**Paper title: The key issues of the improvement of export promotion policy at the macro- and micro levels**

**Abstract:** Exporting is an important factor of economic growth, and therefore export promotion is a critical consideration for economic development of each country. As a public policy component government-sponsored programs must be developed to promote export activities. Promoting export activity; particularly by traditional exports and new export products, is essential for progress in this area. This paper establishes the basic functions and the key strategies of such export support systems. It also represents questions which are the main essential issues in the sphere of export promotion. In many countries the government is the principal provider of export assistance to the business community. Anyway, the government alone does not have all the resources, the staff, the expertise, or the communication channels needed to wage such a broad-based promotional campaign and for this reason the government develops broader and deeper partnerships with the private sector.

**Keywords:** *Export promotion, government-sponsored programs, business sector, traditional exports and new export products, export trial and evaluation stages, resource-driven, investment-driven and innovation-driven stages*

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**Introduction: The role of exporting**

As it is known from *microeconomics, international economics and marketing*, exporting is one of many market expansion activities of the firm. As such, exporting is similar to looking for new customers in the next town, the next regions; it differs in that national borders are crossed, and international accounts and currencies are involved. Yet, these differences make exports special from a policy perspective.

And based on *macroeconomics*, exports are special because they can affect exchange rate, fiscal and monetary policies of governments, shape public perception of competitiveness and determine the level of imports a country can afford.

It should be mentioned also that on the level of the firm, exports offer the opportunity for economies of scale. By broadening its market reach and serving customers abroad, a firm can produce more and do so more efficiently, which is particularly important if domestic sales are below break-even levels. As a result, the firm may achieve lower costs and higher profits both at home and abroad. Through exporting the firm benefits from market diversification, taking advantage of different growth rates in different markets, and gaining stability by not being overly dependent on any particular market. Exporting also lets the firm learn from the competition, makes it sensitive to different demand structures and cultural dimensions, and proves its ability to survive in a less familiar environment in spite of higher transaction costs. All these lessons can make the firm a stronger competitor at home.

Finally, since exporting is only one possible international marketing strategy it may well lead to the employment of additional strategies such as direct foreign investment, joint ventures, franchising or licensing - all of which contribute to the growth and economic strength of the firm, and, on an aggregate level, to the economic growth of a country.

***State and private export promotion***

In general, and particularly under contemporary globalization processes, export of goods and services, and economic development, increasingly are becoming positively correlated and interdependent. Exports affect and are affected by long-term economic growth through various channels such as production and demand linkages, learning effects and improvement of human resources, adoption of superior technology embodied in foreign-produced capital goods, and the general easing of the foreign exchange constraint associated with the expansion of the export sector (Delano Villanueva, 1993, Auboin, 2004). Thus, because of the important role of exports, relevant promotion policy should be drawn for development of this sector.

Of course, the export strategy is only one of the many factors contributing to a country's growth, though there is a strong association between the two (Krueger 1983). In addition, the way countries organize for export promotion is expected to differ according to the cultural, legal, and political environments as well as the stage of economic development in individual countries (Seringhaus and Rosson 1990).

It should be indicated some nuance between promotion of *traditional exports* and *new export products*. The first one can lead only to export growth, whereas the last one concerns diversification (both-geographic and product diversifications), which is very important for export development.

Generally, export promotion is the most important part of the commercial policy of many countries. Export promotion means carrying out an active trade policy. In the last decades, it concerned, first of all, developing countries and countries in transition. The policy of export promotion, as a rule, is only a phase of a commercial policy under certain social, economic and political conditions.

Today's export promotion programs often provide comprehensive and sophisticated services to the business community. To this regard, the following questions are the main essential issues:

1. Which sector is responsible for export promotion - the public sector, private sector, or joint efforts?

2. What should include a relevant export promotion policy portfolio?

3. Who should provide what activities? Who Is Responsible for Export Promotion?

It is remarkable that the issue of the role of government-sponsored programs has generated opposing perspectives from two branches of economic schools. One views government-sponsored export promotion as a subsidy that distorts free trade. This distortion is assumed to misallocate resources and result in lower global economic welfare (Bhagwati 1990, Ramaswami, and Srinivasan 1969).

The other economic school considers government participation more favorably, as an attempt to improve market information. No matter which perspective one adopts, there is no denying that the potential economic gains from exporting have led governments in both developed and developing countries to initiate trade policies designed to increase export competitiveness. Whether formally recognized or not, government and exporters usually are involved in a "public- private partnership," in which the private sector provides the initiative and the public sector provides the necessary controls and support.

In general, competitiveness is usually related to macroeconomic issues (such as changes in exchange rates or wages) or microeconomic issues (such as an absence of entrepreneurship and excessive bureaucratic regulations on business). Actually, many factors, including initial conditions, history, natural resources, country size, geography and competitiveness strategy, influence business competitiveness in developing countries.

The role of the business sector is different. Successful experiences in many countries suggest that, in the management of a developing country’s competitiveness strategy, business, particularly business associations and leading firms, can make at least four important contributions. It can:

1. Help weaker firms to help themselves by establishing industry-specific training centers, carrying out productivity benchmarking exercises and quality awareness projects, fostering subcontracting relations and providing advice on effective marketing strategies.
2. Help government to plug information gaps by undertaking surveys of business confidence, highlighting export market barriers, participating in WTO negotiations and trade promotion missions, and engaging in regular economic policy dialogues with government.
3. Increase government capabilities by seconding specialist managers in finance, marketing and general management on short-term programs to key government departments and investment promotion missions.
4. Participate in building infrastructure and other strategic national projects by providing private finance as well as a package of marketing and managerial expertise.

Surely, the economic and particularly industrial growth causing by export growth, is issue of observation at macroeconomic level but can be studied only at microeconomic level (Kopeva, Shterev and Blagoev 2010). This is one more prove of necessity of public and private partnership and cooperation not only in conducting efficient export promotion policy but also in the formulation of reasonable export promotion strategy and policy.

***Export promotion targeting***

It should be noticed that one of the major criticisms of government export promotion schemes in many countries is that they tend to be poorly targeted. Awareness levels about export schemes among managers of companies at exporting or pre-exporting stages of internationalization are often quite low, and the perceived usefulness of schemes may decline as companies internationalize and their needs become more specific. One solution may be to develop a better understanding of the needs of managers who make export market development decisions, and to target segments of managers (rather than companies) who share similar strengths and weaknesses.

There is a growing body of literature concerned with identifying managerial characteristics that appear to be related to increased levels of company internationalization and/or performance (Dichtl, Koeglmayr and Mueller 1990; Louter, Ouwerkerk and Bakker 1991; Calof and Beamish 1994; Gray 1995). However, much of this research is fragmented, with little effort made to synthesis the varying approaches to produce more generalizable results.

Yet most governmental export promotion schemes appear to be more concerned with identifying and helping particular types of companies, rather than particular types of managers. Programs such as trade fairs, trade missions and country-market seminars typically target potential exporters and/or existing exporters. (Diamantopoulos, Schlegelmilch and Tse 1993).

However, it appears that *government-funded export promotion programs* in many countries limit any differentiation of services to matching information, research, promotion, buyer introduction, and export finance or insurance services with companies at different stages of internationalization, typically those that can be classified at the pre-exporting, market entry and export operations stages (Seringhaus 1987). But more experienced companies with better-skilled managers may use a variety of entry modes in foreign markets. Therefore, it could be erroneous to assume that all companies require the same assistance simply because they appear to be at the same stage of internationalization (i.e., they are using similar entry modes in a particular market or region).

Of course, company factors such as core competencies, financial and personnel resources and international business experience are still important considerations, as insufficient resources are likely to inhibit foreign market entry and expansion. But it is key managers who make and implement international business decisions, and without the requisite knowledge, attitudes and commitment, they are unlikely to be successful.

To succeed internationally, it appears that senior managers may also need high levels of what could be termed "global orientation" to effectively identify and exploit a wider range of market opportunities. Essentially this is a geocentric view of international markets (Calof and Beamish 1994), and a desire to exploit these with appropriate marketing strategies and structures (Li and Guisinger 1992). It has been suggested that global orientation may be assessed by determining the strength of three partially related attitudes: international orientation and commitment, global awareness, and cultural awareness and sensitivity (Cateora 1993).

The role of higher education is very important to achieve export development - to have highly qualified outward-oriented business managers. This is a main issue for harmonization of production, export structure and export potential of the country with specializations’ and specialties’ structure in universities and in colleges inside of country, and also effective usage of international educational programs. Additionally, the trainings organized by export promotion organizations are essential.

It is very important also the research of economic, and particularly industrial development, since the export promotion and structural policy are much correlated. Here we should notice about industrial dynamics which includes:

* Research and assessment of the level of impact of sector strategies and polices on firms,
* Comparative analysis of firms operating in appropriate branch of industry with competitor firms abroad,
* Research and analysis of the degree of international, and vertical (within country) integration in the industry sector (Kopeva, Shterev and Blagoev 2010).

Of course, the industrial dynamics not only describes and analysis the current industrial structure but also deducts the factors that make the “industry” system change over time (Krafft, 2004, Dietrich, 2006). Export as part of trade sector of the economy, can influence significantly to the level of development of entire economy of the country, i. e. the non-tradable sector too.

***Export promotion at different stages of firms’ and economy development***

Even though exports are important, in times of tight budget constraints and competing public priorities, it is important to ask why firms should be enticed into exporting through the use of public funds. Given the motivation of business activity by profit, one could argue that the profit opportunities for exporters should be enough of an incentive to motivate firms to export.

To explore this issue, it is helpful to understand the export development process within the firm. Typically, firms evolve along different stages to become experienced exporters. These stages start out with a firm being uninterested in things international. Management frequently will not even fill an unsolicited export order. Should such orders or other international market stimuli continue over time?. However, a firm may move to the stage of export awareness, or even export interest. Management will begin to accumulate information about foreign markets and may consider the feasibility of exporting.

At the *export trial stage*, the firm is likely to fill selected export orders, serve few customers, and expand into countries that are geographically close or culturally similar to the home country.

At the *export evaluation stage*, firms consider the impact of exporting on overall corporate activities. If expectations placed in exporting are not met, the firm is likely to discontinue its export efforts and either seek alternative international growth opportunities or restrict itself to the domestic market. If the evaluation is positive, the firm will, over time, move on to become an export adapter, make frequent shipments to many customers in more countries and incorporate international considerations into its planning.

In each one of these stages, firms have different concerns. For example, at the *awareness level*, firms worry mainly about information on foreign markets and customers. At the *interest stage*, firms become concerned about the mechanics of exporting. During the *export tryout*, communication, logistics and the sales effort become key problems. At *evaluation time*, government regulations and financing take on greater importance. In the *adaptation stage*, service delivery and control are major issues.

As a firm moves through these stages, unusual things can happen to both risk and profit. In light of the gradual development of expertise, the many concerns, and a firm's uncertainty with the new environment it is about to enter, management's perception of risk exposure grows. In its previous domestic expansion, the firm has gradually learned about the market, and therefore managed to have its risk decline. In the course of international expansion, the firm now encounters new factors such as currency exchange rates and their behavior, greater distances, new modes of transportation, new government regulations, new legal and financial systems, new languages, and cultural diversity. As a result, the firm is exposed to increased risk. At the same time, due to the investment needs of the exporting effort, in areas such as information acquisition, market research and trade financing, the immediate profit performance may deteriorate.

Even though international market familiarity and diversification effects are likely to reduce the risk below the previous "domestic only" level, and increase profitability as well, in the short and medium term, managers may face an unusual and perhaps unacceptable situation rising risk accompanied by decreasing profitability. In light of this reality, and not knowing whether there will be a pot of gold at the end of the rainbow, many executives either do not initiate export activities or discontinue them. A temporary gap in the working of market forces seems to exist. Government export assistance can help firms over this rough patch to the point where profits increase and risk heads downward. Bridging this short-term market gap may well be the key role of export assistance, and the major justification for public sector involvement.

The national competitiveness strategy should have a different orientation at each stage.

At the most basic level of economic development, competitive advantage is determined by resources, such as low-cost labour and access to natural resources. Many developing countries, and most least developed countries, are mired in this*resource-driven stage*. The export mix is extremely narrow and typically limited to low value-added products. Dependence on international business intermediaries is high, and margins are low and susceptible to swings in prices and terms of trade. Technology is assimilated through imports, imitation and foreign direct investment (FDI). In this stage, strategy-makers should design strategies to attract capital investment and to invest the proceeds of economic growth into the wider determinants of national competitiveness, specifically health, education and infrastructure.

One level up is the *investment-driven stage*, where countries begin to develop competitive advantage by improving their efficiencies and developing increasingly sophisticated products. Improvements are made to imported technologies; there is extensive joint venturing and heavy investment in trade-related infrastructure (roads, telecommunications and ports).

The focus of the national export strategy at this second stage should be on further improving the business environment through revisions in regulatory arrangements (customs, taxation and company law). Strategy should assist prospective exporting firms to extend their capabilities within the international value chain. As production shifts from commodities towards manufacturing, sector-level strategy should seek to support greater value-addition nationally within the value chain. While promotion of FDI should, of course, continue to be a strategic priority, strategy-makers should focus increasingly on encouraging in-country business alliances.

At the final stage in the competitiveness process, the *innovation-driven stage*, the country’s competitive advantage lies in its ability to innovate and produce products and services at the frontier of global technology. Strategy should focus on technological diffusion and on establishing an increasingly efficient national environment for innovation. The emphasis should be on supporting institutions and extending incentives that reinforce innovation within the business sector. Companies should be encouraged to compete on the basis of unique strategies. The development of service export capacities should be a priority objective.

***Conclusions***

It is evident that export strategy is only one of the main factors contributing to a country's growth, though there is a strong association between the export growth and economic development.

The lack of coordination between the private sector organizations and the government, as well as among levels of government, is a key weakness of the many export assistance programs.

Success in export promotion demands strong leadership and commitment from all parties involved, i.e. more integrated and coordinated approach to export assistance. Government and the private sector should collaborate in formulating a national export promotion strategy to help firms overcome barriers to exporting and involve more businesses in exporting. A preferred model of export assistance is one with a comprehensive mix of consistent policies and organizations that are responsive to the market conditions, needs of business enterprises, and possibilities offered by new products and technologies.

As an export promotion instrument at the macro level, the national competitiveness strategy should have a different orientation at each stage of economic development, as well as at the micro level, the firms’ business strategy have a different concerns at each stage of its development.

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