



## BARRIERS TO EXPORT

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<p><b>Received</b> March 20<sup>th</sup> 2021 <b>Accepted:</b> April 1<sup>th</sup> 2021 <b>Published:</b> April 18<sup>th</sup> 2021</p>	<p>As a rule, when looking for export markets where a company can supply its products, the main selection criterion is their capacity. Marketing efforts in this case are aimed at exploring the potential of the market in terms of the number of consumers, identifying key segments, analyzing the pricing system in channels and the current price level for similar products, and other related issues. However, the most interesting market from the point of view of potential capacity can give zero sales, if you do not provide for measures to pass the barriers to entry in advance.</p>
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When developing an export strategy, it is necessary to assess the barriers of foreign markets

Why is it important to consider entry barriers before choosing priority export markets

It is very important to assess barriers in a timely manner for one simple reason – it seriously saves time and money for a potential exporter of products. Unfortunately, national business often looks exclusively at the market capacity in physical terms and average market prices when choosing export activities. Such information is important, but it does not give a complete picture, which can lead to erroneous decisions when choosing the markets with which work can be most effective.

Now the topic of export is very relevant, even taken out in a separate national project. Export support infrastructure organizations are making serious efforts to promote this area of activity for national business. Having learned about the opportunities that export activity opens up, many entrepreneurs, not only working at the level of microenterprises, but sometimes very solid business structures, want to make deliveries abroad as soon as possible, especially since they can get good preferences. The choice of markets in this case is often intuitive or based on the principle-where there is more capacity-we will take it there.

As a result, there are "typical" ideas for exporting products to China with the argument – "the biggest market, so they will buy something from me", to the most developed countries of the European Union (Germany, Great Britain, France)-"big markets, no borders inside, a solvent population" or even to the United States, which is presented as a kind of fertile territory for selling anything, combining the advantages of China and the EU.

Behind such tempting prospects, the question that the traded product must be prepared to overcome the barriers to entry into export markets often falls somewhat out of sight. In many cases, the barriers to entry are such that either they will require large sales volumes to cover the costs of overcoming them, or in principle they will indicate the need for a radical adaptation of the product to a new market.

A striking example of this type is China – significant financial resources and time are required both for the passage of various formalities, and for the preparation of goods for the market. A simple example – the taste priorities of a Chinese and a Russian person are so different that most food products that are well consumed at home in China will be of little interest to anyone simply as tasteless. A separate issue is packaging – it combines both formal barriers (labeling, placement of necessary information) and market barriers-it should be attractive for the "Chinese consumer". We will talk about the types of barriers later.

Barriers to entering new geographical markets are quite diverse. The term "barriers to market entry" was widely coined by Michael Porter as part of his "5 forces" model. Basic knowledge about the nature of barriers can be found in this source, although they are well understood on an intuitive level by any experienced businessman and specialist in the field of marketing and sales.

In order to make it easier to operate with the material in the future, we can distinguish two main types of barriers that need to be evaluated when entering a new geographical market.

1) barriers that are associated with measures of state and supranational (for example, the European Union or the EAEU) regulation, less often barriers related to the specifics of regulation at the level of federal subjects (quite different conditions for the payment of import taxes and duties can be noted, for example, in Brazil or the United States), as well as the action of special zones for foreign trade activities (here, rather, we need to talk about "negative" barriers, that is, their reduction);

2) barriers to the actual market of a particular country (the presence of local producers, language and cultural barriers, etc.) that are not directly related to state regulation measures.

The first type of barriers is divided in the most general form into tariff and non-tariff barriers. In order to properly analyze this type of barriers, the exporter will need to clearly know the HS code of the harmonized system (at least the first 6 characters), because all measures of state and other related regulation in this part are determined precisely by the codes of the commodity nomenclature, primarily the rates of customs duties and fees.

The second type of barriers will be determined by the actual type and parameters of the product, and the specifics of the business. At the same time, for different markets and products, different barriers may have priority, which must be evaluated to determine the market prospects.

In addition, it should be remembered that when exporting goods outside the customs, and in some cases, the state border of the Republic of Uzbekistan, it is possible to encounter export barriers. They are much smaller, they are easier to overcome, and for many products are almost invisible, but it is better to protect yourself in advance and get acquainted with all the features of exporting your product range.

Here, first of all, you should remember about technical and export control, which controls the export of a fairly wide range of goods, and if your product can be classified as a dual-use product, then you need to go through a number of formal procedures that will require time and some costs. However, we will not dwell on this issue in detail due to the fact that it is less important for the bulk of existing and potential exporters.

Export barriers related to government regulation

It is advisable to start the analysis of barriers in the new geographical market with the block of state regulation. This will determine the principal possibility of carrying out export activities and will give an understanding of the additional costs that will be necessary to incur in order to pass all the formal procedures for the admission of imported products to the local market.

Tariff barriers should be understood as tariffs and special customs duties that are paid in the country of import. Also, in most countries, value-added tax is paid on import (the universal term VAT is used), and in its absence – other related taxes (if any).

The tariff rates and the specifics of their calculation should be considered in the regulations of the country of import. As a rule, the rates are determined for each year by a separate document. More often, it is posted on the website of the customs authority of the country in the state language( or languages), which requires a qualified translation.

In addition, it should be borne in mind that the rates may vary depending on the country of origin of the product, there is a favored nation regime for relatively underdeveloped countries, as well as various trade agreements, including those of a regional nature. All this must be taken into account in order to correctly calculate the price offer that is favorable for the local buyer in the future.

Non-tariff barriers include the following list of possible measures to regulate foreign trade activities:

- quantitative restrictions, including tariff quotas, licensing of products and obtaining other import permits, general prohibitions on imports into the country;
- technical barriers-mandatory product requirements and measures related to the procedure for assessing compliance with national standards and regulations;
- sanitary and phytosanitary measures-mandatory requirements for products of animal and plant origin;
- trade protection measures – anti-dumping, countervailing and protective measures applied to neutralize the negative impact of imports on the market of the importing country;
- measures affecting competition that grant exclusive or special preferences to one or a limited group of economic entities;
- pre-shipment inspection and similar measures related to the mandatory inspection of goods before shipment from the exporting country;
- restrictions on the sale of goods within the importing country;
- restrictions on the participation of foreign companies in public procurement;
- financial measures regulating access to foreign currency and its value for import purposes, terms of payment;
- restrictions on the implementation of after-sales services in the importing country.

This list is not complete and is constantly being modified. Each type of non-tariff barrier requires detailed study in order to understand the feasibility of exporting products to the target country.

At the same time, it is necessary to proceed from the position and sub – position of the HS code (HS code) of the exported product, since there are different combinations of barriers to entry for different goods. However, the specifics of the economy of a potential export country, the role of the public sector in business, and so on are also important.

For example, if a company is considering entering the Chinese market with products for the heavy engineering and extractive industries, then you need to be prepared for the fact that you will most likely have to work with public procurement, where there are very high barriers for foreign manufacturers. Sometimes this is, in fact, an actual ban.

But the main attention should still be paid to the specifics of the products. It determines the need for passing sanitary and phytosanitary control, getting under the import quotas, ensuring that the goods meet the requirements of national technical standards and regulations, and so on.

The difficulty of entering the "exotic" markets for the manufacturer, where the existing barriers require a deep dive into the specifics of doing business in the country and a detailed study of the local regulatory framework, usually lead the exporter to the idea of either ordering a comprehensive market research of this market, or working through a distributor. Such options can be very productive and significantly reduce the time to develop a strategy for entering the export market.

In addition, distributors usually have a significant amount of responsibility for product safety for the local consumer. In some countries, this means their obligations to check and agree on the certification of the supplied products, in some countries-full responsibility for the compliance of products with international and national standards.

While the barriers to export related to government regulation apply relatively evenly to all potential exporters, the barriers determined by the specifics of the market are more dependent on the specific product and its country of origin, as well as the exporter himself. We will consider them further.

Export barriers of the geographical market itself

Unlike the previous group of barriers, which can be classified and ordered with a greater degree of accuracy, since they are related to the instruments of state regulation of foreign trade activities and the economy of the exporting country as a whole (technical barriers, etc.), the barriers determined by the market are quite diverse. They depend on the behavior of different consumers, the specifics of business turnover, cross-cultural communications, the importance of reference in a particular industry market, and many, many factors.

The list of such barriers for almost every product group will be unique, but their analysis is very important in terms of choosing those country markets where the exporter can get the maximum result from their commercial activities.

If there are quite a lot of countries that are compared in the framework of the study – ten or more, then a detailed study of such barriers can take literally years if you do this work yourself. Here you can recommend either setting such a task to an outsourced marketing agency, or splitting the research into two parts to reduce the time and resources spent.

At the first stage, select sufficiently general qualitative parameters that allow you to assess the barriers in terms of product specifics and the competence of the exporter. Examples include such criteria as the presence of local production of similar products, the company's recognition in the market of a given country (with other products), the attitude of potential consumers to Russian products of this type, the kinship of language and cultural environments, the proximity of business models, and so on.

Conducting an assessment based on these very general criteria will allow us to set basic priorities and select countries for a deeper assessment of barriers, and then the attractiveness of the market. It is clear that for two companies from the same country and with similar products, the estimates of barriers can be completely different.

For example, a company may have a full-time employee who is a native speaker of a particular country with a weak distribution of international languages and a good knowledge of local cultural characteristics. For such an organization, the cultural and communication barriers will immediately become lower. But at the same time, the second company may have experience in this market with a different type of product. For which of them the total "height" of the barriers will be lower is a big question.

The second stage requires a deeper elaboration of the criteria for identifying barriers that are already related to industry and product specifics. Here, the estimates will be more precise and quantified, which will allow us to make an accurate choice of the priority export country. At this stage, the study of barriers essentially flows into the marketing research of the export market.

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