

**Sergey Prikhodko**

Gaidar Institute  
for Economic Policy

Moscow

[www.iet.ru](http://www.iet.ru)

**Nadezhda Volovik**

Gaidar Institute  
for Economic Policy

Moscow

[www.iet.ru](http://www.iet.ru)

**Alexander Pakhomov**

Gaidar Institute  
for Economic Policy

Moscow

[www.iet.ru](http://www.iet.ru)

# International Experience in Export Promotion<sup>1</sup>

Over recent years Russia has actually become a monoculture exporter: three types of energy resources (crude oil, oil products and natural gas) ensure about 60% of the overall export volume. In the circumstances of such high export concentration over a small group of commodities, Russia's room for maneuver regarding foreign economic ties becomes significantly narrower and its vulnerability with respect to negative changes towards global fluctuations is growing significantly.

At the outset of third quarter of 2008 world prices on resource-based commodities went down together with a fall in global demand on these commodities. This led to a reduction in export supplies in physical and value terms. In fourth quarter of 2008 there was a price slump on practically all types of energy and resource-based commodities. Price went down on crude oil, non-ferrous metals, mineral fertilizers and reinforcing steel.

In fourth quarter of 2008 Russia's export value dropped down to 97.3 bln. doll., that is to say by 10.5% year to year and by 28.4% with respect to third quarter of 2008. Major factors which substantiate this dynamics became both fall of world prices and reduction in export physical volumes which accelerated during last two months of 2008.

In first quarter of 2009 Russia's commodities' export constituted 60.1 bln. dollars which was below the level of similar periods for 2006-2008 by 12, 16.1 and 45.5% respectively. In the circumstances of the demand squeeze, hard commodities went down in price by the end of 2008. As a result, in first quarter of 2009 contract prices on crude oil and oil products, unrefined copper and nickel constituted less than half of the level for respective period of 2008. About third of export reduction was due to a fall in supplies in physical terms. In the export value structure the share of three basic fuel and energy commodities went down from 67.4% to 59.5%

Important task facing Russia consists in the implementation of purposeful policy directed at export promotion as a whole and high-tech products, in particular. This is feasible only on condition that complex measures will be taken aimed at creating export potential realization and implementation of well-thought structural and industrial policy. Highly developed industrial countries differ not only in technological level and innovative products but in the variety of applied modern means of government promotion and protectionism of their national exporters and producers.

It became a matter of courtesy to persuade Russian consumers in the need for Russia's accession to the World Trade Organization as a full member and that it will be in the interests of the country as though at present Russian economy is not integrated into the world economy and domestic goods are not freely sold on the global market. It's quite another matter, that only Russian resource based commodities and products of primary processing are in demand on the global market. Engineering products have lost their attractiveness for foreign buyers due not only to technical backwardness but owing to the absence of government promotion of national export. We would like to analyze the latter in more detail.

One more legend produced by the initiators of Russia's accession to the World Trade Organization was the thesis about the impossibility within the framework of this organization to support domestic producer with economic or administrative measures. However, this fact does not correspond to the reality. Modern global machine-building market both internal and external is characterized by wide set of different instruments of government support of this branch of industry.

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<sup>1</sup> This paper has been specially written for this collection of articles

The scope of these instruments is very wide: starting with direct financial injections aimed at supporting enterprises and branches and closing domestic markets for foreign goods and unlawful possession of technologies and materials. The scale of widespread forms of government promotion is demonstrated by such a fact that in relation to over 90% of goods there are antidumping investigations conducted within WTO itself.

### **Government Export Promotion Measures Used on the Global Scale**

Global market represents fierce competition where nobody is inclined to grant privileges to Russian companies. In spite of the fact that negotiations about Russia's accession to WTO as a full member is nearing completion, there are no efficient instruments to support domestic producers when transnational corporations may come to Russia. After all, not only Russian industry should be getting ready to adopt additional obligations regarding WTO but Russian government as well. It should do it by means of creating new modern and efficient instruments of support, development and regulation of industry.

How favorable are the internal conditions can be finally measured by evaluating economic costs of import of certain goods and commodities to the domestic market of their export. In the majority of economies transport, insurance as well as losses due to red tape represent main factors which determine operating costs. Unpredictable and/or uncompetitive costs incurred on transport, financing and preparation of documents can create insurmountable barriers for trade activity of small and medium-size enterprises.

So far, it can be stated that formation of instruments designed for support is merely starting and is slowly progressing. Very often under various pretexts civil servants refuse to satisfy a request from industrial representatives for the domestic market protection from the competitors' aggressive activities or about the export promotion of goods at the comparable with foreign competitors conditions. At the same time, one of the arguments is that such measures will contradict WTO rules.

The issue of government export activities promotion really has a very delicate character. In accordance with WTO fundamental terms and conditions, first of all, Agreement on Subsidies and Compensatory Measures direct government promotion of goods export is prohibited<sup>2</sup>. In this connection many WTO member-states apply indirect and rather subtle forms of support of their private and public companies export activities.

In this context recent example of US complaints is rather indicative. They were supported by Mexico and referred to China's use of 12 types of subsidies prohibited by WTO aimed at stimulating its export. These subsidies referred to tax benefits for exporting companies and stimulating the use of local components in production of export goods within the import substitution policy implemented by China.<sup>3</sup>

In this case the arguments were so convincing that without resorting to traditional negotiation channels even within WTO framework, by the end of 2007 China agreed to cancel from some of trade subsidies<sup>4</sup>.

In order to be able to evaluate the level of support given by the Russian government to national producers, it is enough to enumerate current measures. Moreover, that this list of measures is not big at all. Export promoting methods in the sphere of government ensuring of foreign economic activity participants' obligations are envisaged by the Federal Law №164-FZ of 8 December 2003 "On Basis of Government Regulation of Foreign Economic

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<sup>2</sup> Agreement on Subsidies and Countervailing Measures // The Results of the Uruguay Round of the Multilateral Trade Negotiations. The Legal Texts, Geneva, 1995, p. 135.

<sup>3</sup> «Washington Trade Daily», November 30, 2007

<sup>4</sup> «Asia times online», 04.12.2007

Activity". According to this law Russia has adopted a system of guarantees and insurance of export credits.

Government guarantees for industrial products export are provided according to a list approved by the Russian government's representative body and applies to Russian exporter as well as to Russian and foreign bank creditor which credits Russian exporters, foreign importers, non-resident bank and foreign states in case of Russian industrial products export.

Crediting of foreign economic activity participants is carried out by means of granting budgetary credits on repayable and non-repayable basis, subsidies, subventions and budgetary investments.

In addition to this, the law envisages organization of trade fairs, specialized symposia and conferences as well as mounting of campaigns (including advertising campaign) aimed at promoting Russian goods, services, intellectual property on global market.

However, these measures turn out to be not so efficient. For instance, after the outset of government industrial export promotion program implementation, the share of machine-building goods in Russia's export decreased from 2003 from 9 down to 4.9%. And it continues falling. In 2004 sixty million dollars were marked out for industrial export promotion. However, not less than 90% of these funds remained unclaimed. In 2006 budget one billion dollars were marked out for industrial export promotion which also remained partly unclaimed. This proves the fact that it is not enough to declare one or another measure, a mechanism for their implementation is required which at the same time is accessible to Russian producers<sup>5</sup>.

As can be seen from the above brief review, measures aimed at supporting Russian machine-building industry have limited and local character. Moreover, inefficiency of these measures is very often enhanced by additional internal problems connected, for example, with VAT return procedure on exported products. As a result, Russian producers are forced to fight not only with foreign competitors but with Russian agencies' red taped VAT return procedure.

In order to get a clear picture we can review what is done in other countries with regard to state support measures of national producers whom Russian companies are facing while competing on domestic and global markets. As we mentioned above, all developed countries members of WTO use a variety of state support measures which are accessible to the producers.

The United States, France, Germany and China have set up special agencies whose main task is to stimulate export of machine-building goods. The list of such state support measures includes creation of special funds which are financing export operations on favorable terms, insuring export credits, providing free and paid services to the exporters.

In the United States, South Korea, Italy and some EU countries as well as in Ukraine concessionary financing and tax holidays are widely used. This instrument, possibly, is one of the most efficient and also result producing. It's main sphere of application are strategic segments of machine-building industry which determine its scientific and technological progress.

State funding of R&D is also widely used especially in the sphere of high-technology production. In order to implement this measure the United States have put in place more than a hundred of scientific foundations and university-industrial centers.

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<sup>5</sup> Yu.Z. Saakian. "Means of Self-defense", Business Guide "Machine-Building", Kommersant, 30.10.2007, p. 35.

Prohibitive customs duties on import of machine-building goods are widely used by some WTO member-states. For example, customs duties on car imports to China amount 200%.

Machine-building products leasing support practice is widely used not only by highly developed countries. The highest growth rates are posted by developing countries and by the countries with transition economies such as, Belorussia and Ukraine. South Korea, China, Belorussia and other countries have developed programs of the state financial assistance given to the retraining programs.<sup>6</sup>

One can enumerate for a long time ways of state machine-building industry support used in the international practice. However, one fact becomes obvious, the more developed is the country's economy the wider the choice of support measures used by that state. This list of measures is characteristic of each country and depends on its economic features and the goals which the government faces. It is worth noting that the majority of the developed countries when supporting their machine-building industry were aiming not at satisfying their domestic markets but to conquer external ones. At the same time, the government regulated and stimulated attraction of key foreign investments into modern industries.

Russia so far reports reversed situation. For example, in case of motor industry the Russian government has not committed foreign motor companies to export their output abroad but limited their commitments only to the domestic market. It is not least connected with the fact that foreign producers determine the model line to be produced. Production does not include high-tech components such as engine and gear box.

However, Russia already numbers programs of machine-building industries development which are aimed not only at domestic market saturation but at increasing export volumes. As an example, one can give railway and energy machine-building. However, these examples are more often due not to an effective normative legal basis directed at machine-building government support but regardless of its inefficiency.

It is necessary to critically evaluate current Russia's complex of state support measures aimed at machine-building industry and create on its basis a complex system which will include such implementation mechanisms which will be accessible not only to the largest machine-building associations but to small and medium-sized business.

### **Main Elements of Export State Promotion System**

Analysis of international experience shows that practically all countries regulate and stimulate their foreign economic activity at macro- and mezo- levels. Export promotion practiced abroad represents a whole system of interactive and interconnected governmental and non-governmental institutions. Among them are ministries and agencies, specialized agencies and expert centers, financial structures, diplomatic missions and so on.<sup>7</sup>

Foreign economic complex of the United States represents one of the most efficient one in the world and its activity has a strong impact on the state of the whole American economy and the living standards of its citizens. Over last decade Americans confidently take leading positions in the global trade notably overtaking all their major economic partners and competitors. The US domestic market per se represents "global supermarket" and the volume of foreign trade of the country even in the wake of 2008 crisis year surpassed 3.5 trillion dollars.<sup>8</sup> The United States are leading in the overall investments volume on foreign markets

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<sup>6</sup>Ibidem.

<sup>7</sup> S.N. Bludova "Analysis of International Experience of Export and Export Promotion", "Foreign Economic activity Bulletin", 2007 r., № 5.

<sup>8</sup> WTO Secretariat, Press 1534, 24 March 2009, p.20

(total volume of accumulated direct American investments abroad comprises over 3 trillion dollars).

Main factors which determine current US state in the global economy are modern and dynamic economy, efficient foreign economic system as well as aggressive trade policy which relies on significant economic and military-political potential of the state.

Evaluation of international experience in the field of foreign economic activity promotion demonstrates that the following directions are engaged.

### ***1. Creating Institutional System for Foreign Economic Activity Promotion***

Government export promotion is being carried out quite successfully in various forms by many developed and developing countries of America, Europe and Asia. However, the highest perfection government promotion has achieved in the US. Main direction for the American business activity promotion abroad consists in creation of favorable institutional conditions for American companies need for the implementation of profitable commercial projects abroad.

The US State Department coordinates foreign economic activity of all ministries and agencies, public organizations and their missions and representatives abroad. Under the auspices of the State Department meetings of coordinating and consulting committees tackling different foreign economic activity issues are taking place. Representatives of entrepreneurial structures participate in such meetings with the aim of imposing their opinion regarding large international and bilateral events directly influencing the interests of the US business circles.

In Great Britain foreign economic policy is part of the general foreign economic policy of the government. There are no ministries which are to one extent or another engaged in dealing with foreign economic activity issues in Great Britain. Important role in promoting foreign economic activity is played by British diplomatic missions which consist of representatives from different ministries and agencies and who are carrying out functions of commercial counselors. Council of international commerce assists in coordinating government institutions and business circles efforts in the sphere of foreign trade, free of charge or for a symbolic fee provides services to companies in developing new markets. For instance, British council on export applies an original formula to export promotion, the so called practice of “trade windows” opportunities. At the same time, British export companies which are trying to develop a new specific foreign market are provided with organizational and financial assistance in mounting exposition of an exhibition.

The government of South Korea in order to provide institutional assistance to international trade and import of technologies put in place Corporation of trade promotion in 1962. In order to stimulate export of goods and services a Day of export was set up when best exporters are awarded medals and get public recognition.

In Japan the government acts as an organizer of the system for foreign economic ties promotion. It also finances this type of activity from the budgetary funds. Promotion system has a manifold character covering such spheres of activity as collection and analysis of marketing information, deliver information and consulting services, organization of advertising activity, provide assistance in attracting new participants in foreign economic activity.

It is necessary to underline that in the 19<sup>th</sup> century Russian government also coordinated its foreign economic activity with people, industrial and business circles. However, in the 20<sup>th</sup> century unfortunately this experience was lost. At present, the government of the Russian Federation is attempting to coordinate its foreign economic activity with the interests of business. However, so far these attempts are bearing little fruit.

## ***2. Information Support for Foreign Economic Activity Promotion System***

Additional insurance instrument which may turn out to be a decisive one in competitiveness is superiority in holding information and the degree of its quality.

Information support of the foreign economic activity is carried out by means of publishing all sorts of prospects, reference books, information bulletins.<sup>9</sup> For example, in the framework of an export promotion program, the United States are publishing businessmen's guides on export programs and federal export assistance issues. These guides include main aspects of governmental assistance provided to exporters, types of assistance given by the federal agencies as well as the mechanism describing ways of obtaining it.

American trade missions responsible for promoting goods in certain regions inevitably open their representative offices there. Whenever there is a decision of any US company to enter a market of any country, this company is subject to receiving a packet of free services which include: market research of the country-business partner, analysis of the attractive production segment reflecting global market environment.

For a certain small fee in the nearest to the would-be country-business partner center for export promotion a businessman or company can order: comprehensive marketing research on the prospective export or import project; foreign economic profile of a company-business-partner with all required particulars, its credit reputation as well as strong and weak points. They also provide services on finding business-partner and on organizing meetings with would-be partners.

In Japan since 1962 there is a formal structure designed to collect foreign economic information. This structure is acting under the auspices of the Institute of Industrial Protectionism founded by the Ministry of Foreign Trade and Industry, Ministry of Foreign Affairs, Ministry of Foreign Trade and Industry, Department of Science and Technology and Department of Economic Planning and other organizations are engaged in collecting information on foreign economic activity, gathering and analyzing foreign commercial information.

Unique place among them is taken by the Japan non-commercial organization on foreign trade development. It is funded by the government and is engaged in analysis of global commodity markets, collection and analysis of marketing information, organization of exhibitions of Japanese goods abroad and trade fairs of other countries in Japan, advertising and publishing activity. There are 33 branches of this organization in Japan alone. There are 79 missions of the Japan non-commercial organization on foreign trade development in 56 foreign countries. By having extensive network of different sort of institutions in many countries of the world, the Japan non-commercial organization on foreign trade development represents one of the largest sources of business information in the world. Its data bases include a vast amount of material including vast lists of foreign and Japanese exporters and importers. The Japan non-commercial organization on foreign trade development has 31 information centers on Japanese soil and 28 abroad.

In Germany foreign economic activity promotion center is characterized by powerful research and information center which comprises large banks and insurance companies, influential business groups. This system counts on far-reaching and multi-level structure. A large number of foreign economic activity agents use its services. Among them are federal and regional structures, more than six thousand chambers of commerce and industrial unions, large number of private information firms.

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<sup>9</sup> S.N. Bludova "Analysis of International Experience of Export and Export Promotion", "Foreign Economic activity Bulletin", 2007 г., № 5.

In Great Britain state intelligence services and private sector represent two powerful forces which form economic monitoring system. The government is only a regulator of this type of work.

France disposes of many sources for obtaining foreign economic information. Governmental functions come to coordinating efforts aimed at collecting and processing information. Ministry of Finance plays major role in the coordination activity. Covert means of obtaining information are very widespread, in particular with the help of intelligence services, which hampers access to it by private businesses. In 1992 specialized association on economic data promotion in the interests of export oriented companies, first of all – transnational corporations, was created.

In Canada 30 governmental departments and agencies are engaged in obtaining foreign trade information which have 128 missions abroad. Provincial governments with their missions abroad as well as national business organizations including Canadian Chamber of commerce and the Union of Canadian producers and exporters are also engaged in collecting this type of information.

Internet plays paramount role in supplying information resources for foreign economic activity promotion abroad. Practically all organizations which are engaged in promoting foreign economic activity have their Internet websites. The use of electronic data bases on business-partners represents an important instrument in stimulating all forms of foreign economic activity. For example, search and evaluation of investment projects in modern world in 90% is carried out by means of Internet.

Among the most important information posted on websites are details on socio-economic development of a country and its regions; volumes, export and import geographic pattern; foreign trade, fiscal and investment legislation, banking system; organizations promoting foreign economic ties development; references to commercial and diplomatic missions of major foreign trade partners and export credit agencies.

In the United States, for example, constantly updated data bases posted on Internet are: “Commercial Guide”, “Economic Situation and Trade Regime Report”, “Investment Climate Report” and “List of Commercial and Economic Representatives in the US Embassies”, etc.

Information data base designed for foreign economic activity promotion is also being created in Russia. It includes rather large number of Internet resources. Among most important ones are: “Russia’s Export Potential”, websites of chambers of commerce of the Russian Federation, regional websites, and websites on customs issues. However, it is too early to speak about an efficient information assistance to foreign economic activity agents and promotion of foreign economic activity in Russia. Major drawback of Russia’s Internet resources dedicated to the foreign economic activity is the lack of actual businessmen support and general sort of information posted on websites.

### ***3. Regional Organizations of Foreign Economic Activity Promotion***

Nowadays, it is becoming more clear that foreign trade cooperation tends to grow at the regional level. Analyzing developed countries experience in the sphere of creation of regional institutions designed to promote foreign economic activity, it is very instructive to study the example of Flanders—one of the most developed export oriented regions of Belgium. Flanders export agency “Export Vlaanderen” has its own website in several languages and represents a universal guide regarding a wide spectrum of Flemish goods and services. This agency which was set up by the regional government disposes of a wide net of commercial and economic missions in more than 50 countries of the world. In Russia its missions operate in Moscow, St. Petersburg and Nizhniy Novgorod. The agency provides services on arranging contacts with business partners in Flanders independently of the type of would-be cooperation: purchase of goods, technologies, setting up joint ventures taking into account



individual conditions. Flanders export agency organizes trips for representative of the interested foreign organizations to attend information conferences and seminars with the participation of Flemish business which is cooperating with a country or a region. This agency also envisages provision of services on rendering regular information about new trade possibilities as well as expositions and economic missions organized by it both in Flanders and in the country-importer.<sup>10</sup>

Spanish consortium “SORSA” which has 38 foreign mission is engaged in promoting Catalan business ties in the whole world and on the basis of business-platforms creates Centers for promoting foreign trade relations of Catalan companies abroad.

Many of Russian regions also have Internet pages or websites dedicated to the foreign economic activity. However, analysis demonstrate that information posted there is rarely updated and often does not correspond to the reality and would-be foreign partners’ requirements.

#### ***4. Financing and Insuring Foreign Economic Activity***

In the US government export-import bank, the Department of Agriculture, the US Agency for International Development, and the Small Business Administration among other public organizations are engaged in financing export.

In Japan the Export Import bank represents an efficient instrument for crediting export-import operations and foreign investments. There is a system of tax holidays in the country oriented to stimulating both export and import. Diversified system of government insurance of trade and investments which is the largest in its nature in the world promotes foreign economic activity development. This system reliably protects national operators’ interests from all sorts of risks. This system consists of general insurance of trade, currency risks, bills of exchange and importers’ bonds, advance payments for import supplies, foreign investments, credits given to foreign companies.

In South Korea the government has introduced short-term export crediting with an aim of promoting export development. According to this system commercial banks automatically take decisions on providing a loan in the event of payment deferment on a letter of credit. The government also grants tax privileges and export credits to exporters, writes off losses and frees from customs duties.

State institute on insurance of foreign trade operations has been created in Italy which is given full material and administrative independence. The volume of insurance cover provided by it usually comes to 90% of the amount of company’s credits or 95% of banks’ loans. When conducting foreign trade operations with the countries which fall into a category of “increased risk”, the size of insurance cover comes down. On the contrary, when insuring credits granted for financing of operation of high political and economic importance or which are granted within effective intergovernmental agreements or which are implemented on trilateral basis (where third countries credit institutions participate in financing operation), the size of the insurance cover can reach 100% of the overall credit resources. Insurance operations financing is carried out from targeted budget allocations which are limited by special funds.

Foreign economic activity financing and insurance in India is carried out by specialized bank institutions. Leading positions among them are taken by the Export-import bank, the Bank of industrial development, the Export credit and insurance corporation, the Industrial financing corporation, the Industrial credit and investment corporation. The Import-export bank is the largest creditor of foreign economic activity. Simultaneously, it fulfills a function of coordinator for all other financial institutions in this sphere. The Export-import bank’s

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<sup>10</sup> [www.economy.gov.ru](http://www.economy.gov.ru)

headquarters are in Mumbai. The bank has branches in Delhi, Calcutta, Madras and Washington. Main task of the Export-import bank is to credit Indian exporters which allows them to deliver their good abroad on conditions of payment by installments.

Different categories of export goods have various crediting periods. In accordance with banking classification all nomenclature of export products is divided into two groups. Group A includes machinery and equipment. Group B includes durable consumer goods and some other types of industrial goods where export transactions are usually paid in cash. In case of Group B goods export crediting periods do not exceed 2 years. Whereas, in case of group A goods export such crediting periods can come to 3 years where the contract value is not less than one million Rupees, where the contract value is between 1 and 5 million Rupees – 5 years, between 5 and 10 million Rupees – 8 years, and over 10 million Rupees – 11 years. Maximum period of grace is one year. Credits principal and interest on them are paid in equal installments twice a year. Where export contract's value is below 20 million Rupees, the Export-import bank's credits are given via commercial banks, and where export contract's value is above 20 million Rupees, the Export-import bank gives the credit. Financing of large export contracts with a value above 50 million Rupees is subject to prior approval of a special working group which included representatives from the Export-import bank, the Reserve bank and the Export crediting and insurance corporation.<sup>11</sup>

#### ***5. Activity of Specialized Centers for Analysis of Obstacles Hampering Export Development***

Analysis of the obstacles hampering foreign economic activity development and creation of conditions designed to remove them represent significant interest for exporters. Specialized centers both public and private are engaged in this activity in the developed countries. Among such obstacles in the US, for example, are: differences in the technical standards, insufficient protection of intellectual property rights which exists in many importing countries, as well as corruption of civil servants.

#### ***6. Development of New Types of Entrepreneurial Activity with Foreign Economic Orientation and Creation of Conditions for Export Development***

Many countries have accumulated experience in creating new types of commercial enterprises which produce is directed at satisfying demand existing in foreign markets. In this sphere, for example, Chilean and Brazilian experience deserves attention. These countries actively practice foreign economic activity of the enterprises which are oriented at the global market and which were set up at the expense of public funds and later were handed over to private hands.

Vietnam gives an example of a rapid export production growth country where local exporters quickly adapt themselves to any changes taking place in the global markets. For example, textile products and shrimps which became subject to taxation in the US are now exported to the EU. Coffee growing farmers after recent slump in coffee prices turned to growing cocoa and pepper. As a result, Vietnamese export has recently been growing by an average 20% annually.

#### ***7. Strategy Development for Foreign Economic Cooperation with Separate Groups of Countries***

Taking into account the fact that for Russia one of the most important directions of her foreign economic activity, undoubtedly, represents cooperation with CIS countries, it is

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<sup>11</sup> [www.economy.gov.ru](http://www.economy.gov.ru)

expedient to analyze the US experience in foreign economic ties promotion with this group of countries. In 1992 special department, BISNIS, was set up under the US Department of Commerce, which performs a function of a consultant for the American companies interested in doing business in Russia and CIS countries. BISNIS's goal is to promote export of American goods and attraction of investments into CIS markets. This department offers the following programs: search for an American partner, search for an American supplier, US business projects.

The department publishes quarterly BISNIS journal—US business cooperation bulletin with CIS countries, which is dedicated to business issues with American partners. The journal tells about American government undertakings regarding CIS countries; possibilities for cooperation with the US Export-import bank and credit obtaining facilities for foreign trade operations; possibilities for cooperation with American credit agencies, which carry out verification of American companies credit histories, provides information on certain states, on their socio-economic and foreign trade potential, export-import operations structure with CIS countries, and trade features on commodities markets, etc.

Some states themselves set up specialized departments on the cooperation development with CIS countries. For example, Texas administration has an economic development department whose aim is to provide assistance to Texas companies in establishing relations with foreign firms. In spite of the fact that the majority of Texas export is heading for Mexico and Canada more and more companies are studying possibilities for doing business in CIS countries. This department also finances trade fairs which allows small business to get access to both local and foreign markets.

In Germany an organization for coordination of government organizations activity aimed at export promotion was put in place. This organization developed such program as the Latin American concept and the East Asia initiative designed to assist long-term improved performance of German exporters in those regions.

### ***8. Development of Sectoral Strategy***

The US experience in the development of foreign economic ties with CIS countries in the sphere of agriculture is also of great importance. The US Department of Agriculture keeps its trade missions in CIS countries. Their activity is directed at supporting American agricultural export. These trade missions deal with such goods as grain, poultry meat, mixed fodder, food supplements and foodstuffs. American trade missions in CIS countries actively cooperate with agricultural importers, producers, agro-industrial and food-processing companies and with other agents of agricultural market. Promoting American export, American trade missions carry out marketing campaigns of the most promising agricultural products and foodstuffs. On the whole, these specialized missions work along a number of directions:

- Quest for American suppliers of agricultural goods and foodstuffs;
- Provision of information on separate segments of American agricultural market for CIS importers;
- Publication of the news bulletin containing commercial proposals from American companies;
- Preparation of list of importers and food processing enterprises in Russia and CIS countries along branches of industry;
- Maintaining a list of suppliers of foodstuffs into the US along branch cross-section;
- Analysis of CIS agricultural market;
- Participation in foodstuffs' fairs, seminars and conferences;

- Organization of trade mission;
- Carrying out marketing campaigns;
- Consulting American business circles, government and industrial organizations;
- Organization of business trips to the US under COCHRAN Fellowship Program.

Where CIS representatives attend American trade fairs, the US Department of Agriculture helps in program organization, meetings schedule and visiting enterprises of interest. All services provided by the US agricultural trade missions are free of charge. This activity results, as a rule, in establishing strong ties with local government and business contacts aimed at developing promising projects. At the next stage, they help in developing business plan of future projects which parameters are usually adapted to the American producers potential.

American consultants who are working in departments and agencies in the framework of technical assistance programs also promote American interests. They directly or indirectly promote the US companies interests including in the event of tenders and auctions.

### ***9. Use of Administrative Leverage***

Modern “administrative leverage” remains an important instrument in promoting foreign economic activity. More often it is implemented under joint participation of government and private establishments and companies in preparation and realization of international transactions. Such participation is aimed at ensuring within the framework of intergovernmental cooperation agreements or joint projects of privileged access to the markets for certain participants taking into consideration effective specialization within joint cooperation. Programs and projects on the development of nuclear machine-building and nuclear energy, modern aircraft and missile engineering, high-speed railway transport are being carried out in the EU countries.

Favorable political background represents another aspect which is important for the development of corresponding lines of cooperation. For example, a wide scale initiative “Peaceful Sky for Africa” promotes supplies of American aircraft engineering and airport equipment to the promising African market.

The US State Department where it is necessary implements methods of direct diplomatic support of American commercial projects abroad. Among them are appeals about “positive” consideration of American businessmen’s proposals and creation of favorable conditions for their implementation during conversations and correspondence with high standing representatives and business circles of recipient countries.

So called “other forms” of foreign economic activity promotion are widely used in the world. Among them is freightage. The vast majority of the countries which have an outlet to the sea strive to support their national freight carriers in getting contracts for goods shipments which leads to additional receipts because freight comes to nearly 40-50% of the export price of goods. These resources are later allocated for providing different types of benefits which allow supporting freight rates for national freight carriers.

## **General Conclusions and Recommendations on Foreign Experience Implementation Regarding Export Promotion**

1. Assistance and promotion of export activity abroad is mainly carried out by government bodies and quasi-public institutions.

2. All countries have created agencies which provide information support for foreign economic activity which use Internet resources to the maximum. Programs of paperless technology designed for the documents processing and information supply are implemented.

3. The role of the government in the monitoring of foreign economic activity consists in organizing the activities of departments and structures of ministries and agencies and other relevant authorities (including intelligence services), as well as specialized government and public organizations such as chambers of commerce, academic and analytical centers and business community.

4. Relevant ministerial departments, specialized analytical organizations, public and private universities and research establishments, private information and analytical firms are engaged in analyzing foreign economic information in foreign countries.

5. There are no precedents in the world where foreign economic information is analyzed and processed by a single integrated body. It is due to the fact that decision taking on paramount foreign economic issues requires coordination and implementation of alternative approaches, different methodologies of evaluation and forecasting.

Taking into account differences in foreign economic potential, structure and volume of export from Russian regions as well as global tendency towards regionalization of foreign economic ties, it is expedient to put in place in Russia a network of regional foreign trade agencies which obtained a wide circulation in many countries. At the same time, taking into account weak institutional basis of foreign economic activity in many constituencies of the Russian Federation, it is necessary that these agencies not only promoted regional foreign economic ties but also coordinated activity on infrastructure, information, financial and other types of assistance in their development.

Analysis and implementation of international experience accumulated in the sphere of foreign economic activity promotion will allow Russia and its regions to achieve a higher level of foreign economic ties development and realize their export potential.