

Levine and Renelt note that exports *per se* are not important, but rather the positive relationship between trade and economic growth.<sup>32</sup> Thus, for example, trade liberalization might have more meaningful growth implications than simple export promotion policies. In addition, most studies do not allow for a sufficient degree of disaggregation nor do they account for other policies, aside from trade promotion, which may work in harmony with export-expansion policies. Helleiner argues that more country-specific and industry-specific empirical research is needed. Furthermore, the dichotomous categorization of inward versus outward-oriented trade policies is far too over-simplified to capture the reality of international trade.<sup>33</sup> South Korea did not pursue a pure export-expansion policy, but rather combined this policy with selective protection of strategic infant industries. In fact, strategies of import-substitution and export-expansion were not incompatible in the case of South Korea. Rather, the success of Korea compared to Argentina, which also pursued import-substitution, may have had more to do with the incentives offered to exporters in Korea (compared to taxes on the export sector in Argentina), rather than the policy of import-substitution itself.<sup>34</sup>

---

<sup>32</sup>Ross Levine and David Renelt. "A Sensitivity Analysis of Cross-Country Growth Regressions," *American Economic Review*, Vol. 82, No. 4 (September 1992), 942-63.

<sup>33</sup>G.K. Helleiner, "Trade Strategy in Medium-Term Adjustment," *World Development*, Vol. 18, No. 6 (June 1990), 879-97. In subsequent work, Helleiner argues that traditional tariff and non-tariff trade policies may not be as important for growth as policies directly related to imports of foreign direct investment, intellectual property and services. Although export revenues are necessary to earn the foreign exchange necessary to purchase these productivity-enhancing imports. See *Trade Policy and Industrialization in Turbulent Times*, unpublished manuscript, World Institute for Development Economics Research, March 1993, p. 48.

<sup>34</sup>Neng Liang, "Beyond Import Substitution and Export Promotion: A New Typology of Trade Strategies," *Journal of Development Studies*, Vol. 28, No. 3 (April 1992), 447-72. Policies designed to promote domestic industrialization can have a detrimental effect on exporters. In the case of many Latin American countries, for example, tariff barriers were raised in order to protect domestic industries from external competition. Since these tariffs tended to be extensive, however, all domestic producers who imported capital or intermediate goods faced this implicit tax on production, making it difficult to be competitive in export markets. It should also be noted that Korea benefitted from large foreign assistance programs following the Korean War and had more stable management-labour relations than a country such as Argentina during and after the Peron years. Some have also argued that, owing to South Korea's position of literally being on the front lines of the Cold War, countries such as the U.S. were willing to turn a blind eye toward market-distorting export policies in the name of broader and more important international political interests.