Export Promotion

Export promotion or export-led growth is a policy that is exercised by the government to promote goods and services of the company and industry exports to improve the country's economy. It is to stimulate the exports from domestic level to international level by proposing incentive designed programs to draw more companies into exports. The policy involves many methods and ways that will directly or indirectly support the companies and industries to enhance their activities. Direct support consists of Subsidies for exporters, supplies and customer export loans, investments abroad and loans for export production. It will directly improve their export and productivity. Most of the indirect support are informational support, technical assistance and promotion for the domestic exporters and their products abroad to guide and support the direct support.

Export subsidies implies that the government will provide financial assistance to exporters to enhance their production. Investment abroad is to make the receiver have the ability to purchase the exports. Information support is to provide exporters information that will help them to trade. It can be both information on international trade in general and specific information from specific territories and specific business partners. These are some support from the policy to guide the exporters to have a better ability on production and export in the higher level.

Export promotion can bring many pros and cons. The advantages of the policy are exports of goods and services are stimulated into the circular flow of income, and growing export sales provide revenues and profits for businesses. All of them help to increase aggregate demand and an expansion of output, leading to more income per capita while lower poverty to increase the equality of income distribution. Moreover, it increased employment due to the increase in production. Lastly, it also benefits economies of scale as increased sale of exports may help raise the domestic level of production and enable the country to gain from economies of scale and lower their costs of production

However, when there are pros, there are also cons. The drawbacks of the policy are chances may lead to demand pull inflation and higher interest rates, production capacity allocated to supply goods and services for export cannot be put to use meeting domestic needs and wants, and focusing on exporting might lead to over-dependence on the economic cycles of trade partner countries. Being over-dependence might be too risky as it is vulnerable to external economic and political shocks. In addition, it also comes with a chance of a consequent dip in domestic living standards if the country does not prepare for counter-measured. For Demand pull inflation and higher interest rates, it might then have the effect of making export industries less competitive in overseas markets and domestic producers less price competitive against imports.

There were four small Asian economies known as the four tigers. Japan, South Korea, Singapore, Hong Kong and Taiwan have followed export-led strategy for extensive periods of time, they have been very successful. However, in the current time, many countries face economic shock due to covid-19 aftermath. Hence, proposing the policy that is vulnerable to external economic and political shocks can be risky to Thai economy for their own industries and prefer to erect protectionist barriers, especially if opening up markets to foreign competition is deeply unpopular with the population.

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