Export-oriented Industrialization (EOI) sometimes called export substitution industrialization (ESI) or export led industrialization (ELI) is a trade and economic policy aiming to speed up the industrialization process of a country by exporting goods for which the nation has a comparative advantage. Export-led growth implies opening domestic markets to foreign competition in exchange for market access in other countries. For more information on export businesses please refer to this guide Exporting businesses.

However this may not be true of all domestic export marketing or markets, as governments may aim to protect specific nascent industries so they grow and are able to exploit their future comparative advantage and in practise the converse can occur. For example, many East Asian countries had strong barriers on imports from the 1960s to the 1980s.

Reduced tariff barriers, a floating exchange rate (a devaluation of national currency is often employed to facilitate exports), and government support for exporting sectors are all an example of policies adopted to promote EOI and, ultimately, economic development. Export-oriented Industrialization was particularly characteristic of the development of the national economies of the Asian Tigers: Hong Kong, South Korea, Taiwan, and Singapore in the post-World War II period.

**Limitations**

Despite its support in mainstream economic circles, its success has been increasingly challenged over recent years due to a growing number of examples in which it has not yielded the expected results. EOI increases market sensitivity to exogenous factors, and is partially responsible for the damage done by the 1998 economic crisis to the economies of countries who used export-oriented industrialization. It is also criticized for its lack of product diversity as economies pursue their comparative advantage, which makes the economies potentially unstable if demand for their specialization falls; this is something which occurred during the financial crisis of 2007-2010 and subsequent global recession.

Other criticisms include that export orientated industrialization has limited success if the economy is experiencing a decline in its terms of trade, where prices for its exports are rising at a slower rate than that of its imports. This is true of many economies aiming to exploit their comparative advantage in primary commodities as they have a long term trend of declining prices, noted in the Singer-Prebisch thesis[1] though there are criticisms of this thesis as practical contradictions have occurred[2]. Primary commodity dependency also links to the weakness of excessive specialization as primary commodities have incredible price volatility, given the inelastic nature of their demand, leading to a disproportionately large change in price given a change in demand for them.

The problem is that EOI presupposes that a government contains the relevant market knowledge to judge whether or not an industry to be given development subsidies which will prove a good investment in the future. The ability of any government to do this is limited as it will not have occurred through the natural interaction of market forces of supply and demand. Also to exploit a potential comparative advantage requires a significant amount of investment which governments can only supply a limited amount of. In many LEDCs, it is necessary for multinational corporations to provide the foreign direct investment, knowledge, skills and training needed to develop an industry and exploit the future comparative advantage.
EOI has often been supported as a development strategy for poor countries because of its success in the Asian Tigers. However, this claim has been challenged by the evidence of very specific historical conditions in East Asia that were not present elsewhere, and which allowed for the success of EOI in these nations. Japanese producers, for example, were given preferential access to US and European markets after the Second World War.[3] This, in turn, made it possible for countries like South Korea and Taiwan to later become incorporated into Japan's overseas marketing networks as Japanese trading conglomerates were seeking to offload the lower end of their manufacturing value chain to other countries. By virtue of this connection to Japanese commercial networks, South Korean firms had "access to export markets that virtually no other country?except Taiwan?enjoyed." Without these advantages, it is doubtful that EOI could be as successful in other countries as it was in East Asia.

References:

External Links:
- http://www.export.gov
- Basics of Import Export For Traders
- Import Export Exchange Rates Guide
- Import Export Manager: Have What It Takes!
- Indian Import Export Buyers Guide
- Import Export Business: Simple And Fast
- Import Export Business Plan - Do It Right