exemptions on imported intermediate materials. These export incentives were not targeted at specific sectors, but were generally available to any firm wishing to engage in export activities.[20]

Generally these policies were relatively neutral, in that they did not introduce distortions that would have occurred if the government had allocated resources by trying to pick specific export "winners." Perhaps the main reason for the success of these policies, however, was that the government had good relations with business and created an atmosphere in which business could be certain the economic system would respond to and adequately reward their efforts. Trading companies in Korea were also responsible for the country's successful export development. These companies offered a wide-range of export-related facilities to potential exporters. Products such as foreign marketing, transportation and credit were all offered by these trading companies to facilitate exports from emerging Korean industries.[21] Thus, Korea did promote ISI policies, but not to the exclusion of exports and in a way that minimized the distortion of market signals (e.g., through high import tariffs or multiple exchange rates), in contrast with the policy mix in many Latin American countries.[22]

Export expansion can have a number of growth-inducing benefits for an economy. Exports often act as an outlet for production in an economy which is

[20]The Korean government was also very aware of the limiting size of the domestic market and intervened in the economy using non-neutral policies (such as temporary monopolies designed to promote large-scale infant industries). These targeted industries were granted preferential access to credit as well as favourable tax treatment. The government, however, also established targets for these industries so that they would quickly increase production and become competitive at world prices. Industries that failed to do so were quickly shut-down.

[21]Mrinal Datta-Chaudhuri, "Market Failures and Government Failures," *Journal of Economic Perspectives*, Vol. 4, No. 3 (Summer 1990), 25-39.

[22]Nonetheless, an aggressive export-led strategy depends for its success in large part on the willingness of the principal importing countries to purchase the goods in question without challenging such trade as "unfair" in light of the heavy use of export incentives vulnerable to countervailing duties. Particularly in the post Cold War era, typified as well by reduced growth rates and higher unemployment within the OECD area, it is less likely that such a strategy will go unchallenged in the future. In addition, the final text of the subsidies/countervail agreement from the Uruguay Round of Multilateral Trade Negotiations explicitly addresses developing country export subsidies. In essence, it will formally oblige middle and higher income developing countries to forego the use of such subsidies for most products after an eight year phase-out period.