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# MOTIVATIONS FOR THE ROMANIAN EXPORTERS

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***Abstract:** In the last decade Romania's trade balance experienced substantial deficits. This external disequilibrium which affected the macroeconomic stability could be ameliorated by increasing the exports. Romania's adhesion to the European Union in January 2007 created new opportunities for the exporters. However, in the new circumstances, the Romanian authorities are not allowed to apply the classical tools of the trade policy, such as subsidies or tax decrease, in order to stimulate the exports. Instead, assistance consisting in consultancy and facilities could be offered to the exporters for a better communication with foreign partners. Understanding the exporters' motivation could be useful in such assistance. In this paper we approach the Romanian exporters' perceptions about their activity. We use an investigation applied to the Romanian firms with export activity.*

**Keywords:** Romanian exporters, Government assistance, Export performance

**JEL Classification:** F10, F19

## 1. Introduction

In the present circumstances the Government assistance for the exporters is an important part of the commercial policy of Romania. After the communist regime fall, in 1989, the commercial balance passed from surplus to considerable deficits. In January 2007 the adhesion to the European Union generated significant increases of the exports and of the imports. However, in comparison with the exports, the imports increased with a bigger proportion, leading to disequilibrium of the foreign trade with not sustainable levels. In the absence of an active policy this disequilibrium could endanger the macroeconomic stability [1]. The adhesion to the European Union offered opportunities to enter on new markets to the Romanian companies. Anyhow, the possibilities of the Romanian Government to support the exporters by subsidies or by reductions of the taxes were restrained considerably. In the new context the Romanian authorities must use other

instruments to support the exporters: consulting services, training of the employees, facilitating contacts with foreign partners etc.

In the use of these tools it must be taken into consideration the sequential nature of the export development process [2]. It is recommended that for every level of the export development there should be applied specific forms of Government assistance [3].

In Romania there are major differences between two categories of exporters: foreign direct investment (FDI) and domestic firms. In the export activity the foreign affiliates show many advantages. They benefit from significant resources and from knowledge and connections to the foreign markets. Instead, many domestic firms have to deal with the lack resources and knowledge [4]. This situation could be related with the fact that in 2009 about three quarters of the Romanian exports were by FDI.

The actual global crisis could bring a

change in the domestic firms' attitude towards the exports. Since the second semester of 2010 the announced austerity measures are expected to cut sharply the demand. In these circumstances, for many Romanian companies the solution could consist in the orientation towards the foreign markets. Some empirical researches proved the decisions about the exports are significantly influenced by the managerial perceptions about the barriers and the advantages regarding the foreign markets [5].

In this paper we study, based on our investigation among 36 administrators of Romanian companies, the managerial perceptions about the exports activity. Obviously, this sample is too small to allow a generalization for all the exporters from Romania. However, the results of investigation could be useful in understanding some circumstances of the Romanian exporters' activity.

The period of investigation was March - April 2010. Exporters were questioned, by e-mail, about four subjects:

- Main difficulties for the export activity;
- Factors of the export performances;
- Effectiveness of the government export assistance programs;
- Impact of the global crisis on the demand from the external markets.

## **2. The main difficulties for the export activity**

The exporters' answers regarding the main difficulties for the export activity were heterogeneous. Ten of them considered that national currency was overvalued, especially in the months that followed the Romania's adhesion to the European Union. This evolution, combined with the increase of costs, led to a significant decline of the external competitiveness. Exporters are also worried by the lower predictability of the exchange rates since they are not familiar with the techniques of the foreign exchange rates risk management.

The results indicated significant

For six exporters the main difficulty consists in the decline of the external demand for their products in the recent years. The global crisis together with the increasing competition from the Asian and the East European exporters were considered as responsible for this situation. Other six exporters blamed the deficiencies of the actual legislation as the main difficulty in the export activity. They accused especially the legislation regarding the customs and the VAT.

The exporters mentioned other difficulties in their activity. It is very hard for the Romanian firms to find specialists qualified in the international business. Quite often the quality of raw materials from the domestic markets was inferior to those from abroad. The Romanian transporters applied high prices and sometimes there were not reliable. Some exporters accused the lack of cooperation from the Romanian embassies personnel. Some exporters had to use obsolete technologies and they had not enough financial resources to access new ones.

## **3. Factors of the export performances**

We asked the 36 exporters to characterize the importance they perceived for four factors of the export performances:

- Export strategies;
- Firm reputation;
- Personal relationships with foreign clients;
- Government assistance.

Exporters' answers revealed that most of them perceived a very high or high importance for the export strategies, the firm reputation and the personal relations with the foreign clients. Instead, their perceptions were much dispersed in the Government assistance case (Table 1).

We transposed the exporters' answers on a Lickert scale (1 point for "Very small"; 5 points for "Very high"). Based on these numerical values we determined the descriptive statistics for each factor (Table 2).

differences between the Government

assistance and the other three factors.

#### **4. Effectiveness of the government export assistance programs**

The exporters were questioned about the degree of knowledge regarding the Governmental assistance programs. It resulted that many of them considered they weren't well informed.

We asked the exporters to characterize the effectiveness of the Governmental assistance programs. Their answers revealed that more than two thirds of them appreciated as small or very small the utility of Governmental programs to support the exporters (Table 4).

#### **5. Impact of the global crisis on the demand from external markets**

From the 36 exporters only one depended exclusively on the foreign markets. The others were selling both on the foreign and the domestic markets. We asked them if the impact of the global crisis was different on the external markets in comparison with the domestic markets. For a single firm the demand increased both on the domestic and on the foreign markets, despite the global crisis. The rest of 34 exporters were affected by the decrease of demand for both the international and the domestic business. For 18 of them the external demand was reduced in a large proportion on the domestic markets while for the rest of 16 the demand on the foreign markets was affected higher.

We asked the exporters about their expectations regarding the demand on the external markets in the second semester of 2010. From them, 19 anticipated stagnation, 14 expected an increase and only 3 considered that the descendent trend

would continue.

#### **6. Conclusions**

In this paper we approached, based on an investigation among 36 firms, the circumstances of the Romanian exporters' activity. We identified some difficulties for the exporters that could be considered as barriers for the firms' orientation towards the foreign markets. By the Government efforts such barriers could be eliminated or, at least, attenuated. For example, a controlled devaluation of the national currency could increase the external competitiveness of the Romanian firms and it could also facilitate, in the actual circumstances, the preservation of the exchange rates stability. Other Government efforts should be directed to the improvement of the present legislation and to the Romanian embassies involvement in supporting the exporters.

Among the four factors of the export performances approached in our investigation, the Government assistance programs were considered as the least important. More than a half of the questioned exporters perceived a small or a very small utility for these programs. This situation was caused by the deficiencies in the implementation of these programs.

Most of the exporters were affected by the decrease of the demand on the foreign markets. However, only few of them expected the descendent trend would continue in the second semester of 2010. This fact could be considered as a motivation for the orientation to the international business.

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## Appendix

*Table 1 Exporters' perceptions about the importance of four factors of export performances*

<i>Factor</i> <i>Degree of importance</i>	<i>Export strategies</i>	<i>Firm reputation</i>	<i>Personal relationships with foreign clients</i>	<i>Government assistance</i>
Very high	21	19	18	7
High	9	13	13	7
Medium	5	3	5	10
Small	1	1	-	7
Very small	-	-	-	5
Total	36	36	36	36

*Table 2 Descriptive statistics on the exporters' answers regarding the importance of four factors of the export performances*

<i>Factor</i> <i>Degree of importance</i>	<i>Export strategies</i>	<i>Firm reputation</i>	<i>Personal relationships with foreign clients</i>	<i>Government assistance</i>
Sum	158	158	157	112
Mean	4.389	4.389	4.361	3.111
Median	5	5	5	3
Standard Deviation	0.838	0.766	0.723	1.326
Coefficient of variation	-1.172	-1.217	-0.682	-0.059
Confidence Level (95.0%)	0.283	0.259	0.245	0.449

*Table 3 Exporters' degree of knowledge regarding the Governmental assistance programs*

<i>Degree of knowledge</i>	<i>Very high</i>	<i>High</i>	<i>Medium</i>	<i>Small</i>	<i>Very small</i>	<i>Total</i>
Number of answers	3	10	9	8	6	36

*Table 4 Exporters' perceptions about utility of Governmental assistance programs*

<i>Level of utility</i>	<i>Very high</i>	<i>High</i>	<i>Medium</i>	<i>Small</i>	<i>Very small</i>	<i>Total</i>
Number of answers	-	1	10	12	13	36