2. An Analysis of Export Cartels

Export cartels are cooperative arrangements among firms attempting to market their goods and services abroad, to enter new markets or to expand their share of existing markets. Most governments encourage export cartels because they are viewed as enabling exporting firms to achieve economies of scale in distribution networks and information gathering or to counter the buying power of overseas procurement/importing cartels. Both industrial and developing countries have taken similar positions in defending the use of export cartels to build international sales and shift rents. In addition, developing countries claim a need for export cartels as a mechanism for development.

Cartels may involve price fixing, output controls, bid-rigging, allocation of customers, allocations of sales by product or territory, establishment of trade practices, common sales agencies or a combination of these.

2.1 Definition

Export cartels vary in terms of their scope and constituency. The simplest case is the *pure export cartel* directed exclusively at foreign markets. *Mixed export cartels* restrain competition in the exporting country's home market as well as foreign markets. *National export cartels* only include suppliers from one country, while *international export cartels* are comprised of producers from several countries. A further distinction between private and *public export cartels* is also made. *Private export cartels* involve private agreements. They may or may not be publicly enforced depending on the country, the period and the agreement. Some export cartels are private, but the best known have resulted from agreements among national governments.

Even though most industrialized countries now have anti-cartel laws, virtually all have derogations treating export collaboration by companies incorporated domestically as beyond the reach of the competition laws. However, some countries do not distinguish between pure and mixed cartels in their competition laws. Traditionally, *commodity export cartels* have been organized by producing countries. The best known and most successful commodity cartel in history is the Organization of Petroleum Exporting Countries (OPEC). However, attempts at sustaining international oligopoly in the form of an *export cartel for manufactured goods* have generally not been successful. Recently, there have been attempts to form *technology cartels* in various countries to promote research and development (R&D).

A perfect cartel would maximize the sum of the profits of its members. Such an objective requires that output be allocated among participants so that cost is minimized. This