control. It starts with the governmental objectives and export targets that have been established and the policies that have been determined as part of the export strategy. Then, the analysis involves determining the governmental programmes, including budgetary commitments, infrastructure investments, policy instruments, institutional arrangements, export incentives and services

/to carry

to carry out the policies and achieve the objectives. This analysis aims at achieving the optimum mix of the infrastructure, policy instruments, institutions, incentives and services to achieve established goals. This involves achieving results at minimum costs or maximizing achievements in relation to inputs of funds and personnel. Furthermore, the system involves a control mechanism that reviews accomplishments in exports against established goals and adapts the programme whenever justified by experience.

For example in evaluating infrastructure investments, policy instruments and incentives some of the following questions should be considered with respect to individual measures and the entire mix:

- (1) What are the total costs both direct and indirect?
- (2) To what extent do the measures achieve the established export and other goals?
- (3) What is the effectiveness of various measures in terms of costs, considering previous experience if any?
- (4) What are the alternative measures and mixes and their effectiveness in terms of costs?
- (5) How efficient are various measures?
Can they be readily implemented considering the administration apparatus and political, economic and social setting in the country?
- (6) Can the effectiveness of various measures be ascertained to periodically evaluate them? How?
- (7) Do infrastructure, policy instruments, incentives and other measures harmonize and reinforce each other? What can be done to ensure that they reinforce other?
- (8) What has been the experience with various similar programmes and measures in the past in this country and other ones that are similar?
- (9) Do the programmes utilize the country's human, financial and material resources in the most effective way to achieve export and other goals?
- (10) Do the programmes have the appropriate mix to mobilize industrial, financial and commercial enterprises for an all out export effort?

/Each part

Each part of the programme should be evaluated in terms of degree it fosters achievement of export and other goals. Budgetary expenditure required should be determined for all aspects including infrastructure investments, institutional arrangements, policy instruments, incentives and services. Cost effectiveness calculations should be made considering anticipated results and direct and indirect costs. Qualitative aspects should be considered as well as purely quantitative ones. Wherever, legislation has to be enacted to implement programmes and measures, the feasibility of doing it should be considered. Since most governments have undertaken previous export promotion activities, they should evaluate achievements under previous programmes. Of basic importance, a key question is always the following: What are the alternative investments, instruments, incentives and other measures? How effective would the alternatives be in achieving goals in relation to costs? Another key question is how do the combination of infrastructure investments, institutional arrangements, policy instruments, incentives and services fit together to achieve export and other goals? What mix of components can best achieve objectives in expansion and diversification of industrial exports? What mix will lead to response by industrial, commercial and financial enterprises in a determined export effort? What combination of measures can the government administer and implement effectively within its organizational capabilities?

Of major significance, there should be provision for regular review of all aspects of export development programmes. Preferably, export performance should be monitored monthly, quarterly and annually against established targets. The annual review should be highly comprehensive and thorough going. It should not only evaluate performance against established goals but also the cost-effectiveness of all components, including infrastructure investments, policy instruments, operation of public institutions, direct incentives, export services.

10. Administrative Aspects in Formulation of Export Strategy

The strategy is a way of mobilizing over the longer term the resources, administrative apparatus and services of government for an integrated and sustained effort to promote industrial exports. In order to do this, the President, the key ministers, and other governmental officials have to give impetus and support the development and implementation of the strategy. The export strategy also strives to infuse among business enterprises, labour and other groups a sense of direct involvement in the national export effort and achievement of higher standards of export performance. This requires their support and their participation in all stages and phases in the development and implementation of the strategy.

More specifically a top level National Export Council consisting of the President (if feasible), key ministers and officials of the government, and leaders from business associations, industry, finance, commerce, labour, education, agriculture and other groups should play an active role in the formulation of the export strategy. Most countries have some type of advisory National Export Council, but frequently it is a paper organization that plays no significant role in export development. Such an organization, involving key governmental and private leaders, should actively advise on the broad directions of an export strategy. In this way and in others, it should mobilize key groups in the country for a determined export effort.

As an example, South Korea established the Joint Export Development Committee (EPSC) which actively involved every economic Ministry, quasi-government agency and university, the banking community and all sections of the business community in planning, co-ordination and activation of export development. Specifically, the EPSC consisted of: (1) the Vice-Ministers of Commerce and Industry, Agriculture and Forestry, Finance, Economic Planning, Transportation and Foreign Affairs; (2) the Directors of Customs, Monopoly, the Korean Export Promotion Corporation, Bureau of Standards, agricultural and industrial research centres; (3) the governors of the Bank of Korea and officials of private banks; and (4) the Presidents of the Korean Chamber of Commerce, Korean Businessmen Association, Korean Traders Association, Small and Medium Business Co-operatives Association, and other trade associations.

/The committee

The committee relied greatly on a small steering committee to perform the detailed planning and co-ordination of the over-all export drive. At the working level, a series of governmental-business task forces were responsible for activities in finance and taxation, agriculture, fishing, mining, heavy industry, light industry, marketing, quality improvement, simplification of procedures, and exporter-importer relations. The task forces assumed primary responsibility for formulating specific export development programmes. Furthermore, thirty-five commodity chiefs from Ministries of the government co-operated with the working task forces. The over-all institutional structure effectively mobilized the private and public sectors in planning and implementation of export development.

In many countries it is also advisable to have a top level Intergovernmental Export Policy Commission that plays a key role in developing an export strategy and co-ordinating it throughout the government. Such a Commission could consist of the Ministers or Deputy Ministers of Commerce and Industry, Foreign Affairs, Public Works and Labour, the President of the Central Bank, and the Director of Planning (depending upon the organization prevailing in the government). This Committee would receive some guidelines from the National Export Council. Its purpose would be to achieve a government wide effort in formulation of an export strategy. Thus, while planning officials should give major guidance to the process of formulating a strategy, the line officials of government who have to implement it would be actively involved in developing it and committed to it.

Besides the broad guidance through the National Export Council, business labour, educational and other leaders should advise on more specific aspects of an export strategy, including identification of major obstacles to exporting, ways of overcoming them, realistic export targets and required modifications in governmental policies and measures. Along this line, it is advisable to have working government-business-labour committees by major industrial sectors to analyze major problems and ways of overcoming them, to help set realistic export targets and recommend changes in governmental policies and specific programmes and measures. For example, hundred of enterprises in major industries and many business associations participated

/in the

in the formulation of Israel's industrial development and export plans for the five year period 1965 to 1970. In Japan very close government-business co-operation exists in the formulation and implementation of industrial development policies and an export strategy. About three hundred mixed governmental-business commissions exist to achieve close integration of industrial policies and export strategy. Such active participation by business, labour and other groups in conjunction with government helps to develop a realistic and action-oriented export strategy.

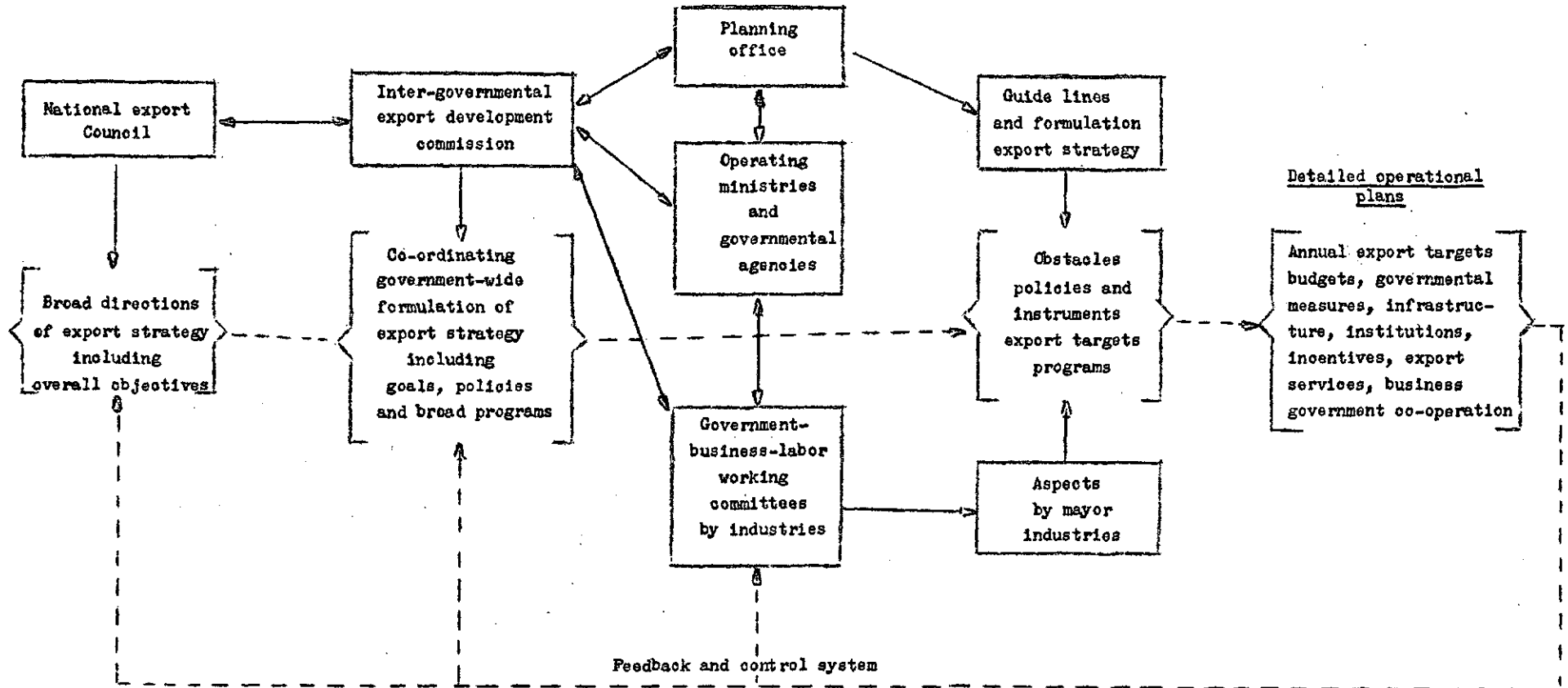
Finally, the National Export Council, the Intergovernmental Export Policy Commission, the governmental-business-labour working level committees should participate in regular review of the export strategy. There should be reasonably frequent meetings of the working level committees to examine progress in exporting by major industrial sectors. Regular flows of information on export performance should be sent to the Intergovernmental Export Policy Commission and the National Export Council. The latter two organizations should meet at least monthly to evaluate progress in implementing the export strategy. At least once a year, the National Export Council and the Intergovernmental Export Policy Commission should conduct very intensive reviews of performance under the export strategy. These meetings may result in modifications of any aspect of the export strategy to keep it realistic and a basis for action in the future.

A suggested process for formulation and reviewing an export strategy is shown in Figure VII. The National Export Council advises on the broad directions of an export strategy including over-all objectives. The Intergovernmental Export Policy Commission co-ordinates the government wide effort in formulation of the export strategy. It also develops the broad aspect of the strategy, including the goals, policies and broad programmes. The planning office in conjunction with various governmental agencies makes detailed analysis of export supply, potential demand, and critical economic parameters as a basis of the strategy. It also develops strategy guidelines for the Export Policy Commission, the various governmental bodies and the government-business-labour working committees and integrates the export strategy with development plans. Government-business-labour working committees ascertain major obstacles to exporting and ways of dealing with

/Figure VII

Figure VII

PROCESS FOR FORMULATION AND CONTROL OF AN EXPORT STRATEGY



them and recommend major export promotion programmes and measures. The planning office in conjunction with the operational offices of government integrates the recommendations with respect to policy changes, supply and demand analysis, export targets, budgetary commitments, infrastructure investments, policy instruments, export promotion institutions, incentives, services and other measures. The broad outlines of the export strategy are presented to the National Export Council for evaluation. The National Export Council presents recommendations on an export strategy which are submitted to the Intergovernmental Export Policy Commission for evaluation and decision. The Intergovernmental Export Policy Commission determines the basic character of the export strategy and then directs the various operating offices and the planning office to work out the more detailed plans, including export targets, required policy changes, infrastructure investments, policy instruments, institutional arrangements, incentives and services. The planning office and the operating offices of governments also work out annual operational export plans in greater detail.

Specific personnel within the operational and planning offices of government are assigned responsibility for monitoring progress under the plans. They evaluate regular reports on export performance under the annual operational plans and the longer term export strategy. They also examine implementation of policy changes, policy instruments, infrastructure investments, export promotion institutional changes, incentive and other measures in terms of the plans. They strive to evaluate how effectively the export strategy and annual operational plans are being implemented from month-to-month. The working committee evaluate progress by major industrial sectors. The operational offices of government report at least monthly to the Intergovernmental Export Policy Commission. The working committees report on progress to the National Export Council. The National Export Council and the Intergovernmental Export Policy Commission review performance under the export strategy monthly and quarterly. All units conduct a very comprehensive review of achievements each year under the export strategy in relation to export targets. As a result of this comprehensive evaluation, the export strategy may be modified to make it more realistic; at the same time a new operational export plan is developed for the next year.

