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Worldwide Export Promotion Requires New Concepts

The recent improvement by the Export-Import Bank in America of its conditions for guaranteeing and financing exports, the new draft bill presented to the Italian Parliament on this subject and the simultaneous extension of export advisory organisations there, were merely reactions to similar measures in England, Japan and the German Federal Republic. With the recent improvement of the promotion system in France we have, for the time being, reached the culmination of a process which, in recent years, has been characteristic of foreign trade policy in industrialised countries.

In spite of the generally advertised return to the ideals of free trade, export development is no longer just the result of the free play of automatic market reactions. The greater the significance placed upon exports because of a lull in the domestic boom or unfavourable trends in the balances of payments, the sterner becomes the state-supported effort to maintain and increase export markets, particular importance being placed upon those measures connected with export guarantees and finance.

The intensity and efficiency of State export promotion—first a consequence of traditional thinking on exports and of ideological views—are increasingly influenced by exporting interests and by the pressure brought by importing countries for better conditions. One tendency which prevents a swing to a new state of "balance" is common to such measures: although improvements tend to eliminate deficiencies in the promotion system, they still retain existing advantages. In addition, improvements are normally introduced in such a way that competitors on the world market are not only overtaken, but outdistanced.

Such action by a "dynamic" State benefits its exports in the short term. With help of assistance given in the initial stages and attractive conditions whilst a business is being developed, exporters are able, at the outset, to do better than their competitors in the international field. However, a larger or smaller number of "imitators"—in the form of the main competitor countries—soon follows suit. The result of such measures is that competitive advantages gained by those first in the field are eliminated or anyway considerably reduced.

In the long term, such a process does not really benefit any of the industrialised countries. Insofar as such promotion consists of overt or covert subsidies, these merely become a heavier burden upon the overall economy. Since—seen internationally—such measures tend to balance each other out at least in part, a general increase in the economic cost per export unit occurs. Certain countries, of course, can pursue such a policy for relatively long periods, but it is extremely doubtful whether they will be successful.

Over and above this, the advantages to purchasing countries, for whose benefit these drives are made, are not always very obvious. Consider the example of the developing countries which are the main beneficiaries of such a policy. No one will deny that better conditions of payment—such as low interest rates and longer credit terms—make it possible for those countries to acquire the goods, plant and technical know-how they need in order to commence or further the process of growth. But one day, all these countries will have to pay for their imports and the—in most cases—unfavourable trend in their balance of payments raises justifiable doubts as to the long-term solvency of the developing countries.

It is unlikely that this dilemma will be solved merely by a "Conference on World Indebtedness" which would allow developing countries to write off the major part of their debts. This senseless race for better conditions between the most important exporting countries must come to an end. The solution can only lie in a properly co-ordinated, joint policy to be followed by these countries which will take account of the requirements of both exporting and developing countries.

Dietrich Kebschull