A judicious combination of these factors dramatically alters the dynamics of the export cartel and facilitates its resort to strategic pricing tactics. The cartel, having secured a domestic monopoly position, can enforce higher domestic prices than would be the case if the home market were open to foreign suppliers. Import barriers and lax domestic competition enforcement induce exports and shape overseas pricing strategies. Thus, at the international level, for example, if the intention is to maximize overseas market share, the cartel would attempt to price so that rivals could not recover their costs. If the intent is to drive the rival from business, predatory pricing can be used. The assumption, of course, is that the cartel can operate without fear of third-party arbitrage that would impose a constraint on its pricing strategies. However, the sustainability of these pricing strategies over time is questionable, although their anti-competition impact on rivals can be distinctly negative over the short to medium term.

2.6 Joint Ventures, R&D and Export Consortia

A joint venture occurs when two or more firms join together to form a third, often with a particular project in mind. For example, the parents might incorporate to produce an input or to enter a geographic region where neither operates. As with most forms of business organizations, there are both efficient and inefficient aspects of joint ventures.

Consider the disadvantages first. Through participation in the venture, the financial interests of the parents are linked. Joint ventures become suspect when they take over existing operations of firms. If the likelihood of collusion is increased by the venture, effects can be synergistic. For example, through the venture the parents can share cost information. A common subsidiary can also redistribute rents from collusion. Finally, the venture can be used to exclude certain competitors in a specific market, thereby putting them in a disadvantageous position.

On the pro-efficiency side of joint ventures, firms can achieve gains from economies of scale in their production processes while remaining separate entities. Therefore, joint ventures are numerous in industries where scale economies are important, for example automobile production. When capital markets are imperfect, joint ventures can enable small firms to participate in projects that are otherwise beyond their means. These arrangements can also enable small firms to diversify and share risks.

Joint ventures can be used to enter markets that are artificially restricted. For example, in the presence of high tariffs and quotas, foreign companies often enter into joint ventures with domestic firms, thus reducing costs to both producers and consumers. Moreover, export consortia established in smaller economies, where firms are not usually large by global standards, can assist those firms in competing more effectively in the