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Export barriers as perceived by Serbian firms – some lessons for export supporting policies

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PRESENTATION STRUCTURE

- Paper objectives
- Main features of Serbian exports
- Sample structure and methodology
- Perception of export barriers - results
- Conclusions

PAPER OBJECTIVES

- The new development model based on export led growth became a common concept for transitional countries, which implied designing industrial policy which had to support and initiate export activities on a broader scale .
- In this study we analyze main features of Serbian export and perceptions of decision makers in Serbian firms regarding export obstacles they encounter;
- The analysis is intended to identify main constraining factors of export development of Serbia

  ....and some policy advice in establishing adequate program of export support…

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PAPER OBJECTIVES

- Goverment supporting policy should be shaped accordingly to the needs of firms and in domains where firms perceive main problems.
- By investigating specific attitudes of firms regarding export obstacles we try to find what are the main issues that can be improved through government export supporting programs.
- We find this analysis particularly challenging since Serbian government uses a relatively huge amount of subsidies: approximately some €80 mill. spent in attracting foreign investors and around € 8 mill. for SMEs support.
- Distribution of support is very much diversified with no clear priority according to competitiveness and export potentials of sectors or investors.

MAIN FEATURES OF SERBIAN EXPORTS

- Exports have increased since 2008:

  in the period 2007-2017 rate of growth of export was 19.3% and

  in the period 2009-2017 it was around 12%.

- These rates are well above growth rates for GDP in Serbian economy
- This has resulted in a growing share of export in GDP yet accompanied with slower import growth with an overall effect in export-import ratio of 77.4% (towards 47.6 in 2007).
- These facts indicate a certain switch in growth model, which was predominantly import based before the crisis.

MAIN FEATURES OF SERBIAN EXPORTS

Althought growth model has changed one cannot speak about specific changes in policy design .

- Export activities were primarily pushed up (while import was narrowing) because of poor and diminishing purchasing power in local markets.
- The exports were also pushed by new investments from abroad that were attracted by low labor costs, yet subsidized by the government.

Subsidizing foreign investors was conducted according to a number of employed people which was the most attractive for the labor intensive production particularly the one employing low skilled labor:

the subsidies amount frequently goes well above two year wage ,

workers - yet primarily women - are paid at the lowest rates that do not exceed 200 euro per month.

MAIN FEATURES OF SERBIAN EXPORTS

Consequence can be visible in the changes in export structure, which cannot be assessed as desirable.

- **The leading export items** have changed from motor cars (in 2013) that diminished their share in exports to wiring sets for motorcars and other means of transportation (in 2017), which is a production connected with predominantly non-skilled workers and with low value added.
- There is evident a **switch towards lower technology levels**: the majority of export products come from factories with lower technological level:

56.8% low and medium low tech;
39.6% medium high tech of which around 40% comes from one only *Fiat* automobile plant and
3.6% high tech – pharmaceutical and computer, electronics, and optical products.

SAMPLE STRUCTURE AND METHODOLOGY

What are the main export obstacles that can be improved through government export supporting programs?

- Sample consists of 98 firms from Serbia (snowball method), 2015/2016;
- Survey explores perception of three groups of export barriers: external, operational and internal (organisational and marketing);
- 5 point scale;
- The firm types and other firm characteristics we are interested in refer to (a) size of firms; (b) export charatheristics (export experience, main export markets) and (c) firm location...

…trying to find out what is common perception of various firms and what is specific according to their type.

	% of firms
Small firms	61.2%
Medium firms	21.4%
Large firms	17.3%
Non-exporters	14.3%
Exporters	85.7%
-sporadic exporters	30.6%
- regular exporters	55.1%
Export intensity:	
less than 1/3	45.6%
between 1/3 and 2/3	25.3%
more than 2/3	29.1%
Main export destination	
ExYU countries	41%
EU countries	37.3%
Ex Soviet countries	21.7%
Location of firms	
Capital city	51.5%
Other location	48.5%

The analysis relies on descriptive statistics, accompanied with statistical testing.

RESULTS - main barriers

Export barriers	*Mean (1-5)*
1. External barriers	*3.69*
exchange rate policy	3.86
high cost of export financing	3.88
bureaucracy of government agencies	3.72
lack of government support	4.06
strong international competition	3.94
bad country image	2.70
2. Operational barriers	*3.14*
high transportation cost	3.33
problem of transport organization	3.02
preparation of export documentation	2.95
problem of payment in foreign operations	3.26
3. Organizational barriers	*2.79*
export department organisation	2.53
deficiency of skilled personnel	3.04
low employee commitment to export	2.79
4. Marketing barriers	*3.25*
....	

RESULTS - main barriers

Export barriers	*Mean (1-5)*
4. Marketing barriers	*3.25*
adoption of product for foreign markets	3.43
fulfilling quality standards	3.63
problems with providing after sale services	2.91
absence of direct contact with foreign consumers	2.85
foreign distributor selection	3.18
lack of information on foreign market	3.27
organisation of foreign market research	3.33
incapacity of promotion in foreign markets	3.14
insufficient innovation	3.21
inability to differentiate offer from competitors	3.18
lack of price competitiveness	3.68

RESULTS – size of firms

Export barriers	Small	Medium	Large
1. External barriers	*3.71*	*3.72*	*3.6*
exchange rate policy	3.97	3.67	3.71
high cost of export financing	3.95	3.81	3.71
bureaucracy of government agencies	3.69	3.81	3.71
lack of government support	4.05	4.1	4.06
strong international competition	3.86	4	4.12
bad country image	2.73	2.95	2.29
2. Operational barriers	*3.18*	*3.26*	*2.85*
high transportation cost	3.17	3.43	3.76
problem of transport organization	3.27	2.9	2.29
preparation of export documentation	3	3.19	2.47
problem of payment in foreign operations	3.27	3.52	2.88
3. Organizational barriers	*2.92*	*2.63*	*2.55*
export department organisation	2.59	2.53	2.35
deficiency of skilled personnel	3.19	2.85	2.76
low employee commitment to export	2.97	2.5	2.53
4. Marketing barriers	*3.25*	*3.47*	*3.02*
adoption of product for foreign markets	3.42	3.71	3.12
fulfilling quality standards	3.42	4.05	3.88
problems with providing after sale services	2.82	3.38	2.65
absence of direct contact with foreign consumers	2.93	2.81	2.59
foreign distributor selection	3.22	3.32	2.88
lacking of foreign market information	3.47	3	2.88
organisation of foreign market research	3.35	3.33	3.24
incapacity of promotion in foreign markets	3.15	3.43	2.76
insufficient innovation	3.31	3.45	2.59
inability to differentiate offer from competitors	3.1	3.6	2.94
lack of price competitiveness	3.55	4.05	3.71

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RESULTS – export experience

Export barriers	Ex.	NEx.	T	p
1. External barriers	***3.67***	***3.84***		
exchange rate policy	3.77	4.36	1.556	0.123
high cost of export financing	3.86	4.00	0.431	0.667
bureaucracy of government agencies	3.61	4.36	1.853	0.067
lack of government support	4.11	3.79	-1.029	0.306
strong international competition	3.96	3.79	-0.502	0.617
bad country image	2.70	2.71	0.030	0.976
2. Operational barriers	***3.46***	***3.54***		
high transportation cost	3.40	2.86	-1.488	0.140
problem of transport organization	3.05	2.86	-0.495	0.622
preparation of export documentation	2.87	3.43	1.470	0.145
problem of payment in foreign operations	3.26	3.21	-0.116	0.908
3. Organizational barriers	***3.30***	***3.46***		
export department organisation	2.43	3.14	1.849	0.068
deficiency of skilled personnel	2.98	3.43	1.109	0.270
low employee commitment to export	2.77	2.93	0.382	0.703
4. Marketing barriers	***3.19***	***3.62***		
product adoption for foreign markets	3.35	3.93	1.484	0.141
fulfilling quality standards	3.52	4.29	1.858	0.066
problems with providing after sale services	2.79	3.64	2.060	0.042
absence of direct contact with foreign consumers	2.83	2.93	0.231	0.818
foreign distributor selection	3.12	3.50	0.971	0.334
lacking of foreign market information	3.17	3.86	1.917	0.058
organisation of foreign market research	3.33	3.29	-.129	0.898
incapacity of promotion in foreign markets	3.10	3.43	0.858	0.393
insufficient innovation	3.12	3.71	1.422	0.158
inability to differentiate offer from competitors	3.17	3.21	0.110	0.913
lack of price competitiveness	3.62	4.07	1.211	0.229

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RESULTS – export markets and location of exporter

Main export markets

firms that export to former Soviet Union (SU) markets perceive export barriers systematically to be much lesser than do the firms exporting to the EU and former Yugoslav (YU) market...

... except in the case of: price competitiveness, fulfillment of quality standards, adjusting products to the requirements of the market.

Exporters location

Firms located in the capital city perceived external and marketing barriers as less obstructing than did the managers of firms from other locations...

... The main government institutions that support exports, as well as main financial and marketing organizations are located in the capital city.

CONCLUSION

First, among the firms observed external export obstacles are perceived as dominant and primarily inadequate government support, though export is claimed as one of the government priorities.

Second, main internal barriers are product quality, price competitiveness, product adoption and acquiring information about foreign markets. Those problems (especially first two, as evidence of inability to develop any of basic competitive strategies) reveal marketing lagging behind international competition.

Third, perception of export barriers is different regardin the size of the firms, export experience, main export markets and exporters location:

- SM firms perceived more export obstacles than large firms: problems of innovation and market information are bigger for small than for large firms,
- NEx. and SEx. appear to be more sensitive to a greater number of export problems than regular exporters,
- Firms not located in the capital city asses more barriers than firms from capital.

CONCLUSION

Rethink ongoing policies and propose some additional set of measures that could foster export and replace or supplement some of the policies in use...

Third, export led growth policies should not be oriented only toward increase of number of new firms, development of entrepreneurship and start ups...

A question rises – what could be upgraded and in what way?

... develop programme that target main export problems of various groups of firms (not primary financial support): adequate innovation policies for SME, informational support for SMEs, NEx. and SEx. (informational support can be also provided by chambers of commerce and professional associations, although their resources are not widely used (Cerovic, Mitic, Nojkovic, 2015));

… increase availability of programmes (building awareness and making easy to access them, especilaly in the case of firms not located in the capital).

CONCLUSION

Fourth, having in mind that there is a majority of SME among exporters, policies should aim at supporting:

- export clusters and consortia as a part of export led policy; they are important in generating knowledge, innovation, and for information sharing;
- cooperation of firms and universities and R&D organization which can have positive influence on knowledge and information sharing, which can foster internationalization.

Much stronger and persistent policy of innovation support for SME!

... either through inclusion of SME into innovation programs and/or research projects or

...by facilitating use of the results that could be used for innovative purposes .

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Thank you.
Questions and comments welcome

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