FACTORS AFFECTING ON- OIL EXPORTS

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Abstract

The importance of non-oil exports and its role in countries' economic development is discussed as one of the important issues.On the other hand, understanding the affecting amount of influencing factors on non-oil exports, can help the export growth.Undoubtedly export promotion based on the fourth program law of economical-cultural and social development is the motivating engine of economic growth and sustainable development of our country.Non-oil exports, because of reducing dependence of foreign exchange earnings on oil is very important.Despite the very importance of this issue, the aspects of non-oil exports in Iran, have been paid less attention.Also, the effect of companies' export development programs, in export literature, has been studied a little.The aim of this study was to examine the factors affecting non-oil products export.These factors are extracted from related texts and articles and they will be discussed in detail.

Key words: non-oil exports, export promotion, foreign exchange earnings, export performance

1.Introduction

Today, the development of non-oil exports is considered as a necessity, because it increases foreign exchange earnings and as a result it makes possible performing the economic development programs that involves the exchange costs.

But in Iran, they usually pay attention to the development and growth of non-oil exports when the export of crude oil and the earnings of its selling is in the recession.

Iran's past experience in the field of fluctuations in foreign exchange earnings requires some policies in the field of increasing non-oil exports, especially agricultural exports.

For this reason, distinguishing the factors affecting the export of such goods is very important. (Biriya and Jalilameli, 2006)

Increase in non-oil exports and its revenues has been always paid attention by the government members in the country's major policy.

And in order to achieve this important issue, by appealing to various political tools, including trading, currency and financial tools, they have tried a lot to promote non-oil exports.

In this regard, as an inevitable necessity, we have to pay attention to non-oil products such as the field of agriculture (Paasbaan, 2006).

One of the important discussions in the economic development of the country is the discussion of foreign trade.

This section is the source of providing foreign exchange earnings for investment and achieving the modern technology in order to increase the country's economic productivity.
Iran's foreign trades known with single product exports and severe dependence on foreign exchange earnings from exporting the crude oil.
Since the finding of oil in Iran, until today, the share of oil export from the total exports has been rising.
In addition, oil exports in recent decades has been always associated with considerable fluctuations and the country's economy has been facing serious crises (Khaliliyan and Farhadi, 2012).
The necessity of escaping from the single product exports and getting rid of its problems, diversifying in export products, providing currency for investment and increasing the share in international trade and international markets clearly shows the importance of non-oil exports.
Non-oil exports has special importance in economic activities and its effect on the economy and its relative growth is undeniable.
But since it has not been considered seriously and appropriately, and has not been planned and documented in an optimal form ,it has not achieved the desired results in the approach of the country's economic development (Mohseni, 2010).
Therefore, in this article we are going to examine the factors influencing non-oil exports. These factors are described in detail in the next section. At the end, we will conclude from the topics discussed.

2. Definitions and discussions:

1.2.Analysis of the process of foreign trade in Iran:
In 1352, that there was a significant increase in the country's foreign exchange earnings, they changed the policies in foreign exchange and trade, in order to facilitate more imports.
Political changes in the country during the years (1978-1980)caused the free market of foreign exchange to become a means of the foreign exchange outflow and capital flight out of the country.
Therefore, since the second half of 1978, the Central Bank put some restrictions on foreign exchange outflow and thus selling the foreign exchange for non-commercial uses was limited.
From 1982 onwards,the policy of encouraging and increasing non-oil exports was concerned by the governmentas one of the important strategies that this policy continued until 1988.
Since the second half of 1989, the country's foreign exchange and trade policy was put in the path of moderating economic policy(Deilami et al, 2008).
In 1993, by means of performing the policy of exchange rate unification and announcing the system of floating guided currency and also announcing the floating rate as the official rate of foreign exchange, major developments took place in the country's foreign trade sector.
In order to reduce the oil dependence, encouraging non-oil exports, in the second macro economic program (1995-1999) was emphasized.
Given the importance of non-oil exports, many problems in the foreign trade sector were identifiedand effective actions were taken in order to improve exports ,make the imports programmed and reduce dependence on oil revenues.
During the years of performing the third development program(1990-2004) the country's economic condition obtained stability and sustainable growth.

Non-oil exports in the first four-year of the fourth development program, with average growth of about 19/6, increased 18/3, 22/6, 26/1, 29/6 billion dollars respectively that compared with the anticipated growth in the fourth program is about 7/5percent higher.

In these four years, totaled 96/6billion dollars currency entered the country, from non-oil exports, which based on this fact, approximately 39/2 percent, over the program's purpose, was achieved (Hooshmand et al, 2000).

One of the important features of changing in non-oil exports during the third and fourth programs, has been a significant increase in the share of service exports in non-oil exports.

On the basis of the fourth development program, the share of non-oil goods' exports from the country's total goods exports must increase from 23/1 per cent in 2003 to 33/6 percent in 2009, while the export performance during the first four years of the fourth program suggests that this contribution is16/4,18/5,16/5 and 18/6 percent, respectively.

A significant part of this fail can be attributed to the sharp increase in oil revenues (Mahmoudzadeh and Zibaie, 2004).

In academic research, the various aspects of companies hat influence export strategy, have been identified.

Most researches are concentrated on internal and external factors affecting export processes.

2.2.Internal factors

Internal factors affecting export strategy are those variables that are controlled by the company.

Some structures, such as the organization's commitment to export, the company's tendency to export, management capabilities and correct understanding of exports, the size of company and the product benefits are among the factors that have been studied (Vazifedoost and Zarrinnegar,1999)

Organization Commitment:

Commitment to export is traditionally in two forms: financial and staff. To know the level of company's understanding, the researchers examined the company's behavior in gathering information from the foreign markets, employment and staff training, preparing meetings and international travels ,learning the process of exports and the way of using export documents.

In this research, they concluded that commitment is not always an important and considerable factor in achieving success in exports.

Kavsgil and others realized that the lack of investment in a structure that causes export promotion is itself a barrier to success in export.

But other researchers examined the company's strategy, with regard to the mixed marketing in order to identify the company's commitment to exports.

Chin insisted that for a successful sale of goods in abroad, they must be reformed and modified, he suggested suitable strategies (to reform) that includes: increase in credit, direct advertising to distributors or to final consumers and channels of distribution.

Finally,Vinrich and Row realized that more than half of the examined exporters need to improve mixed marketing and among them, the price is the most important of all(Vazifedoost and Zarrinnegar,1999; Farahbakhsh,2008).

Company's Motivation:

Bilky (1978) was the first person that related the motivation to the process of export sales. While doing research, he realized that the managers' incentives in export, has a long-term profitability that is achieved through long term growth and diversity.

Rabinov supported this issue by suggesting that the managers consider the markets diversity as an important advantage in export; and emphasized the impact of diversity on increasing the sales volume.
Incentives for export are quite different. Export motivation may be considered in different forms for each company as a combination of factors.(Biriya and Jalilameli,2006)

Capabilities and Management Perceptions:

changes in export behavior is caused by differences in management features. Important features include: The type of education, the degree of risk aversion, the international tendency of managers, the manager's positive trend to export marketing.
By contrasting the exporters with those companies, which do not export, it has been shown that a large percentage of exporters, have a previous experience of living in a foreign country, foreign travel or a foreign language.
Also company's increased experience in the domestic market, plays an important role in determining the exports level of that company.
The gained experience in domestic markets helps to the company's development in turning to an international company. Finally, the educational background and language skills, are prerequisites for export marketing.(Deylami et al,2008)

The Firm Size:

Many researchers have investigated the relationship between the firm size and export activities. The firm size has been measured by annual sales volume and the number of employees.
There is a positive relationship between the firm size and the decision to export. However, other studies have failed to confirm such a relationship clearly(Vazifedoost and Zarrin-negar,1999).

Product Advantage:

The product advantage is measured through investments in technical superiority that sends the company's product to the market.
When a company is aware of the priorities and its product excellence, it exports the product more confidently.(Vazifedoost and Zarrin-negar,1999).
2-3) External factors:
External factors are those variables that the company has no control over them, or has little control over them.
These factors include: the market environment, the type, level and the amount of assistance and cooperation of the government for exports.(Vazifedoost and Zarrin-negar,1999).

Market environment:

A company's decision to export may depend on the environment of domestic and foreign markets.
Studies have shown that, actual or potential, the domestic market can have an impact on the decision to export.

Large domestic markets are barriers to exports and in larger domestic markets that the firms are active, there is sufficient demand, so these companies are less likely to seek new markets, as a result, good sales and profits in the domestic markets, decreases the company's exports.
Also, if the foreign market is larger than the domestic market, the company will probably begin to export in a wider level.
In addition to the market size, competitive conditions in foreign markets, plays an important role in determining the export's behavior.
Competitive conditions and the market size, both are considered as important factors.
In foreign markets, the main local competitors have an advantage in the distribution channels, and these advantages become a barrier for a company to entry into the market.
In contrast, countries with less competition and high growth opportunities, are more likely to be more attractive target markets.
Other influencing factors on the foreign market environment, includes: tariff and non-tariff barriers to market entry and the physical and psychological distance from the origin country.
The more are tariff and non-tariff barriers, the market will be less attractive for the company.
Also, the physical and psychological(cultural) distance from the domestic market causes the foreign market to be less attractive (Babaie and Rakeie, 2001).

Government Assistance:

Government assistance includes those policies which the government applies to assist the exporters in international trade.
Studies have shown that governments can be the export agents and also they can prevent it.
Generally, through providing information, guidance, sales tax incentives, financing and insurance programs to help exports.
Governments can prevent the export activities through providing information for international marketing, various supports for encouraging exports and applying the policy of changing the foreign exchange rates.
Increase in America's dollar rates in comparison with the currency is the most important obstacle for international activities of American exporters.
Similarly, a study of European managers indicated that currency devaluation of their country, in comparison with other countries in foreign markets, is their main reason for export activities.
Another problem is the pressure in office labor. There is a negative relationship between complexity of office labor and exports.(Babaie and Rakeie,2001)

3.Conclusion:

Exports managers must be aware of environmental knowledge of the export market and export process and help the managers to control and overcome potential barriers in export markets and export processes.
Also get a positive perception of the export market environment progressively.
In our country, managers do not get the export knowledge through export promotion programs, so they are not obligated to devote more resources to export.
Companies with improved export knowledge can adopt and use suitable marketing strategies more effectively.
It can be concluded that the export obligation is positively related to an increase in exports, but it is not related to the export performance.

These results imply that the company's strong commitment to export leads to finding a suitable export strategy.

Companies decide about continuing or expanding exports through the introduction of new products, increasing export sales and entering new foreign markets.

Companies that are committed, devote more resources to apply effective strategies in order to obtain the advantage of international opportunities, avoid threats, overcoming internal and external obstacles and a better performance. Devoting more resources suggests the higher levels of satisfaction.

Increase in commitment should result increasing in the exports performance.

It also seems that the favorable external market conditions has a positive effect on non-oil products export strategy.

This means that those managers who have a positive perception of export market environment, have a desire to research and organize receiving the environmental information to create effective strategies for exports.

It can be concluded that managers of export firms, who have a good understanding of the export market environment have more tendency to the implementation of effective and facilitating exports strategies.

Also using the export promotion programs either directly or indirectly does not affect the management perception of export market environment, export knowledge and export commitment and suggests that the government and policy makers should do promotional and encouraging activities more seriously.

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