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EXPORT BARRIERS AND EXPORT SUPPORTING MEASURES – LESSONS FOR A POLICY REVISION IN SERBIA

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Abstract

After the crisis 2007-08 new ideas on further institutional reforms and new development path for transition economies have been proposed. Among these new ideas, one of the leading tracks was promotion of the export led growth. The idea includes definition of an industrial policy that should back the new growth model based on exports. Although proclaiming new policies it often happened that governments remained mostly at some conventional measures. In this paper we try to define what kind of policy will be desirable to diminish problems the firms feel to face in developing their export businesses. We analyze results of a survey taken in a sample of Serbian firms trying to identify export obstacles and barriers as they are perceived among the managers of the firms observed. We explore three groups of export barriers: external, operational and internal (organizational and marketing) barriers. Our analysis will be concentrated on several characteristics of firms in the sample. In doing so we shall try to define what their common perception of export obstacles and barriers is and what is specific in regard to a particular firm type. The firm types and other firm characteristics we are interested in refer to (a) size of firms; (b) export experience and (c) firm location. The results should help policymakers to design proper policies that can efficiently relax detected obstacles and barriers (regardless of whether they represent an objective problem or just a subjective perception of firms' managers). Also, the findings could be of use for individual managers when rethinking their own views either as a confirmation of their thoughts or as an inducement to call for some collective action. Hence, the main outcomes of our research is the identification of those critical points that could help in designing correct and effective policy measures or incite certain rethinking when the measures appear as insufficient but also to offer some lessons for the managers in their work.

Keywords: *export barriers, industrial policies, export experience*

JEL classification: *E61, M16, M31*

1 Introduction

A full decade after the financial crisis hit the big part of the world including still institutionally fragile transition economies of that time; a new idea on development model based on export led growth became a common concept for these countries. The new paradigm had to change a spontaneously established model during the period of recommended (sometimes even forced) transition reforms guided by liberalization, privatization and deregulation in general. It also implied a disclosed industrial policy which had to back, support and initiate export activities on a broader scale within transition economies.

However, these new tasks of governments did not always enter the practice without some difficulties. The conducted policies were often constrained by a narrow set of conventional measures and followed by some hesitation in undertaking more definite or more adaptive measures in regard to actual circumstances. Thus, the results were below desirable level leaving firms with an impression that they remained alone in setting up ways to foreign markets and in coping with foreign competitors.

Based on these facts the objective of this paper is to shed more light on the principal constrains for export activities as perceived by firms in Serbia.[26] In doing so we make an attempt to identify main areas where government export promotion programs would be necessary and to mark main types of programs that could prove effective under the present circumstances and/or mark those projects that should be modified and changed.

After a brief introduction the paper is organized in four sections. The first one discusses the issue of export promotion programs and analyses main features of Serbian exports after the crisis eruption in 2007-2008. It is followed by a section that presents key methodological characteristics of the research. In the next section some selected results obtained are offered together with a brief discussion. Finally, we present certain conclusions and policy recommendation derived from the results obtained and conducted analysis.

[26] The paper is an extended analysis of the research partially presented in the paper Mitic et al. (2017).

2 National export promotion programs and Serbian exports

National export promotion programs are common government measures for supporting export activities of domestic firms often in order to enhance a desirable export led growth. These programs can be seen as an external resource, which firms can use to develop their knowledge, competencies and foster internationalization (Gengtiirk & Kotabe, 2001). The importance of export promotion program is very often analyzed from the perspective of small and medium enterprises (SME), since they have limited internal resource, often insufficient for implementing some broader international activities. On the other hand, World Bank recommends that government program should be oriented toward large firms (Lederman *et al*. 2006). Large firms have greater production and organizational capacity, which suggests that supporting them can have stronger impact on export on national level if compared with investing resources in supporting large number of small firms. Despite clear logic of targeting large firms, there are successful examples of export growth which is led by small and medium firms like in Italy. The case of Malaysia is also interesting, where the national export strategy was based on linking SME with large and multinational companies particularly in special export production zones. This strategy did not only fostered internationalization and increased export, but also helped SME in developing sustained competitive position through knowledge transfer and learning within the network (Williamson C. N., Kshetri B. N. & Wilkinson J. T., 2011).

Since export promotion programs can have strategic importance for export growth and export competitiveness of a country, especially in the case of emerging markets (Williamson C. N., Kshetri B. N. & Wilkinson J. T., 2011) the real potential of countries should be fully understood and exploited. Undoubtedly, the effectiveness of export supporting programs depends on specific firms characteristics (prior export experience, organizational, marketing and production capabilities…) and on their particular needs in development and implementation of an export business strategy. Rational use of scarce resources on macro level should take into account these specific features of firms by designing some prerequisites regarding development of export supporting program. They should be shaped accordingly to the needs of firms and in domains where firms perceive main problems in attempting to increase export sales. By investigating specific attitudes and understanding of firms regarding export obstacles in our research, 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 for programs that could enhance export activities (approximately some euro 80 mill. spent in attracting foreign investors to come to the country and around euro 8 mill. for SMEs support). However, all that money is distributed in a very much diversified way with no clear strategy or policy that will indicate what investors and what sectors have priority according to their competitiveness and export potentials and which investments could result in an optimal way.

On the other hand it should be pointed out that exports have increased since 2008 i.e. after the overall crisis stroke the country: 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 that is on average almost stagnant over the after-crisis period. 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 71.2 in 2013 and 47.6 in 2007). These facts indicate a certain switch in growth model, which was predominantly import based before the crisis. It is also interesting to remark that this rise in exports was very much different if compared with the one forecasted by the World Bank (which should not be a big surprise looking generally on the WB papers) that was based on metallurgy with its core firm US Steel, Smederevo[27] and on car manufacturing, namely new Fiat plant in Kragujevac[28] (see World Bank, 2012). As to the growth model change, unfortunately, we cannot speak about a kind of a designed or specifically focused policy moves in accomplishing the new model generated on growing exports. In reality, export activities were primarily pushed up (while import was narrowing) because of poor and diminishing purchasing power in local markets – in search for new customers exports increased but was diversified in a suboptimal way. Also, the exports were pushed by new investments from abroad that were, from the very beginning, attracted by low labor costs in the country yet subsidized by the government and were never interested in local market or in a developing cooperation with domestic firms.

As to the export destinations there were not very remarkable changes. From the table below (Table 1) one can conclude that there are several principal markets for Serbian exporting goods and services. Basically the main market is the EU but its growing share is sometimes connected with the EU enlargement more than Serbian export expansion. Conversely, we remark that within the EU appear a few

[27] Needless to say that soon after this fine forecast US Steel has left operations in Smederevo that is, sold the mill to Serbian government for 1 dollar!

[28] The forecast for Fiat was much better but despite high exports (simultaneously followed by high imports) the rates of growth were very much below expectations.

markets with stable and/or slowly raising shares in total exports – the case of Italy and Germany that make together 25.7% of all exports in 2017 (vs. 24.2% in 2007) with some growth primary towards Germany (from 10.7% in 2007 to 12.5% in 2017). The second important market is the former Yugoslav market but with a diminishing share from above 30% in 2007 to somewhat higher than 23% in 2017. One may also remark that with growing exports some of other neighbor markets are raising its importance for Serbian exporters (namely, Romania, Bulgaria and Hungary) while traditionally important Serbian foreign market in Russia is somewhat stagnant with a relatively small share in total exports particularly if seen from the standpoint of its size.

Table 1 **Top ten Serbian export foreign markets (% of total exports)**

Countries	2017	Countries	2013	Countries	2007
Italy	13.2	Italy	17.4	Italy	12.4
Germany	12.5	Germany	11.9	Bosnia and Herzegovina	11.8
Bosnia and Herzegovina	8.1	Bosnia and Herzegovina	8.9	Montenegro	10.7
Russian Federation	5.9	Russian Federation	6.9	Germany	10.6
Montenegro	4.8	Romania	5.6	Russian Federation	5.1
Romania	4.8	Montenegro	5.1	Macedonia/FYROM	4.9
Bulgaria	3.9	Macedonia/FYROM	4.1	Slovenia	4.6
Macedonia/FYROM	3.7	Slovenia	3.2	Croatia	3.7
Croatia	3.7	Croatia	3.1	Austria	3.4
Hungary	3.6	France	2.8	France	3.3

Source: Serbian Statistical Office, 2018.

The basic groups of export goods demonstrate a modest change over time since tools and machinery constitute 11.1% of export in 2017 (2007 it was 7.3 and 7.8in 2013) with a diminishing share of materials for reproduction and raw materials (55.5% in 2017 from 65.5% in 2007) and increasing share of consumables (33.4% from 27.2%).[29] Looking in more detail one may recognize certain changes in export structure that cannot be assessed as desirable. Thus, for example, the leading export items have changed from motor cars (in 2013) that diminished their share

[29] ver, this changes that could seem relatively robust in a ten year period are rather unstable since consumables reached 39.5% and materials fell to 52.7% in 2013 but did not constitute a permanent increasing and decreasing trend respectively.

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 (see Table 2). Moreover, this is in consequence of the government policy oriented to subsidizing foreign investors according to a number of employed people that proved the most attractive for the labor intensive production particularly the one employing low skilled labor.[30] The second important change among ten leading items shows a switch towards lower technology levels: increase in exports of tires, metals, cigarettes, raspberries, paper etc. The changes in their shares have various reasons (higher price of copper, renewal of the Smederevo steel mill under new owners – Hesteel, China, upgraded production of tires etc.), while somewhat smaller share of agricultural products, as well as the textile items, is partially due to the increase and further diversification of exports.

Table 2 **Top ten external trade items in Serbian exports (in %)**

Products categories	2017	Products categories	2013
Ignition wiring sets of a kind used in vehicles, aircraft or ships	4.6	Motor cars, diesel or semi-diesel, of a cylinder capacity not exceeding 1500 cm^3	4.9
Motor cars, diesel or semi-diesel, of a cylinder capacity not exceeding 1500 cm^3	2.6	Motor cars, diesel cylinder capacity exceeding 1500 cm^3, = <2500 cm^3	3.2
Tires, new pneumatic, used on motor cars	2.5	Maize, other	3
Refined copper	2.1	Ignition wiring sets of a kind used in vehicles, aircraft or ships	2.9
Motor cars, with spark-ignition internal combustion reciprocating piston engine,>1000=<1500cm^3	1.9	Motor cars, with spark-ignition internal combustion reciprocating piston engine,>1000=<1500cm^3	2.8
Flat-rolled products of iron or non-alloy steel, hot-rolled, not clad, of a width>=600mm,in coils	1.8	Parts, n.e.c., suitable for use with the machines falling within group 716	1.7
Maize, other	1.6	Tires, new pneumatic, used on motor cars	1.7
Cigarettes containing tobacco	1.4	Raspberries, frozen, without sugar	1.6

[30] The subsidies amount frequently goes well above two year wage in these factories where workers - yet primarily women - are paid at the lowest rates that do not exceed 200 euro per month.

Products categories	2017	Products categories	2013
Raspberries, frozen, without sugar	1.4	Other panty hose and tights, knitted or crocheted	1.3
Paper and paperboard, coated, impregnated or covered with plastics, other	1.3	Paper and paperboard, coated, impregnated or covered with plastics, other	1.2

Source: Statistical Office of the Republic of Serbia, 2018.

Diversification of exports could be demonstrated by the following figures. In 21 out of 23 sectors in the field manufacturing (C), according to NACE two digit classifications one will encounter some exporting activity. Regrettably, within these sectors of manufacturing, which makes around 70% of all exports, the majority of 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). This is to show that the rise in exports – including rise in export of consumable goods as well as higher exports realized by foreign investors (through either acquired and/or newly established firms), rising diversification and other largely spontaneous processes – did not necessarily lead to an expansion in exports of goods with higher value added. For that reason the question concerning success and aims of export supporting programs and their relation with subsidy programs targeting foreign investors could be put up once again[31].

The broad and probably suboptimal diversification but also the latent possibility to increase exports in Serbia can be additionally confirmed looking at the product in question. Analyzing four digit SITC (Standard international trade classification) we shall reveal that in the period 2007-2016 export valued more than 1 mill. euros increased from 43 to 78 products and from 25 to 51 with export value higher than 10 mill euros. Especially active (apart from bigger and foreign firms) are *de novo* companies, usually relatively small but fiercely struggling for their place in the market or searching for some *nishas* that could be taken in a foreign market. Moreover, it was remarked that the share in total exports of big firms is diminishing on the account of small even micro firms whose export growth rate are smaller but the rate of entry into exporters club is rising rapidly.[32]

[31] he figures quoted in this passage come from a preliminary working paper of CEVES (Center for advanced economic studies) analytical staff (CEVES, 2018)

[32] *id*.

3 Methodology

In order to identify what obstacles and barriers perceive managers of Serbian firms regarding export activities we have conducted a survey with a list of various types of potential export barriers and obstacles that was offered to responders. Firms' managers had to assess the offered list of barriers concerning their importance, in the range from1 – non important to 5 – highly important. Together with the list there was a question about various organizational characteristics and export strategy of the responding enterprises. Relying on the snowball method that was the only available one regarding the means at our disposal we composed a sample of 98Serbian firms. The survey was conducted during 2015 and 2016. The questionnaire was responded by marketing managers or general managers and/or firm owners (in case of small firms). We have complemented the received answers with data from the Serbian Business Registers Agency.

The sample included61.2% of small firms, 21.4% of medium and 17.3% of large firms. Regarding export experience the sample consists of 86% (or 85.7%) firms involved in at least some export businesses (exporters, further on) and 14% (14.3%) of non-exporting firms (non-exporters). We tried to differentiate export experience based on several criteria: (1) type of exporter (whether the observed firms are sporadic or persistent, regular exporters); (2) export intensity (based on share of export sales revenues in total sales revenues); (3) main export destination. As an additional characteristic of firms we analyzed location of a firm (whether it was located in capital city or in other locations), which we found to be interesting from the standpoint of availability of government supporting programs.

Thus, we finally have in the sample:

- 55% of regular exporters, 31% of sporadic ones and 14% of non-exporters; 45.6% of firms with export intensity of less than 1/3 of sales revenues from abroad in total sales revenues, 25.3% with export intensity between 1/3 and 2/3 and 29.1% with export intensity higher than 2/3;
- for 41% of firms main export markets are former Yugoslav countries, for 37.3% of firms main markets are EU countries and 21.7% of firms specify former Soviet countries (and other) as main export destination;
- 51.5% of firms in the sample are located in Belgrade, the capital city and 48.5% in other locations.

4 Survey results – export barriers perceived

Under the term barriers to exporting we understand "any attitudinal, structural, operative or other obstacles that hinder or inhibit companies from taking the

decision to start, develop or maintain international activity" (Leonidou, 1995). These barriers can be structured in two groups (Leonidou, 1995) (a) internal and (b) external; or in four groups: (Katsikeas and Morgan, 1994): (i) external (primarily macro-level factors like currency devaluation, high relative cost of financing exports, bureaucracy within public agencies, lack of government support, ineffective national export promotion programs, and additional problem of foreign competition), (ii) operational (micro-level factors of export activity connected to complex requirements in the export documentation process, payment issues, logistical constraints etc.), (iii) internal (controllable issues from inside the firms like product considerations, organization of export departments, lack of competent personnel) and (iv) informational barriers. In our research we developed a list of export barriers based on Katsikeas and Morgan's classification (Table 3). All export barriers have been structured in four groups: external, operational, organizational and marketing barriers. We shall firstly present results on how the firms perceive these basic groups in general and then we shall analyze, in more details, differences in barriers perception of various firm types, based on their organizational and export characteristics.

It is important to point out that Serbian firms recognize external barriers as main export barriers that is, barriers that predominantly are not under the control of firms. They got an exceedingly higher mark concerning their significance when compared with the other three groups of obstacles (average mark 3.69 compared with 2.79 to 3.25 for other groups). Among them dominates the problem of insufficient government support (mark 4.06) and is perceived as a more blocking issue than, for example, strength of international competitors (mark 3.94).Such an assessment is additionally supported by the fact that in the sample only 7 firms, which is less than 10% of all firms observed have been involved in some government export support program.

Marketing barriers appear as the second most important obstacle for exports (mark 3.25). Among marketing barriers, those which are primarily assessed as export obstructing are lack of price competitiveness and incapability of fulfilling necessary quality standards (3.68 and 3.63 respectively). Having in mind that firms recognize external barriers as the most frustrating such an assessment regarding marketing insufficiencies and/or incapability show a certain level of rationality and self-criticism pointing at some deficiencies within the firms. On the other hand this can only strengthen their general assessment about inadequate government care even under claimed growth supporting policies and point at the fields where some government support will be particularly welcome. Finally, responders in the survey put the group of operational barriers in the third place among export obstructing factors, underlying problems of high transportation

costs and payment difficulties in foreign operations. As a group of barriers with the lowest average mark comes a group of organizational barriers, with highest importance given to deficiency of skilled workers for export businesses and low commitment to exports.

After overviewing general of firms' perception, we try to analyze and define some possible differences in perceiving export difficulties among the firms of various size, export experience and location. The results reveal some differences in assessing importance of export problems between small, medium and large firms. Generally, small firms attribute higher importance and influence to all the groups of export barriers in comparison with larger firms (Table 3), which results in higher marks for all four groups of barriers, in comparison with large firms.

Table 3 **Importance of export barriers as assessed by small medium and large firms**

Export barriers	All firms	Small	Medium	Large
1. External barriers	***3.69***	***3.71***	***3.72***	***3.6***
exchange rate policy	3.86	3.97	3.67	3.71
high cost of export financing	3.88	3.95	3.81	3.71
bureaucracy of government agencies	3.72	3.69	3.81	3.71
lack of government support	4.06	4.05	4.1	4.06
strong international competition	3.94	3.86	4	4.12
poor country image	2.70	2.73	2.95	2.29
2. Operational barriers	***3.14***	***3.18***	***3.26***	***2.85***
high transportation cost	3.33	3.17	3.43	3.76
problem of transport organisation	3.02	3.27	2.9	2.29
provision of export documentation	2.95	3	3.19	2.47
problem of payment in foreign operations	3.26	3.27	3.52	2.88
3. Organisational barriers	***2.79***	***2.92***	***2.63***	***2.55***
export department organisation	2.53	2.59	2.53	2.35
deficiency of skilled personnel	3.04	3.19	2.85	2.76
low employee commitment to export	2.79	2.97	2.5	2.53
4. Marketing barriers	***3.25***	***3.25***	***3.47***	***3.02***
adaption of product for foreign markets	3.43	3.42	3.71	3.12
fulfilling quality standards	3.63	3.42	4.05	3.88
problems with providing after sale services	2.91	2.82	3.38	2.65

Export barriers	All firms	Small	Medium	Large
absence of direct contact with foreign consumers	2.85	2.93	2.81	2.59
foreign distributor selection	3.18	3.22	3.32	2.88
lack of foreign market information	3.27	3.47	3	2.88
organisation of foreign market research	3.33	3.35	3.33	3.24
incapacity of promotion in foreign markets	3.14	3.15	3.43	2.76
insufficient innovation	3.21	3.31	3.45	2.59
inability to differentiate offer from competitors	3.18	3.1	3.6	2.94
lack of price competitiveness	3.68	3.55	4.05	3.71

Source: Survey responses and authors calculations.

However, in ranking the most serious obstacles all three groups of firms evaluated external barriers with the highest yet pretty similar marks. Moreover, lack of government support appears as a highly assessed problem which is in the first (small and medium firms) or in second place (large firms, a little behind international competition) but with the similar marks. Also, when ranking the first five obstacles hindering export, the firms of various sizes show some differences but not significant. Nevertheless, some interesting variations appear. Large firms are primarily concerned with competition in foreign markets, they cope with the problems of transportation and storage (which could be a problem related to firm size and scale of exports), and are critical in regard to their price competitiveness, which is not necessarily the case with smaller firms (except for some medium enterprises).

On the other hand, there are some statistically significant differences (marked grey in Table 3) in assessing the importance of problems that small and large firms face in export businesses. Such a case one may encounter in regard to transport organization (t=2.751, p=0.007), which could appear as a consequence of higher competencies, broader possibilities and better organization of transport in larger firms. Far more interesting are the differences in perceiving deficiencies of information about foreign markets (t=1.705, p=0.092) and lagging on innovation (t=1.800, p=0.076). These two problems – lack of export information and insufficient innovation – concern much more seriously smaller firms than larger ones. Quite similar results appear in observing medium and large firms on the subject of innovation. There is a significant difference between medium and large firms (t=1.946, p=0.060) in perceiving lags in innovation practices; medium firms apply the highest importance to the problem of innovations deficiency when compared with both – small and large firms.

This brings us again to the question in what way government actually supports SME and to what extent it assists them in their operations, in inner organization and upgrading their knowledge in conducting business. It seems that government programs are primarily oriented to support establishment of SME, leaving them alone in finding export paths, trying to innovate, etc. Despite some general programs specific policy measures in support of SME operation, export, innovation, clustering etc. are usually neglected. Based on the doubtful though until recently predominant premise of full state withdrawal from economic processes some carelessness regarding innovation policies appear to be counterproductive: as it was repeatedly remarked – totally inactive role of the state may rather obstruct development of the economy than incite remarkable upward moves (Chang, 2011, and Mazzucato, 2011).

In exploring different perceptions of export barriers in regard to export experience of the firms and comparing exporters with non-exporters as well as regular and sporadic exporters we found several interesting results. Firstly and again, external barriers are perceived as the major obstacle, irrespectively whether firms export or not and whether the firms export regularly or from time to time. Furthermore, the lack of government support appears one more time as the most remarkable problem but interestingly, only in cases when firms have some export experience (Table 4). Non-exporters push in front line some other issues that seem mostly like a preconception and an excuse for their non-exporting than as an experienced problem in practice(exchange rate, bureaucracy of government agencies, export financing costs). These issues could be paired with other also highly assessed problems by non-exporters from other groups of barriers like inability to fulfill quality standards, lack of price competitiveness, poor prospects of product adaption for foreign markets etc. – that demonstrate a kind of their fear when facing export activities. Nevertheless and maybe just because of that, these perceptions could be a useful guideline for export supporting policy by giving an indication how and where these firms should be encouraged and where their weak points are.

Apart from these remarkable but still not necessarily significant differences we found some statistically significant distinctions in responses of firms with different export experience (marked by grey color in Table 4). Thus for example, non-exporting firms complaint significantly more for lacking of foreign market information(mark 3.86) than exporting firms usually do (though even they, according to the marks given for importance of that barrier – marks above 3 – seem to be pretty critical concerning information acquired). From the policy standpoint this could be an important input that should motivate policymakers to re-question export relevant information flows and find new channels for their transmissions

and amplification (either through some professional bodies, state agencies or firms associations and particularly through chambers of commerce – institutions that are still searching for their right place in a post-transition economy).

Table 4 **Importance of export barriers as assessed according to export experience: exporters (EX), non-exporters (NX), regular (RX) and sporadic exporters (SX)**

Export barriers	EX	NX	T	p	NX	SX	RX	F	p
1. External barriers	***3.67***	***3.84***			***3.84***	***3.86***	***3.57***		
exchange rate policy	3.77	4.36	1.556	0.123	4.36	3.77	3.78	1.199	0.306
high cost of export financing	3.86	4.00	0.431	0.667	4.00	3.97	3.80	0.304	0.739
bureaucracy of government agencies	3.61	4.36	1.853	0.067	4.36	3.97	3.43	3.206	0.045
lack of government support	4.11	3.79	-1.029	0.306	3.79	4.23	4.04	0.844	0.433
strong international competition	3.96	3.79	-0.502	0.617	3.79	4.17	3.85	0.771	0.465
poor country image	2.70	2.71	0.030	0.976	2.71	3.03	2.52	1.385	0.255
2. Operational barriers	***3.46***	***3.54***			***3.54***	***3.73***	***3.32***		
high transportation cost	3.40	2.86	-1.488	0.140	2.86	3.47	3.37	1.152	0.320
problem of transport organisation	3.05	2.86	-0.495	0.622	2.86	3.76	2.67	7.331	0.001
provision of export documentation	2.87	3.43	1.470	0.145	3.43	3.63	2.50	7.901	0.001
problem of payment in foreign operations	3.26	3.21	-0.116	0.908	3.21	3.27	3.26	0.007	0.993
3. Organisational barriers	***3.30***	***3.46***			***3.46***	***3.58***	***3.16***		
export department organisation	2.43	3.14	1.849	0.068	3.14	2.88	2.20	4.134	0.019
deficiency of skilled personnel	2.98	3.43	1.109	0.270	3.43	3.36	2.78	2.218	0.115
low employee commitment to export	2.77	2.93	0.382	0.703	2.93	2.89	2.70	0.228	0.796
4. Marketing barriers	***3.19***	***3.62***			***3.62***	***3.20***	***3.19***		

Export barriers	EX	NX	T	p	NX	SX	RX	F	p
adaption of product for foreign markets	3.35	3.93	1.484	0.141	3.93	3.33	3.35	1.092	0.340
fulfilling quality standards	3.52	4.29	1.858	0.066	4.29	3.27	3.67	2.503	0.087
problems with providing after sale services	2.79	3.64	2.060	0.042	3.64	2.57	2.91	2.664	0.075
absence of direct contact with foreign consumers	2.83	2.93	0.231	0.818	2.93	2.60	2.96	0.649	0.525
foreign distributor selection	3.12	3.50	0.971	0.334	3.50	3.28	3.04	0.762	0.470
lack of foreign market information	3.17	3.86	1.917	0.058	3.86	3.43	3.02	2.940	0.058
organisation of foreign market research	3.33	3.29	-0.129	0.898	3.29	3.47	3.26	0.260	0.772
incapacity of promotion in foreign markets	3.10	3.43	0.858	0.393	3.43	3.30	2.98	0.911	0.406
insufficient innovation	3.12	3.71	1.422	0.158	3.71	3.14	3.12	1.003	0.371
inability to differentiate offer from competitors	3.17	3.21	0.110	0.913	3.21	3.18	3.17	0.006	0.994
lack of price competitiveness	3.62	4.07	1.211	0.229	4.07	3.63	3.61	0.729	0.485

Source: Survey responses and authors calculations.

Non-exporters find the bureaucracy of government agencies as a very important and even predominant obstacle for export (mark 4.36) and do significantly differ from exporters (t=1.853, p=0.067), although exporters also judge this problem with a relatively high marks (3.61). Still, looking altogether, regular exporters cope definitely better with this problem when compared with non-exporters and sporadic exporters and this makes a significant difference in their attitude (F=3.206, p=0.045).

Non-exporters also show significantly different approach towards their ability to fulfill quality standards (mark 4.29) in comparison with exporters (t=1.858, p=0.066), but also when observed with exporters who export regularly and those who export sporadically (F=2.503, p=0.087). Interestingly, those sporadic exporters are the least worried about their success in getting quality standards (mark

3.27), which is probably in consequence of their position of using occasional chances for export with lesser concern about permanent product adjustment for certain markets and establishing long term relations with foreign buyers.

Finally, we have found some statistically significant differences in barriers assessments between exporters and non-exporters, such as problems of export department organisation (t=1.849, p=0.068) and problems with providing after sale services (t=2.060, p=0.042). That can be understood as the problems of local management and shall be better studied in managerial practice of those firms.

Similarly, we found specific yet significant differences when analyzed firms divided in three groups: non exporters, sporadic exporters and regular exporters. Expectedly, the majority of differences in assessing obstacles for export stay with non-exporting firms but we also found some specific characteristics that concern sporadic exporters: sporadic exporters assess the importance of export barriers at a higher grade than exporters, but also higher than non-exporters do for all types of barriers except for marketing ones.

Also, it is remarkable that in this kind of firms' grouping we encounter some statistically significant differences in assessing the importance of operational barriers, evidently due to the assessments of sporadic exporters. Thus, we find significant differences in evaluating problems with transport organization (F=7.331, p=0.001) and provision of necessary export documentation (F=7.901, p=0.001), that is, with problems that are relatively successfully resolved among regular exporters. Together with high marks for external and organizational barriers, this indicates what issues should be targeted in export supporting policies when new entrants in export activities are in question. For this purpose, some educational programs or online data bases are quite suitable. Moreover, they are neither that expensive nor too complex for execution.

Further on, we shall analyze differences in managers' responses and their attitudes toward export barriers as related to the location of theirs firms. Relying on an obvious fact that the main government institutions that support exports, as well as main financial and marketing organizations are located in the capital city, we tried to find out whether and how much location of the firm could impact perception of export problems. The result revealed some significant differences regarding assessment of external and marketing barriers. Firms located in the capital city perceived external and marketing barriers as less obstructing than did the managers of firms from other locations. Respondents from firms located outside of capital city assessed all external barriers with higher marks indicating their higher importance except for export financing problems that were seen as slightly less serious. Such attitude made the total assessment of external barriers significantly higher for firms located outside capital city. However, it is good to

remark that again we have the lack of government support in the first place of export difficulties as assessed by the both firm groups.

We found similar results regarding marketing barriers. Managers from firms located outside Belgrade – capital city assessed as significantly more obstructing marketing barriers than their colleagues from capital. Although they assessed as more serious all marketing barriers statistical testing shows that they particularly and significantly differ in assessing those marketing obstacles that are connected with their products or more precisely, regarding their firms' ability to adapt products, fulfill necessary quality standards and differentiate their offer from competitors they face plus pointing at the difficulty to find a proper foreign distributor (grey cells in Table 5). We conclude that such assertions indicate that in capital city one may find more marketing knowledge, skills and advisors as well as better information about foreign markets and their actors than firms in other locations can count upon.

Table 5 **Importance of export barriers as assessed according to location of firms: Belgrade (capital city) and other locations**

Export barriers	Belgrade	Other location	T test	Sig. (2-tailed)
1. External barriers	**3,5544**	**3,8406**	**-1,861**	**0,066**
exchange rate policy	3,72	4,00	-1,049	0,297
high cost of export financing	3,90	3,85	0,209	0,835
bureaucracy of government agencies	3,55	3,87	-1,121	0,265
lack of government support	4,00	4,11	-0,481	0,631
strong international competition	3,76	4,17	-1,686	0,095
poor country image	2,48	2,96	-1,734	0,086
2. Operational barriers	**3,1990**	**3,0745**	**0,735**	**0,464**
high transportation cost	3,48	3,19	1,109	0,270
problem of transport organisation	3,20	2,81	1,461	0,147
provision of export documentation	2,90	3,00	-0,367	0,714
problem of payment in foreign operations	3,20	3,30	-0,339	0,735
3. Organisational barriers	**2,6458**	**2,8815**	**-0,911**	**0,365**
export department organisation	2,38	2,67	-1,037	0,303
deficiency of skilled personnel	2,81	3,26	-1,533	0,129
low employee commitment to export	2,75	2,79	-,126	0,900
4. Marketing barriers	**3,0758**	**3,4959**	**-2,291**	**0,024**

Export barriers	Belgrade	Other location	T test	Sig. (2-tailed)
adaption of product for foreign markets	3,16	3,72	-2,048	0,043
fulfilling quality standards	3,36	3,91	-1,915	0,058
problems with providing after sale services	2,86	2,94	-0,254	0,800
absence of direct contact with foreign consumers	2,84	2,87	-0,111	0,912
foreign distributor selection	2,90	3,48	-2,129	0,036
lack of foreign market information	3,16	3,40	-0,950	0,344
organisation of foreign market research	3,12	3,53	-1,598	0,113
incapacity of promotion in foreign markets	3,04	3,28	-0,860	0,392
insufficient innovation	3,06	3,36	-0,984	0,328
inability to differentiate offer from competitors	2,90	3,50	-2,277	0,025
lack of price competitiveness	3,46	3,91	-1,736	0,086

Source: Survey responses and authors calculations.

Finally, we analyzed the responses obtained in regard to the main exporting destination of the firms in the sample. At the first site the results seem somewhat astonishing. Thus, for example it is remarkable that the 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. Such a result is found in all groups of barriers and is even statistically significant for external and organizational barriers (Table 6). It is particularly remarkable that firms exporting to ex-SU markets assess the problems of insufficient government support (mark 3.56) or bureaucracy of government agencies (2.44) with the lowest marks among all exporters. They are also less worried about provision of necessary documentation for exports (2.06). Additionally, they also do not highly assess the problem of foreign distributor selection (2.50). All these differences are statistically significant.

On the other hand, though statistically insignificant, some differences remain notable putting again in a different position exporters to former SU compared with their counterparts that export to other markets. These differences are connected with the fears of exporters to ex-SU in regard to their competitive position in the market; namely, managers of these firms attribute higher importance than the others to the issues like price competitiveness, fulfillment of quality standards, adjusting products to the requirements of the market and to international competition they face. Additionally, they put to this list problems of costs of export

financing. We may only guess why they see their export activities and their position in that way but it can be connected with a frequent practice of finding partners in export market according to their former business links or recommendation of compatriots working there or even according to sometimes specific ways of assuring cooperation that is not founded on the real quality of their products..

Table 6 **Importance of export barriers as assessed according to principal export market: Former Yugoslav republics (ExYU), EU market (without Slovenia and Croatia), Former Soviet Union (ExSU)**

Export barriers	ExYU countries	EU countries	ExSU countries	F	Sig.
1. External barriers	**3.76**	**3.72**	**3.3**	2.407	0.097
exchange rate policy	3.82	3.83	3.44	0.547	0.581
high cost of export financing	3.76	3.63	4.28	1.754	0.180
bureaucracy of government agencies	3.85	3.97	2.44	8.514	0.000
lack of government support	4.26	4.23	3.56	2.902	0.061
strong international competition	3.85	3.97	4.06	0.172	0.843
poor country image	2.88	2.80	2.00	2.887	0.062
2. Operational barriers	**3.19**	**3.19**	**2.88**	0.995	0.374
high transportation cost	3.24	3.50	3.50	0.405	0.669
problem of transport organisation	3.03	3.33	2.50	2.057	0.135
provision of export documentation	3.18	2.93	2.06	4.419	0.015
problem of payment in foreign operations	3.29	3.00	3.44	0.623	0.539
3. Organisational barriers	**2.66**	**3.01**	**2.09**	3.179	0.047
export department organisation	2.39	2.76	1.72	3.437	0.037
deficiency of skilled personnel	3.03	3.03	2.56	0.771	0.466
low employee commitment to export	2.67	3.24	2.00	4.606	0.013
4. Marketing barriers	**3.16**	**3.25**	**3.11**	0.136	0.873
adaption of product for foreign markets	3.03	3.43	3.67	1.319	0.273
fulfilling quality standards	3.35	3.40	3.94	1.019	0.366
problems with providing after sale services	2.65	2.93	2.67	0.360	0.699
absence of direct contact with foreign consumers	2.74	2.83	2.78	0.038	0.962

Export barriers	ExYU countries	EU countries	ExSU countries	F	Sig.
foreign distributor selection	3.36	3.10	2.50	2.385	0.099
lack of foreign market information	3.26	3.23	2.78	1.010	0.369
organisation of foreign market research	3.26	3.53	2.94	1.138	0.326
incapacity of promotion in foreign markets	3.21	3.10	2.72	0.768	0.468
insufficient innovation	2.76	3.48	3.11	1.809	0.171
inability to differentiate offer from competitors	3.24	3.07	3.00	0.235	0.791
lack of price competitiveness	3.47	3.43	4.06	1.523	0.224

Source: Survey responses and authors calculations.

Previous differences become even more visible if we compare results from the perspective of the European countries(EC) as export destination and former SU. This can be seen particularly regarding external barriers (bureaucracy of government agencies – exporters to the EC 3.92; exporters to ex SU 2.35; t= 4.413, p=0.000; lack of government support – EC 4.21, ExSU 3.65; t= 1.919, p=0.058 and poor country image – EC 2.83, ExSU 2.06; t= 2.1, p=0.035), organizational barriers (EC 2.85, ExSU 2.06; ; t= 2.374, p=0.020) and some marketing barriers where we find significant differences in the area of distributor selection, which we have already discussed and in the area of deficiency of foreign market information, which is more problematic for exporters to the EC (3.27, toward 2.71 for ExSU; t=1.694, p=0.094).

5 Conclusions and recommendations

After the overview of responses obtained from the survey and some specific differences among firms in perceiving obstacles for export businesses it is essential to rethink ongoing policies and propose some additional set of measures that could foster export and replace or supplement some of the policies in use. Basically, the survey points at several critical points that are of general significance for all firms in our sample despite some differences in assessing their importance.

Firstly, it is evident that the firms put in the front place external barriers and among them, very often, they underline the lack of government support. It is quite possible that firms and their managers sometimes could over-blame government for their own failures and ineffectiveness but it is still evident that feeling of

an insufficient assist is broadly present despite government claims about export as a priority goal. This can indicate that export supporting measures are not calibrated in an appropriate manner and scale.

Consequently, a question rises – what could be upgraded and in what way? The analysis of firms' responses suggests several points for improvements. In the first place and in regard to external obstacles from firms' standpoint, government should be more concerned about exchange rate policy, costs of export financing and broadly emphasized bureaucracy of state agencies. Secondly, by the right incentives, government policies could contribute more in resolving some of the internal difficulties that firms meet. Directly or through agencies and/or chambers of commerce – if properly defined in the system, a considerable assist could be given concerning information about foreign markets, overpassing low firms' capability to innovate if acting alone, which in turn affects several other issues like inability to adapt and differentiate product supply and compete successfully in foreign markets.

However, relatively high assessments given by firms' managers for importance of internal barriers indicate a certain degree of realism, self-criticism and/or self-estimation that point at inadequate competencies for export activities. The problems related to product quality, price competitiveness, difficulties in marketing research, finding partners etc. reveal noticeable lagging behind foreign competitors in marketing practices. Also it reveals firms' inability to develop even basic competitive strategies and an evident absence of marketing orientation: it seems that firms rather use transactional approach instead of establishing relations with foreign partners. However, all these critical remarks together with highlighted organizational barriers like poor state of export departments and poor skills or commitment of personnel show a good amount of firm readiness to improve the present state. This attitude opens a field for launching of government programs in professional education of employees but also for more engagement in modernizing the general education system of all grades of schooling.

The main characteristics of Serbian exports as well as differences in perception of barriers between various types of firms studied above request for some necessary renewal of export supporting programs. We firstly point at a relatively low technological level of Serbian exports and even some tendency of its further deterioration over time that we have demonstrated in section two of this paper. This can be largely attributed to the dominant (and in fact unique) subsidizing policy of government concerning FDI. The basic subsidies are expressed in a relatively huge premium for each planned (not even really activated) job by foreign investor. Under this provision Serbia became the most attractive for investors from labor intensive industries (usually demanding low skilled workers) since government subsidies could

tremendously cut labor costs in the first years of operations[33]. Apart from that, according to other studies (e.g. Gunther, 2005; Gorodnichenko, 2007; see also Iwasaki & Tokunaga, 2016) one can hardly find FDI spillover effects of new technologies in transition economies and in Serbian economy can rarely meet R&D offices in the companies owned by foreigners (Cerovic et al. 2015). These facts undoubtedly urge for a major change in government subsidizing principles and a rapid switch towards more active and diversified industrial policies able to attract higher tech industries to install their capacities and operate in the local economy.

The second issue we want to underline concerns government policies towards SME. As explained above, government policy is based on subsidies and other easing conditions for establishing of SME and assisting at the beginning of their business activity. However, the analysis of SME perception regarding export obstacles suggests a strong need for more active supporting policies concerning exports. As already remarked, some significant differences between larger firms and SME appear, particularly on availability of necessary information about foreign markets and firm's innovation capabilities. If SMEs operate outside main economic and administrative center that is, outside capital city – the problems are exacerbated and affect quality level of products which they produce and try to sell abroad. Founded on these facts it looks quite clear that industrial policy should be extended to some other measures for business enhancement than just supportive measures for starting point of SME operations. We primarily suggest formation of various networks and professional associations of firms together with government agencies as a kind of service, advice and informative centers about foreign markets and actual moves and changes in trade. Also, there should be a much stronger and persistent policy of innovation support either through inclusion of SME into various innovation programs and/or research projects or by facilitating use of the results that could be used for innovative purposes within the firm. Finally, these policies should stimulate clustering of SME and target cooperation between SME and larger firms making small businesses unquestionable components of broader undertakings. This approach also requires a more active policy towards foreign investors in terms of supporting their cooperation with local firms as component producers for their export production, substituting in that way the missing spontaneous spillover effects.

[33] he subsidies amount from several thousand euros to more than 10.000, which practically mean that wages – usually very low i.e. around 200 euros – turn out to be covered for several years in advance. Frequently, this kind of subsidies is followed by free use of land and other benefits. Government officials often claim with no hesitation that are ready to offer at least 5% better conditions than investors could get in any other country entering perhaps into a dubious practice of dumping and unfair competing.

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