BARRIERS TO EXPORT FOR FIRMS FROM DEVELOPING COUNTRIES

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ABSTRACT

This paper examines barriers to export for non-exporting firms in the context of a developing country by surveying two hundred seventy-seven firms with headquarters located in Istanbul. The authors discuss a group of barriers facing firms and develop a model attempting to explain how these barriers are related to one another. The most important barrier to export as perceived by business executives is financial resources followed by inadequate market information provided by government. Analyses showed that there are strong relationships among different types of export barriers.

Although all businesses both from developed and developing countries face some sort of barriers to entry in global markets, companies in developing countries have additional barriers that they must overcome. Firms from developing countries are especially affected by global competition and protective measures such as, tariffs, quota, monetary barriers, and non-tariff barriers imposed by the governments of the countries in which they wish to market their products. Presence of barriers to export usually makes the domestic market more attractive and influences companies to lose interest in entering international markets.

The results indicate that inadequate market information (48.7%) and competition in international markets (45.5%) are the two most important external barriers perceived by the non-exporting firms. Nearly half of the companies suggest that these two barriers affect them to be non-exporters. The third and fourth most important barriers are inadequate demand in international markets (39.4 %) and presence of profitable domestic markets (37.5 %). Furthermore, the results showed that the lack of existence of export management companies, bureaucracy and foreign government policy follow the other barriers to export. Lack of information about the availability of government incentives is perceived to be the least important external barrier (18.1%).

In terms of internal barriers, financial resources (52.7 %), inadequate investment for entry into international markets (45.1 %), and production technology employed (40.1 %) are the three most important barriers. These barriers are followed in perceived importance by competitors' price advantages due to economies of scale, having qualified personnel for export and heavy advertising and selling expenses by competitors. The two least perceived barriers are product adaptation and inadequacy of company's own distribution channel.

One of the major objectives of this study was to identify the most important internal and external barriers to export in a developing country context (e.g. Turkey). The two most important export barriers identified for Turkish non-exporting firms were: inadequate market information provided by government and financial resources. The other important barriers to export were: competition and inadequate demand in international markets, presence of profitable domestic markets, inadequate investment for entry into international markets and production technology employed by firms.