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TRADE BARRIERS AND STRATEGIES FOR OVERCOMING THEM BY ENTERPRISES IN INTERNATIONAL TRADE

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Abstract

The article explores the multifaceted process of overcoming trade barriers faced by enterprises aiming to enter foreign markets. Trade barriers encompass various dimensions, including legal, economic, social, and administrative restrictions, which significantly complicate the process of internationalization. The key motives driving enterprises to internationalize, such as market expansion, cost reduction, and risk diversification, are discussed. Special attention is given to strategies for overcoming barriers in foreign markets, which enhance the competitiveness of enterprises. Porter's Five Forces model and PESTLE analysis are employed to assess the competitive environment and the factors influencing successful entry into international markets.

Keywords

Trade barriers, Enterprise internationalization, Overcoming strategies, Competitiveness, Porter's five forces model, International trade, PESTLE analysis, Foreign markets.

Problem statement

The process of entering foreign markets is a complex and risky task for enterprises due to the presence of numerous trade barriers. These barriers may include tariff restrictions, non-tariff measures, and legal and administrative requirements, which complicate market entry. For enterprises, especially small and medium-sized ones, trade barriers present a significant obstacle, requiring substantial financial resources, organizational efforts, and time to overcome. This raises the need for developing strategies that effectively address these barriers, ensuring competitiveness and successful market entry.

Relevance of the chosen topic

The need to expand market presence and diversify risks is a critical challenge for enterprises in the context of globalization and increasing competition. Entering foreign markets is a key strategic decision for enterprises seeking to expand their operations, increase profitability, and mitigate risks associated with limited national markets. Trade barriers represent the primary obstacle for businesses aiming to integrate into international trade, making the development of strategies to overcome them critically important. This research will assist enterprises in understanding how to leverage internal resources and external opportunities to overcome these barriers and ensure a stable presence in international markets.

Analysis of recent research and publications

The issue of trade barriers and their impact on the internationalization process of enterprises has been thoroughly explored in the works of scholars such as M. Porter, who developed the Five Forces model that defines the level of competition in the industry. A. Olivier, A. Dayan, and R. Urse contributed significantly to the concept of competitiveness, presenting the competitiveness polygon that considers additional influencing factors. The Institute of Management and Development, Fatkhutdinov F., Belarus O., Maceiko Y., and Sayenko M.G. have also made important contributions to the study of competitive advantages of enterprises in international markets. The analysis of trade barriers, particularly legal, administrative, economic, and social aspects, has been the subject of numerous studies, highlighting the importance of forming strategies to overcome them.

Purpose of the article

The article aims to develop effective approaches and strategies for overcoming trade barriers faced by enterprises seeking to enter foreign markets.

Achieving this goal requires addressing the following objectives:

- analyze the key trade barriers that hinder the internationalization of enterprises;
- explore the factors of the competitive environment through the application of Porter's Five Forces model and PESTLE analysis;
- develop strategies to overcome barriers and strengthen the competitiveness of enterprises in international markets.

Presentation of the main research material and results obtained

Entering foreign markets is a complex and lengthy process for enterprises, involving multiple stages and accompanied by significant financial expenditures. In today's economy, such activity is essential for ensuring the long-term development of the enterprise and strengthening its competitive position.

According to Ivanov M.V., the main reason for enterprises to enter foreign markets is the desire to increase profitability. However, this is not the only motivation, as there are several other factors that drive such strategic decisions.

The key reasons include (Didkivskyi, 2006, pp. 462; Andriichuk & Bauer, 1998, pp. 117-130):

1. Limited domestic market. National markets are often characterized by saturation or limited growth potential, encouraging enterprises to seek new opportunities to sell their products abroad.
2. Internal government policies and domestic market specifics. Government regulations, particularly in the areas of taxation and competition support, may stimulate enterprises to enter foreign markets where business conditions may be more favorable.
3. Overcoming reliance on the domestic market. Seasonal demand fluctuations, domestic market limitations, and the need to reduce risks drive enterprises to explore foreign markets for risk diversification and to secure a more stable demand.
4. Cost reduction. Entering foreign markets can allow for the reduction of production costs through more efficient use of production capacities, lowering tax payments, and the opportunity to organize production abroad.
5. Extending the product lifecycle. When the domestic market is already saturated with a particular product, entering foreign markets allows for the extension of the product's lifecycle by finding new consumer segments.
6. Utilization of state export support programs. Government support programs may encourage enterprises to expand their activities abroad by providing financial assistance, preferential loans, or facilitating market entry.
7. Improving sales efficiency. Access to foreign markets enables enterprises to strengthen their market positions by creating new distribution channels, branches, subsidiaries, and expanding their service network.
8. Currency exchange rate instability. Currency fluctuations can stimulate enterprises to seek new sales markets, helping to diversify currency risks.
9. Enhancing enterprise prestige. Entering foreign markets enhances the company's prestige as a participant in international economic relations, which can positively impact its domestic reputation.
10. Need for foreign currency. Enterprises may enter foreign markets to generate foreign currency revenue, which is necessary for purchasing imported equipment or resources (Didkivskyi, 2006, pp. 462; Andriichuk & Bauer, 1998, pp. 117-130).

To succeed in the international market, an enterprise must ensure the high competitiveness of its products. Competitiveness is a market category that determines the enterprise's ability to successfully promote its products among other similar goods available in the market. It is shaped by factors such as product quality, price, customer service, and other elements that influence consumer perception. For a more detailed understanding, the concept of competitiveness is presented in Table 1.

The founder of modern competitiveness theory is M. Porter, who developed the "Five Forces" model that defines the level of competition within an industry. In 1993, French scientists A. Olivier, A. Dayan, and R. Urse refined Porter's approach by proposing the "competitiveness polygon" concept, which considers eight key factors influencing an enterprise's ability to compete in the international market (Taranych, Omelchenko, Kuznetsov, & Gromenkova, 2017, pp. 279).

Table 1: Content of the Concept of "Competitiveness" in Various Studies.

Author	Definition Content
Institute for Management and Development (IMD)	Competitiveness is the real and potential ability of firms, under existing conditions, to design, produce, and sell goods that are more attractive to consumers in terms of price and non-price characteristics than those of their competitors (“IMD Business School for Management and Leadership Courses,” n.d.).
Fathutdinov, F.	Competitiveness is a property of an object characterized by the degree of real or potential satisfaction of a specific need compared to similar objects

	available in the market (Holda & Dubyk, 2009, pp. 138).
Bilorus, O., Matseiko, Yu.	Competitiveness is a dynamic process where each one competes with each other (Bilorus & Matseiko, 2002, pp. 7-11).
Saienko, M.G.	Competitiveness is a comprehensive comparative characteristic that reflects the degree of advantages over competing enterprises based on a set of performance indicators in specific markets over a certain period (Saienko, 2006, pp. 390).

Source: Compiled based on (Bilorus & Matseiko, 2002, pp. 7-11; Holda & Dubyk, 2009, pp. 138; Saienko, 2006, pp. 390).

At the micro-level, competitiveness is the primary factor shaping an enterprise's strategy. It is determined by the export potential of the company, which includes its production, technological, and organizational capabilities for entering foreign markets. Additionally, competitiveness is influenced by trade barriers, which may restrict access to certain markets. Successfully overcoming these barriers requires not only adapting products to meet the requirements of the new market but also developing an effective promotion strategy.

Thus, entering foreign markets is a multifaceted process that demands thorough preparation and analysis of market conditions, competitors, the regulatory environment, and the formation of a long-term strategy. To succeed, the enterprise must ensure the competitiveness of its products and take into account the specific characteristics of foreign markets, including trade barriers and government support.

Theoretical generalization of existing scientific approaches to the definition of the concept of "trade barriers" allows for several important conclusions about the nature of this phenomenon. Trade barriers are a crucial tool in regulating international trade, used to achieve certain economic goals, such as protecting domestic producers, balancing trade, and managing external market processes.

The main approaches to the nature and structure of trade barriers, as noted by (Vlasova, 2022, pp. 115-116), are as follows:

1. Legal understanding of trade barriers. In the legal field, there is a clear definition of the nature and structure of trade barriers. In general, trade barriers are viewed as measures of tariff, non-tariff, and administrative restrictions on the exchange of goods and services, which are established in the legal systems of the countries involved in trade relations or at the level of international (collective) agreements. These measures may include tariffs, quotas, licensing, currency control, and various administrative procedures.
2. Market and socio-cultural barriers. In the system of trade relations, obstacles may arise due to market forces, trade practices, informal rules of conduct, as well as cultural and religious preferences of consumers. The nature of these barriers encompasses both economic phenomena (competition, prices, demand, supply) and socio-cultural factors, which can significantly complicate a company's entry into foreign markets. These barriers often lack a clear legal basis but still greatly affect the ability of enterprises to adapt to the specifics of foreign markets.
3. Economic aspect of trade barriers. The economic aspect of trade barriers lies in the costs associated with overcoming them. The expenses required to meet trade barrier requirements can be substantial and impact the enterprise's decision to enter a market. For example, overcoming tariff barriers may require paying duties, while administrative barriers often involve obtaining various certificates and other permits.

Through this, trade barriers that stand in the way of companies wishing to enter foreign markets require (Vlasova, 2022, pp. 115-116):

1. Additional costs to meet the requirements and overcome the barriers, which can be substantial, especially for small and medium-sized enterprises. The expenses related to obtaining certificates, licenses, paying customs duties or taxes can reduce the profitability of exports and affect the competitive position of the company.
2. Costs arising from import bans on certain products. For example, some countries impose temporary or permanent bans on importing products from specific countries due to reasons such as protecting domestic producers or complying with environmental regulations.

Thus, considering the costs associated with overcoming trade barriers, economic literature defines trade barriers as economic and technical factors that prevent or complicate the market entry of new companies.

Based on the synthesis of definitions of the term "trade barriers" in economic literature, they can be considered as a set of legal norms, market tools, regularities, rules, and traditions, the fulfillment of which when importing products increases access costs or limits the volume of supplies (Porter, 2019, pp. 624; Baker Tilly, 2024). The system of trade barriers is revealed through a set of classification features that allow them to be identified and categorized by type (economic, legal, administrative, marketing, etc.).

Porter's Five Forces Model is an effective tool for analyzing the competitive environment for companies entering foreign markets or facing trade barriers. This model helps to identify the key factors affecting the level of competition in an industry and assess the opportunities and risks that a company faces during internationalization. Let's consider how Porter's Five Forces Model can be applied to analyze companies' entry into foreign markets and overcoming trade barriers (Porter, 2019, pp. 624, pp. 624, pp. 624; Baker Tilly, 2024).

Porter's model emphasizes five forces of competition (see Fig. 1):

1. The threat of new entrants. When a company decides to enter a foreign market, its success largely depends on entry barriers in the industry.
   These barriers include:
   - Trade barriers existing for the exporter's country of origin. For example, high certification and product standardization requirements necessary to enter the EU market can significantly complicate the entry of new players.
   - Economies of scale, where existing players may have significant advantages due to the scale of their production, allowing them to reduce costs. For new companies, this means they need to invest substantial resources to compete with established firms.
   - Licenses, quotas, and administrative requirements, where legal regulations create additional costs that must be overcome to enter the market.
2. Threat of substitute goods. Substitute goods pose a threat to companies as they can offer consumers alternative solutions to their needs.
   Businesses entering new markets must consider the following aspects:
   - Adaptability of the product to local consumption conditions. If consumers have the option to choose substitutes that better align with their cultural or economic circumstances, this could become a challenge.
   - Pricing policy, where products that can be offered as substitutes are often more affordable because they are not burdened by additional costs related to overcoming trade barriers.
3. Bargaining power of suppliers. Suppliers play a crucial role in shaping the competitive strategy of a company entering a foreign market:
   - Access to raw materials. If the country to which the company is exporting imposes high quality requirements for components or raw materials, this may increase dependence on suppliers (e.g., the EU sets high safety standards for products and components, forcing companies to use more expensive but certified resources).
   - Supplier monopoly in the country where the company operates. If there is a limited number of suppliers for specific raw materials or components, they can impose their conditions, affecting the cost structure of products and overall competitiveness.

Fig. 1: Porter's five competitive forces model of threat analysis.
Source: Compiled on the basis of (Porter, 2019, pp. 624; Baker Tilly, 2024).

4. Bargaining power of buyers. The bargaining power of buyers or consumers depends on their ability to influence price and quality demands:
   - Price sensitivity. If buyers in the importing country are price-sensitive, trade barriers such as tariffs and additional certification costs can significantly reduce the company's competitiveness.
   - Quality demands. Depending on the market, buyers may have varying bargaining power, which can sometimes force companies to improve product quality, leading to additional costs.
5. Intensity of competition among existing competitors. This determines how difficult it will be for a company to compete with others in the foreign market:
   - Highly competitive environment. For example, the EU market is highly competitive due to the large number of players offering high-quality products. To establish a niche, a company must either be innovative or offer prices lower than competitors, which is often challenging.
   - Government support for local producers. Support for domestic producers creates uneven conditions for foreign companies.

Porter's Five Forces Model enables a company entering foreign markets to comprehensively assess the industry structure and level of competition. It helps to understand how trade barriers, demand and supply features, supplier and buyer power influence a company's ability to compete in foreign markets.

Understanding these five forces aids in developing effective strategies for entering new markets and maintaining competitive positions (Porter, 2019, pp. 624; Baker Tilly, 2024):

- the company can determine whether to use a differentiation strategy (e.g., improving product quality), a pricing strategy (reducing costs), or a niche strategy (choosing a narrow market segment with less competition).
- the model also helps identify the most critical barriers that must be overcome for successful market entry and assess the risk level associated with competition, suppliers, or substitutes.

To analyze trade barriers and understand the conditions for entering international markets, it is also advisable to use a PESTLE analysis, which allows for the assessment of various aspects of the external environment and subsequently determines strategies to overcome them (see Fig. 2):

1. Political factors. Barriers at the country-of-origin level are often linked to political conditions; for example, exporting to the EU requires obtaining approval for compliance with sanitary standards.
2. Economic factors. Trade barriers include tariff and non-tariff measures that impact product competitiveness. The costs of overcoming such barriers affect the final price of the product and the company's ability to compete in the international market.

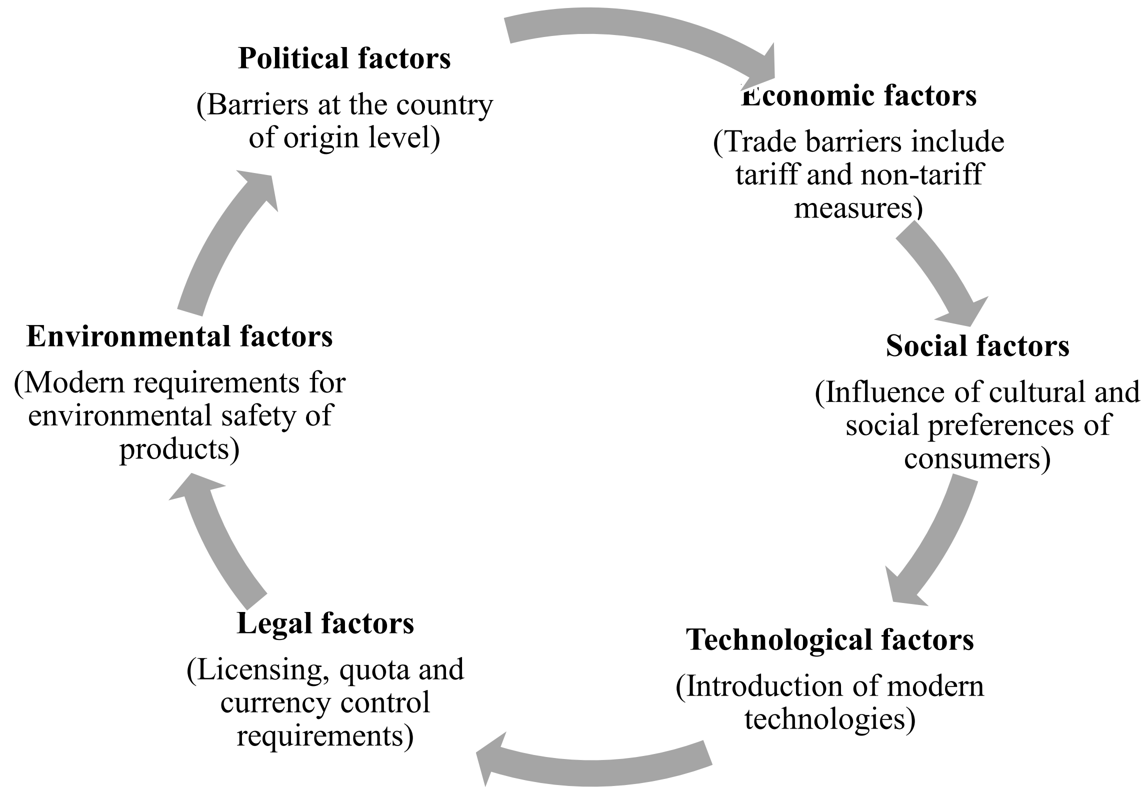

Fig. 2: Porter's five competitive forces model of threat analysis.
Source: Compiled on the basis of (Bernytska, 2012, pp. 41-45).

3. Social factors. The influence of cultural and social preferences of consumers can serve as a barrier to market entry. For instance, specific requirements for labeling and packaging of goods depend on the social and cultural norms of the importing countries.
4. Technological factors. The implementation of modern technologies can help overcome barriers by enhancing product quality and ensuring compliance with international standards.
5. Legal factors. Legal barriers include licensing requirements, quotas, and currency controls, which complicate the process of entering new markets.
6. Environmental factors. Modern requirements for environmental safety of products can be significant barriers, especially when entering the European market, where strict environmental standards are enforced (Krytsko, 2015, pp. 224).

Barriers in the planning process arise due to various objective and subjective reasons, so a comprehensive approach that considers all aspects of the enterprise's operations is needed to overcome them.

The main issue lies in the insufficient development of theoretical and practical foundations for planning in a transitional economy. Some elements of planning from the time of centralized economic management, such as goal-setting and centralized control, can be adapted to new conditions. However, the transition to market relations and privatization requires new approaches to planning.

The use of modern forecasting and planning methods is crucial for creating effective plans that ensure stable development of the enterprise in the future. The key stages for overcoming barriers are systematically organized in Table 2. This structure allows for the systematization of the process of overcoming barriers in the planning activities of the enterprise and enhances the effectiveness of planning activities in a dynamic environment.

Table 2: Key stages of overcoming barriers in planning.

Stage	Description
Initiation of the "top-down" process	The initiative for transformations should begin at the leadership level.
Recognition of existing limitations	Planning takes into account existing limitations and proposes ways to overcome them.
Establishment of effective connections	Establishing communication with stakeholders.
Involvement of all subsystems	Including all employees in the process of developing and implementing plans.
Verification and improvement	Adjusting plans based on control checks and changes in the environment.
Development of alternative plans	Creating flexible mechanisms for transitioning to alternative plans.

Source: Compiled based on (StudFiles, n.d. , pp. 258-261).

Thus, the process of overcoming barriers occurs in the following stages:

1. Initiation of the "top-down" process. It is traditionally believed that the initiative for transformations should start at the leadership level, both at the state and the managerial level of enterprises. Strategic planning is the primary tool for adapting to an unstable environment; therefore, leaders must study methods for formulating missions, strategies, plans, and programs that strengthen the planned nature of enterprise development.
2. Recognition of existing limitations. Planning is not a universal tool for solving all enterprise problems. It is necessary to consider the existing regulatory, temporal, and resource constraints, as well as to anticipate measures to overcome or mitigate them. Planning is essential for any developing system, as it helps consciously define goals and the pathways to achieve them.
3. Establishment of effective connections. Developing an effective planning system requires establishing communication at both the internal and external levels. Involvement of all stakeholders in the development of plans enhances their justification and reduces resistance to change.
4. Involvement of all subsystems of the enterprise in planning. Every employee involved in implementing plans should have the ability to influence the speed of their execution, the order, and the content of activities. This promotes better coordination of actions and reduces resistance to change.
5. Verification and improvement. The planning system must be flexible and adaptive to changes. It is necessary to anticipate procedures for adjusting plans in the event of changes in internal or external conditions. Adjustments should be made based on control checks that assess the relevance of planned activities.
6. Development of alternative plans. The enterprise should have flexible mechanisms to transition to alternative plans in case of significant deviations from forecasted events. This allows for the avoidance of managerial crises and the maintenance of the enterprise's stability in the face of unforeseen changes.

Thus, enterprises must not only respond to challenges but also actively improve their planning processes, develop modern methods, and adapt them to the changing market conditions. This will ensure sustainable development and successful operations in the long term.

Conclusions

The research established that entering external markets is a complex and multifactorial process, with various trade barriers serving as the primary obstacle. These include legal, economic, social, and administrative restrictions that significantly complicate the internationalization of enterprises. This is particularly true for small and medium-sized enterprises, which require substantial resources to overcome these challenges.

The main motives prompting enterprises to internationalize were discussed, among which the key roles are played by market expansion, optimization of production costs, and risk diversification. Importantly, overcoming trade barriers requires comprehensive strategies that combine various approaches, including evaluating the competitive environment through Porter's Five Forces model and PESTLE analysis.

The analyzed tools enable enterprises to better understand market conditions and identify key factors influencing successful entry into international markets. The use of these methodologies contributes to the development of effective strategies for overcoming barriers, which in turn enhances competitive advantages and ensures a stable presence in external markets.

Therefore, enterprises aiming for internationalization should focus on comprehensive analysis of the external environment, development of adaptive strategies, and utilization of internal resources for effective barrier overcoming. This will not only reduce risks but also ensure stable development and competitiveness in the global market.

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