

Export Barriers for SMES

A Case Study of Bangladeshi Small and Medium Sized Shrimp Exporting
Companies to the European Market

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<p>Abstract</p> <p>Exporting is very important for developing countries. Small and medium sized companies in the developing countries face several barriers when exporting their products in the developed countries. Bangladesh is a small country in the South East Asia. The shrimp exporting sector is the second biggest export sector of Bangladesh. The purpose of the thesis was to find the major export barriers faced by the small and medium sized shrimp exporting companies of Bangladesh to the European market.</p> <p>The thesis process was implemented by qualitative research process. Representatives of three small and medium sized shrimp exporting companies were interviewed to get primary data. The secondary data were collected from related literature and relevant internet sources.</p> <p>The result of the research illustrates that the major barriers faced by Bangladeshi small and medium sized shrimp exporting companies are lack of finance for exporting and excessive transportation cost. Besides that there are some other barriers faced by the small and medium sized shrimp exporting companies in Bangladesh. The industry also lacks proper market research & advertising.</p>			
<p>Keywords</p> <p>Export, Small and Medium Sized Enterprise, Shrimp, Export Barriers</p>			

Abbreviations

BFFA - Bangladesh Frozen Food Exporter Association

BFRI- Bangladesh Fisheries Research Institute

BSFF- Bangladesh Shrimp and Fish Foundation

DAM- Department of Agricultural Marketing

DOF- Department of Fisheries

EC- European Commission

EPBB- Export Promotion Bureau, Bangladesh

EU- European Union

FAO- Food and Agriculture Organization of the United Nations

HACCP- Hazard Analysis & Control Points

ITA- International Trade Administration

IBFB- International business forum of Bangladesh

MOFL- Ministry of Fisheries and Livestock

MFAD- Ministry of Foreign Affairs of Denmark

OECD- Organization for Economic Co-operation and Development

SMEF- SME Foundation

UNESCAP- United Nations Economic and Social Commission for Asia and the Pacific

UNCTAD- United Nations Conference on Trade and Development

USITC- United States International Trade Commission

VASEP- Vietnam Association of Seafood Exporters and Producers

WAS- World Aquaculture Society

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1 INTRODUCTION

Bangladesh is a small country in the South East Asia. The official name of the country is The People's Republic of Bangladesh. The country is situated between Burma and India. The country was a part of the India until 1947. After that Bangladesh was known as East Pakistan. The country got Independence from Pakistan in the year 1971 and renamed Bangladesh. The total land area of the country is 144, 000 square kilometres. Bangladesh has a diverse and multicultural history from the ancient time. The economy of the country is an agricultural economy. The major exported goods are garments, footwear, leather products, jute, vegetables and shrimp. (Virtual Bangladesh 2012)

The European Union is the biggest export destination of Bangladeshi product. In the year 2011 Bangladesh exported 54 % of the total export in the European Union. The major exported item from Bangladesh to the European market is garments frozen food, jute and tea. The Bangladesh gets the facilities of quota and duty free access to the European market. The difficulties faced by the Bangladeshi frozen food sector to the EU market is mainly related to quality and standards required by the EU. (European Union 2012) The shrimp exporting sector is the second biggest export sectors for Bangladesh. The lion share of the shrimp of the country is exported to the European Union. (Bari 2008)

According to (Miah 2006), "Ninety-three point six (93.6%) of all units in Bangladesh belong in the SME category". The Shrimp culture industry of Bangladesh plays very important role for the economic development of the country. The industry contributes to the economy with a greater extent. The shrimp industry of Bangladesh faces several problems related to production and processing of the shrimp. (World fish 2012)

The shrimp industry of Bangladesh earns a significant amount of foreign currency by exporting shrimp to the European market. However, exporting to the European Union requires following the standard and regulations set by the Union from processing up to the exporting level. Moreover, the whole process need to monitor very carefully and series of problem could arise during the export process. In addition, the problems faced by the Bangladeshi shrimp exporting companies in the European Union which can be attributed to a series of entry barriers. (Bari 2008)

The research area of the thesis is the barriers faced by the small and medium sized companies during their export to the foreign market. Hence the topic of the thesis deals with to find out the barriers faced by the Bangladeshi shrimp exporting companies in the European market.

The shrimp industry of Bangladesh faces several problems from processing up to the exporting level. In the year 1997, the exported shrimp was the fourth leading export item in Bangladesh. The biggest importer at the time was European Union (EU) accounting for 34-50 percent of Bangladesh's exports. The export ban from the European Union has effect the shrimp exporting sector of Bangladesh. In the year 1997 the shrimp sector lost US\$ 25 million from August to December 1997. (Cato & Subassinge 2003)

The shrimp exporting sector of Bangladesh earned US\$ 526.73 million in the year 2006-2007 and has 5% of contribution to the national export of Bangladesh. The shrimp industry received US\$ 457 million which is equal to the 55% of all export earnings from agro based industry. The shrimp industry creates employment for one million people in the rural area of Bangladesh. In the year 2005-06 the total shrimp farming area was 218, 00 hector. The number of shrimp processing plant is 148. There are 88 of them are government licensed and 74 of them are approved by the European Union. (Bangladesh Shrimp and Fish Foundation 2012) However, the shrimp industry of Bangladesh faces a loss of (US \$469 million) in the year 2008-2009 due to export ban set by the European Union and natural disaster. (Bangladesh Economic News, 2012)

Besides that, there are barriers faced by the developing nation during export procedure to the European Union. According to the European Union, "The export competitiveness of Bangladeshi products is severely impeded by inadequate regulatory mechanisms for quality standards and certification". (European Union 2012) So, the research problem of this study was formulated as: What are the **major barriers** faced by the Bangladeshi small and medium sized shrimp exporting companies to the European market?

2 EXPORTING & SMEs

Exporting has tremendous effect towards the world economy. Also, it is very important for the economy of the individual country. In the year 2020 China will become the biggest economy in the world and beat the United States while India will take the second place. However, Japan is the third largest economy of the world and has trade relation with different parts of the world. All the mentioned countries are engaged in international trade and their economy is highly influenced by the exporting activities. (British Columbia Canada 2012)

2.1 Definition of SMEs & Role of SMEs

According to the European Union, “ An organization will be considered as a medium size company if it has less than 250 employees and the annual turnover is equal or less than (€ 50)m fifty million euro. On the other hand, an organization will be considered as small if the annual turnover is equal or less than (€ 10) ten million and has less than 50 employees .”(European Commission 2007)

Additionally, United States international trade commission give very straight definition of SME the commission stated, “Organizations which have less than 500 employees are considered as SMEs. The definition is applicable for both manufacturing and service industries”. (United States International Trade Commission 2012)

The central bank of Bangladesh has given a new definition of SMEs in the year 2010. Based on the new definition given by Bangladesh bank for manufacturing enterprises an enterprise would be treated as medium if the enterprise employ between 100 to 250 workers and the total asset of the enterprise will be between Bangladeshi Taka 100 million to 300 million excluding land and factory. On the other hand, for trading and business a company will treated as medium if it employs between 50 to 100 workers and the total asset is between 10 million to 150 million Bangladeshi taka excluding land and property. (Rahman 2011)

However, in the non -manufacturing sector a company will be considered as small in the number of employee is between 25 to 99 and the value of total asset is 5 million to 100 million Bangladeshi taka excluding land and factory. Additionally, in the service and trade sector a company will treated as small if the total value of the asset is

Bangladeshi taka 5 hundred thousand to 10 million excluding land and property and employs between 10 to 50 workers. (Rahman 2011)

Small and medium enterprises contributed significantly to the world economy in the beginning and the middle of year 2000. In addition, SMEs played an important role in the European Union economy by creating more than three million jobs in the year 2009-2010. The pressure of globalization engages the manager of SMEs to invest in different important sector of business to be competitive and increase growth in the international market. (Bartlett 2011)

In addition to, 99% of the European Business is considered as SMEs. SMEs create two out of the three private sector employment in the European Union. SMEs play vital role to boost the economic growth in the European Union. SMEs in the European Union engage in research, development and innovation process the development and economic growth in the region. (European Commission 2012)

On the other hand, SMEs in United States are responsible for the 99 percent of non-farm employment. The number of SMEs in the European Union increased by 13 percent between 2002 and 2008. The growth in the SME sector created 2.4 million new companies in the European Union. During these period SMEs created a huge employment sector in the region SMEs in the United States are responsible for the 30 percent of the total export of the country. (Bartlett 2011)

SMEs are the vital elements of the economy and play important role to create mutual benefit and network between various business communities around the world. In the developing country in the Asia Pacific SMEs control the business sector. Not only in the developing countries but also in the developed countries in the region SMEs have strong position in the business sector. The 99 percent of Japanese business fall in to the category of SMEs. SMEs in the Japan are responsible for the 70 percent of the total employment and contribute to half of the Japanese GDP. (UNESCAP 2012)

SMEs play very important role for economic development and to increase employment in the global economy. The importance of SMEs in Bangladesh is very high for the development of sustainable industrialization and employment creation. (SME Foundation 2012)

Small and medium size enterprises in Bangladesh play an important role to create employment and to reduce poverty. The government of Bangladesh planned a well structured strategy to develop a sustainable industrial development to compete the challenges of globalization. A large number of international organizations are working for the development of the SME sector in Bangladesh. (Miah 2006)

The small and medium sized companies in Bangladesh have a great contribution towards the economy of the country. In addition, the small and medium sized companies decrease the unemployment rate by creating new employment. (Rahman 2010)

SMEs create employment for the rural poor in Bangladesh. The employment creation of the rural area in Bangladesh is major concern to reach the 2020 vision set by the government of the country. The economical report of Bangladesh discovers the employment status of the women in the rural sector who are mainly engaged in small family owned business. The report draws attention about the women entrepreneurs who are employed or self in different agro based and fish farming industry. It is note able that 78 percent of the women employees are employed by the agriculture, forestry and fishery based small and medium sized enterprises. (Afzal, 2011)

Small and medium enterprises are valuable components of the global economy. The Bangladeshi economy achieved trade liberation in the beginning of 1990 s. The trade liberation impose extra burden on SMEs in the Bangladesh to compete the pressure of increased import. The government of Bangladesh takes steps to build a SME task force to boost the industrialization and support the SME sector in Bangladesh. (International Business Forum of Bangladesh 2005)

The governor of Bangladesh bank stated, "SMEs sector is very important for the development of the Bangladesh economy. SMEs play very significant role for economic development especially in the developed and the developing countries". (Khan 2011)

2.2 Exporting; Challenges and Possibilities for SMEs

Exporting helps organization to increase sales and profits by creating new contacts in the international market. Organization gets chance to sell their products in the global market place when the home market is saturated and face economical problem. The

small and medium enterprises become more effective through exporting and could perform better than bigger organization in some context of international business. (British Colombia Canada 2012)

The success of an organization depends on the selection of the right entry mode while entering in to a foreign market. There are six different options for organization while trying to enter in to foreign markets: exporting, licensing, franchising, turnkey projects, joint ventures, and wholly owned subsidiary. (Hill, 2009, 493)

In addition to, managing international businesses is a challenging task for the managers as the environment of international business is different than the domestic business environment. The difference in cultures, political structure, legal structure and economic development level create extra burden for the management to doing business in the global market place. (Hill 2009, 32) Consequently, the result of immense international competition, changes in local export markets are occurring more promptly and companies need to be able to react to the current competitive situation. To be able to survive in different international markets the companies should have a well planned business strategy. (Rundh 2001, 321-323.)

A large number of organizations choose exporting to start their international business. Exporting is useful to avoid unnecessary manufacturing operation in the foreign market. (Ball, McCulloch, Geringer, Minor & MCNett 2008, 393) Moreover, exporting requires less foreign investment and the risk associated with exporting is less compare to other mode of internationalization (Daniels, Radebaugh & Sullivan 2010, 534).

The process of exporting can choose between direct exporting and indirect exporting. Direct exporting is handled by the organization itself. The marketing and sales department is responsible for complete the task of export management in direct exporting. The domestic employees are responsible for the entire export process. However, a different export department may be created for extended sales and growth. Indirect exporting is done by an exporter based on the home country and the process is easier than direct exporting. (Ball et al. 2008, 427)

An indirect export can be performed on by using a (1) Manufacturer export agents (2) Export commission agent (3) Export merchant and (4) International firms. (Ball et al. 2008, 427)

The marketing concepts, process and planning are similar in domestic market as well as in the international market. However, the environment in the international market is different than the domestic market. International marketing is more complicated and unique than doing marketing in the home environment. International marketing faces challenges of different uncertain problems and situations in the international markets. (Cateora & Graham 2006, 10) The process of export-import has shown in below figure 1

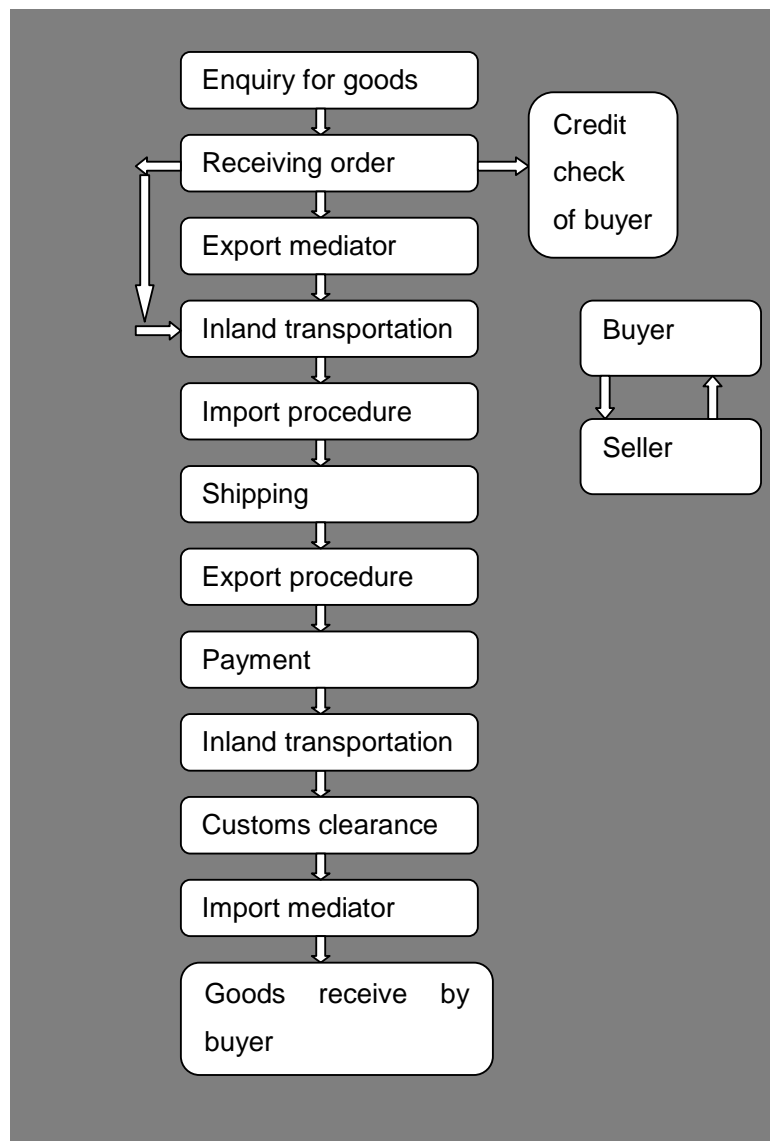


Figure 1. Mechanism of export-import (Daniels et al. 2010, 540)

The major functions of domestic and international business are almost similar. The international business deals with different issues related with global business environment. There are a large number of irrepressible sources affect the process of international business. As a result, the managers of international business need skills and knowledge to manage the international marketing activities in the overseas markets. (Ball et al. 2008, 474)

The success of organizations in the international market depends on the choosing a well planned marketing strategy. It is important for organizations to understand the need of the foreign market and prepare a strategy to fulfil the need of the market. (Darling & Seristö 2004, 29) Further, organization concentrates to compelling the elements of marketing mix while operating in the international market. Product, price, promotion, brand, and distributions are the major components of international marketing mix. (Daniels et al. 2010, 659-664)

Product, price, promotion, brand, and distributions are the major components of international marketing mix. Organization need to consider the legal, economical and cultural issues to adopt product strategies in the international market. Moreover, government rules, currency exchange rate, export pricing are some major elements for the pricing strategies in the international market. (Daniels et al. 2010, 659-664)

Besides that, distribution systems, promotional cost, consumer buying behaviour are essential elements for the development of promotional strategies in the international market (Daniels et al. 2010, 669). In addition to, language, country image, brand names are very important tools for the implement of a successful branding strategy. The transportation, delivery system and availability of proper distribution channel play significant role for managing the distribution strategies in the international market. The success of the organization in the international market depends on the planning of a successful marketing mix strategy. (Daniels et al. 2010, 672-674)

According to (Darling & Seristö 2004, 30), "The success of exporting depends on the ten key step chosen by organization in the international market. These ten key steps could describe as follows: (1) investigating marketing prospects (2) measure product potential (3) select market entry mode (4) create organizational commitment (5) distribute assets (6) detect technological problem (7) develop marketing plan (8) build team for exporting (9) implement marketing strategy ; and (10) evaluate and control the export operations " .

Exporting and international trade creates jobs and economic growth by reducing poverty. The competition in trade and international business help organizations to produce best quality and a greater variety of product. Innovative ideas and competitiveness grow for exporting in the international market. Eventually, exporting develop relation between countries by exchanging high technology and products. (European Union, 2010)

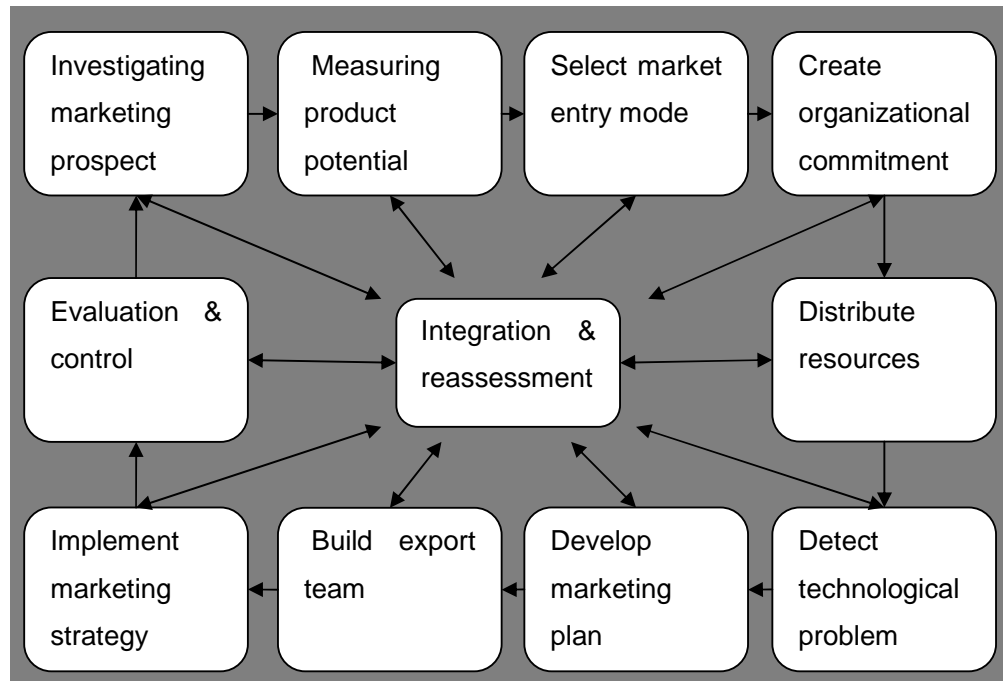


Figure 2. A model for success in export markets ((Darling & Seristö 2004, 29)

Exporting is profitable for small, medium and big organizations. The employees in the exporting organizations earn more than the non-exporting organizations. The exporting companies face less risk than the non exporting companies during currency fluctuations and economic recession. The exporting companies could share their knowledge and experiences with other domestic non-exporting companies. (International Trade Administration 2012)

The importance of exporting is very high to meet the needs of people of the country. The export revenue plays vital role for the economic growth among developing countries in the world. Exporting increase the product price and it is profitable than domestic business. Exporting has tremendous effect towards the world economy. (Bangladesh.Com 2012)

Additionally, exporting is well known and established process of doing business in the international market. Exporting is less expensive than other mode of market entry modes. (Euro Journal 2012)

Exporting improve the performance of the organization. The exporting organizations perform better than the non-exporting organizations. The exporting organizations gain series of benefits from exporting. The exporting organizations get the following privileges:

- ❖ Increase their production capacity
- ❖ Grow internationally
- ❖ Increase flexibility for growth and profitability
- ❖ Develop economies of scale and not possible to get in the home market.
- ❖ Improve the quality of products and services
- ❖ Increase the overall financial performance and best return on investment

The exporting companies have the opportunities to access with new ideas and innovation than the non-exporting companies. (UK Trade & Investment 2012)

3 BARRIERS & SMEs

According to the European Commission, “Internationalization and international entrepreneurship among small and medium-sized enterprises (SMEs) has remained a topic of considerable contemporary relevance, principally owing to the observed growth effects of cross-border venturing, and the demonstrated capacity of SMEs to drive economic development at national, regional, and global levels”.(EU 2007)

The global competition impose extra burden to SMEs to take the challenge of international business. The advancement in information communication technology and macro economic situation in the global trade creates barriers for SMEs to compete in the international market. Trade and investment are very important elements for the economic development especially for the developing countries. The developing nation in the world face problem in export competitiveness due to poor product quality and lack of suitable export promotion strategy. It is important for developing countries to improve their production quality, capacity and supply chain process to add value to their products in the international market. (UNCTAD 2004, 5)

Barriers in trade work as tools to make foreign goods and services less competitive than goods and services produce in the domestic market. Trade barriers could technical, procedural, legal and illegal. A series of trade barriers could occurs related to product quality, consumer protection, and patent and trade mark protection. Custom duties, veterinary and phytosanitary rules, restriction on investment, unfair uses of government aid and subsidies create barriers to international business. (Ministry of Foreign and Affairs of Denmark 2012)

The usual trade barriers are created through tariffs and taxes to create favourable situation for locally produced services and products. On the other hand, non-tariff barriers are challenging and could occur from different aspect of business as well as social and cultural issues related with business. (Gov.UK 2012)

According to (Export.Gov 2012), “the most common trade barriers in international business are: barriers related with patent trade mark, unfair competition, excessive and expensive certification requirements, barriers imposed on export and foreign investment, unfair competition and excessive imports and unfair practices of business law ”.

International business takes place when an organization exports goods and services to the customers in a different country. A large number of barriers in international trade come from the high tariffs charge on the imported goods. The reason for such tariffs is to defend local business from overseas competition. The developed countries in the world established a General Agreement on Tariffs and Trade (GATT) to removing barriers in international trade. The (GATT) has 150 member states in the world and all the members take part in negotiations to remove barriers in international business. The most successful negotiation of (GATT) was in December 1993 and known as the Uruguay Round. The Uruguay round was successful to establish the World Trade organization (WTO) to reduce the barriers in international business. (Hill 2009, 11)

However, globalization has a great impact on international business. The number of SMEs operating in international market is growing due to the increased competition of globalization. The firm need no manage the organizational skills and resources during their entry in to a foreign market. SMEs face series of problem during their entry in to a foreign market. The barriers of international character stem mainly from the complicated and different official and administrative scheme of the business atmosphere between states, as well as from the tariff and non tariff barriers. (OECD 2009, 89)

SMEs in the European Union face different barriers during exporting their products and services in the international markets. The major barriers faced by the European SMEs are related with finance, human resource, market entry, standard and other barriers. (European Commission 2011)

SMEs in the United States also encounter several barriers during export transaction in the foreign markets. The barriers faced by U.S. SMEs are all most similar to barriers identified by the Organization for Economic Co-operation and Development. The major barriers faces by U.S. SMEs are financial barriers, complex and unfamiliar foreign government rules, excessive transportation costs, limited production capacity, tariff and non-tariff barriers, lack of information about foreign market and language and cultural barriers. (United States International Trade Commission 2010)

According to (Rahman 2010) the major export barriers faces by the Bangladeshi SMEs are, "Lack of information about foreign markets, functional barriers, marketing

barriers, procedure barriers, governmental barriers, customer and competitor barriers, business environment barriers, tariff and non-tariff barriers".

The decrease of barriers in global trade will open new doors to organization as well as improve the production and product quality. The decrease of barriers in international business is required to develop the global business and globalization. The (WTO) World Trade Organization organized another round of discussion to develop the structure of international business. The conference took place at Doha to reduce the tariffs and antidumping laws barriers related to international business. (Hill 2009, 12-16)

Despite the change in global business trade due to the advancement in communication and transportation technology, a large number of barriers remain in culture, consumer buying behaviour, and business practices in international business. Consequently, removing barriers in international business will help organization to grow and expand globally. (Hill 2009, 12-16)

The export performance of SMEs in the developing countries faces different obstacles. It is a matter of managerial skills and leadership in the sense of acquiring a significant number of trained and skilled employees to establish and operate export activities. The above mentioned issues could be the major concerns for export performance of a company but the lack of ability to ensure a continuous process of export strategies have a great impact towards to export performance of the company. (Wignaraja 2003, 8)

The geographical distance between countries is an important barrier. The distance between exporters and importers could cause a series of problem. The problem of technical issues causing delays and in the most cases leading to customer dissatisfaction. (Köksal and Kettaneh 2011 109-113) The barriers to export in the international market might occur in the early phase of the process when a company is trying to enter a market, others might exists when the company is developing a long term relationship in the market. (Rundh 2001 321-323)

SMEs in the developing countries with high efficiency of learning process achieved significant export growth. On the other hand, SMEs with weak learning process will face a poor export performance. Besides that, it is important for SMEs in the developing countries to have access to resources such as new technologies,

information about a specific market, skills and capital. The lack of such resources will deprive the SMEs to link up with foreign buyers and to get access to the global resources and markets (Wignaraja 2003, 16)

According to the (OECD 2009) the top ten barriers of the SMEs internationalization could consider as follows, “(1) Shortage of working capital to finance export (2) identifying foreign business opportunities (3) limited information to locate market (4) inability to contact potential overseas customers and (5) obtaining reliable foreign representation (6) lack of managerial time to deal with internationalization (7) unskilled personnel for export operation (8) difficulty in matching competitors prices (9) lack of home government assistance/incentives and (10) excessive transportation costs”.

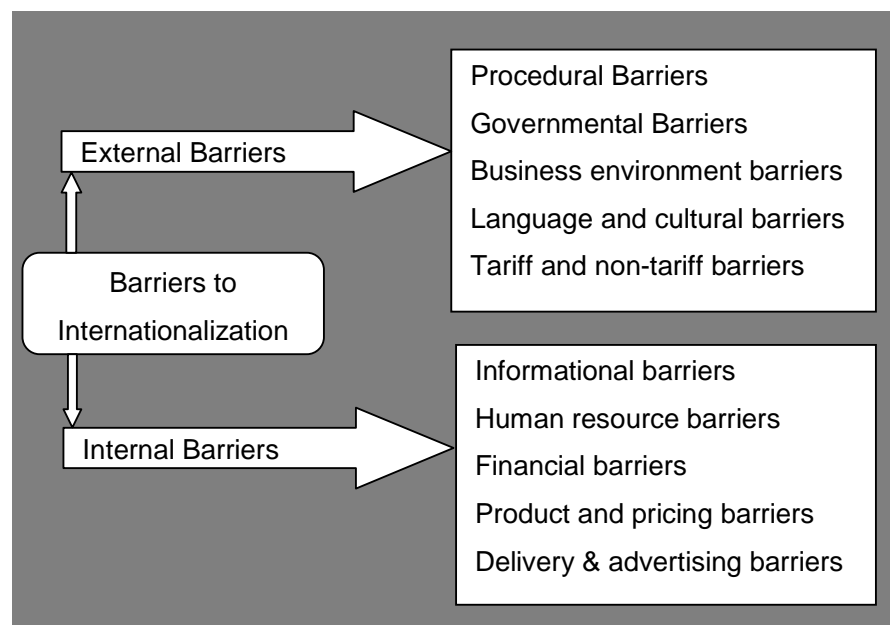


Figure 3. External & Internal export Barriers for SMEs (OECD 2012)

According to OECD (2012), “The barriers to SME access to international markets can be divided in two categories. The external barriers and the internal barriers are two major barriers faced by the SMEs during their entry to the foreign markets. Internal barriers are the barriers locate within the enterprise itself. External barriers are the barriers located in the outside environment”.

3.1 Internal Barriers

Barriers related to information: The problem in recognizing, choosing and making contact with foreign buyers and lack of information about international market create barriers for SMEs to enter foreign market. (OECD 2012) Around 13 % SMEs in the European Union claim lack of information about the foreign market as the main barriers to export. (European Union, 2012) The flow of information throughout the organization play a vital role to increase the export performance of SMEs. (Doole et al. 2006 641)

The exporting organization needs high flow of information for the development of the export performance of the organization. The growth of an organization deepened on the amount of information generated from outside and proper distribution of this information to the relevant department within the organization. Lack of proper information about the international market creates barriers for SMEs to export. (Souchon et al. 2012 187)

Barriers related to human resource management: The skill human resource is the most important tool for the growth and internationalization of companies around the globe. Skill human resource helps organization to gain competitive advantage for innovation and new product development. The most important issues for the organizations in the 21st century is to create the best fit working environment to get the maximum output of the skilled work force. (Senyucel 2009, 22)

The location of the organizations affects the export performance of the organizations because of the difficulty in drawing attention of skilled workforces. Skilled and experienced workers are very important for the development of the export related performance of the organization. (Freeman et al. 2012, 105-106)

The attitude and perceptions of the managers are important for the export of the organization. Lack in manager's educational level, foreign language proficiency and experience about foreign culture create barriers for SMEs during their operation in the international markets. (Suárez-Ortega & Álamo-Vera 2005, 274)

Barrier to finance: The initial funding for export marketing is very important. The working capital fund requires to conduct research & development, frequent foreign trips and to develop marketing strategies for international business. (OECD 2012)

The finance related export support has effect on the export performance of SMEs. The performance of the SMEs depends on the level of receiving different finance and guarantee related export assistance. (Shamsuddoha et al. 2009 418) The barriers to finance are considered as the third largest barriers among SMEs in the European Union. At most 9% of the European SMEs faced financial barriers during exporting their product in a foreign country. (European Commission 2012) The lack of finance as a working capital creates barriers for SMEs to operate their international business and exporting activities (Buatsi 2002, 17).

Barriers related to product and price: The lack of mass production capacity of small organization considered as the major impediments for exporting. A large number of organizations withdraw from exporting because the inability of their production capacity to meet the demand of export business. (Fillis, 2002, 922) It is very important for organization to adapt with new environment by developing new products to face the internal and external challenges of the international market. SMEs failure to choose the right product and new product development will suffer decrease in the export performance and profitability in the international market. The ability to fast product development provides support to develop a successful export marketing strategies. (Lim et al. 2006, 55)

Besides that, the product design and packaging play very important role to attract customers during the export marketing process. It is difficult for SMEs to grow in the international market if they are not able to package and design their products according to the need of the foreign markets. (Rundh 2009, 990) The quality of products plays an important role for the success of the international business. Since globalization has open the doors to consumers to buy product from different countries with a very competitive price. It is very important for SMEs to maintain the quality and standard of product to compete in the global market place. Products with difficulties and poor qualities face problem to compete in the international market. (Brown 1995, 56)

The success of the SMEs depends on its capability of planning a competitive pricing strategy for products for the export market. A well planned pricing strategy help SMEs to gain a sustainable competitive situation in overseas markets. (Doole et al. 2006, 641)

The pricing of goods is important tool of pricing strategy for exporting in the foreign market. The pricing of exporting should be done by a systematic process to compete in the global business environment. SMEs face competition and barriers in terms of pricing during their export in the foreign markets. (Myers et al, 2002, 182)

Delivery, logistics and advertising barriers: SMEs operating in the international market encounter problems in finding proper distribution channel. The lack of marketing and promotional activities in the overseas market creates export related problems for SMEs. A large number of SMEs in the developing countries do not succeed to establish a proper marketing channel in the international market. (Tesfom & Lutz 2006, 271) Further more, the structure of the foreign supply chain management play very important role for SMEs to expand in the foreign markets. The value chain related problems has strong effect to the Export performance of the SMEs (Anderson 2009, 37)

According to the (Financial Express 2007) "Poor marketing campaign and promotion is another important factor that acts as a key constraint to healthy growth of SMEs. Most of the enterprises lack in proper marketing strategy and have poor promotional strategy of their products. Lack of innovation and ideas is responsible for this." In addition to, the cost of insuring products for international market is very high and it is consider as extra burden for SMEs during internationalization process. (OECD 2012)

The export insurance offer protection against commercial risk related with export. SMEs in the developing countries face problems in insuring products and claiming coverage while a loss or accident occurs during export process. (Tesfom & Lutz 2008, 372) Inappropriate and unclear advertising message could create problems for SMEs in the foreign market. Moreover, different foreign regulations and customer buying behaviour create challenging tasks for SMEs to take part in marketing, promotion and advertising activities. (OECD 2012)

3.2 External Barriers

Barriers related with procedure of exporting: The export procedure and the regulation for exporting differ from country to country. SMEs operating in the overseas market need to spend a lot of time to prepare export documents required by the host country of exporting. (Tesfom & Lutz 2006, 275)

The delay in payment from overseas market is a major problem considered by SMEs operating in the foreign market. The geographical distance and restriction of the central bank in the foreign country could create problem in collection of payments from overseas market. (OECD, 2012)

SMEs encounter problem in solving disputes and other legal problem related with exporting activities. It is always burdensome for SMEs to solve problems related to legal issues of exporting. The unfamiliar foreign law, high cost to access foreign legal system and required time to solve the legal issues are considered as extra burden for the SMEs (OECD, 2012)

Governmental Barriers: SMEs operating in the international market face problem in the home country as well as in the host country due to different procedure and regulations set by the both governments. The lack of support from home government and organization is a major barrier for the growth of the SMEs. The different rules and regulations set by the home government and restriction on exporting product related to national or international interest slow down the performance of the export related SMEs. (OECD, 2012)

Restriction on foreign ownership and extra tax rate has strong effect the performance of the SMEs operating in overseas market. Moreover, the problem related with international travel restrictions, high tax rate for foreign owned companies, financial discrimination policies, and unfavourable law and bureaucracy in the host government are major barriers faced by the SMEs in the international market. (OECD, 2012) The limitations and lack of home government support and unfavourable export policy hindered the growth of SMEs in the international market (Karelakis et al. 2008, 19).

Barriers related with business environment: SMEs operating in the international market face barriers within the business environment of the host country. The barriers related to business environment are mostly associated with the economical, political, legal, and socio-cultural environment of the host country. The overall economic condition of the host country is important for the growth of the SMEs. The uncertainty of the overseas markets caused by different micro-economic indicator has strong effect for the growth of SMEs. Moreover, the foreign exchange rate and unfamiliar business practices create obstacles for the growth of SMEs (Sirpal 2009, 378.)

Language and cultural barriers: The barriers related with social and cultural differences have great impact on the export performance of the SMEs. The differences in values, beliefs, norms, attitudes ethnicity, religion and language have significant effect on the exporting activities of the SMEs. (OECD 2012)

The importance of culture is very important in doing business globally. The cultural change due to globalization is creating new value towards international business. The practice of intercultural management is highly required by the SMEs operating in the international market. (Kanungo, 2006, 28) The cultural differences have great impact on new product development in the international environment. It is highly recommended to monitor the cultural differences carefully while planning marketing activities in the overseas market. (Yeniyurt & Townsend 2003, 393)

Tariff and Non-tariff Barriers: The tariff and non-tariff barriers are implemented by the government in the foreign countries to control exporting by overseas companies. The quotas and embargoes are imposed by the host country of exporting to control the amount and quantity of goods from the country of exporting. SMEs operating in the overseas market encounter barriers related to unreasonable quotas and embargoes. (OECD, 2012)

Additionally, SMEs operating in the international market face problem in maintaining health and safety standard. The host country of exporting might requires different sanitary and phytosanitary certification to meet the safety standard of the country. The maintaining maintain of such kind of standards is cost effective and impose extra burden on SMEs operating in the international market. (OECD 2012)

The importance of food safety management is very high for organization to get access to foreign market. The issue of food safety management is a major concern among the customers in the international export market. SMEs with lack of proper food safety management face barriers to export their products in the international markets. (Arapanutud et al. 2009, 373)

4 CASE ANALYSIS; SHRIMP EXPORTING FROM BANGLADESH

Bangladesh is a land of thousand rivers. The geographic condition and the land are very favourable for shrimp farming. (Department of Fisheries 2012) The sea food industry is the second largest industry in Bangladesh. Shrimp industry in Bangladesh play very important role to the economy of the country. The industry creates employment for a large number of populations in the country. (Bari, 2008) The most of the shrimp export processing plants are situated in Chittagong, Khulna, Jessore, Satkhira, Bagerhat, Cox's Bazar Chandpur, Dhaka and Patuakhali. The hygiene and sanitary condition is monitored by the foreign trained and skilled processing expert. The plants follow the rules strictly set by the USFDA and European Union. Bangladesh has 188 shrimp and fish processing plant in different places in the country. The number of the government approved processing plant is 88 while 74 of the total plan are approved by the European Union. (Bangladesh Frozen Foods Exporters Associations 2012)

4.1 Shrimp Farming in Bangladesh

There are two types of shrimp produce in Bangladesh. They are BAGDA and GALDA. The BAGDA need to cultivate in the salt water and GALDA is cultivated in the fresh water. The scientific name of BAGDA is *penaeus mondon* and the scientific name for GALDA is *Macro brachium rosenbergii*. (Bari, 2008)

The lion share of the shrimp exported from Bangladesh is cultivated in the shrimp cultivation farm. The cultivation of shrimp is typically done by traditional method, modified traditional method and semi- intensive method. (Hossain 2012)

The traditional method is the method used by farmers to grow shrimp naturally. The farmers do not need any training for traditional method. The farmers do not use any additional food in the traditional method. The farmers depend on the natural food grow in the shrimp pond or farm. (Hossain 2012)

The modified traditional method needs some basic training. The farmers occasionally use additional food according to the experience of the farmers. The semi intensive method requires a regular monitoring and care for the shrimp in different level of growth. The farmers need training and access to technology and resources for using semi intensive method. (Hossain 2012)

Among the three methods the traditional method is the less expensive and the farmer need less time and planning for farming. On the other hand, semi intensive method is the most expensive and farmers need additional time and care for the semi- intensive method. (Hossain 2012)

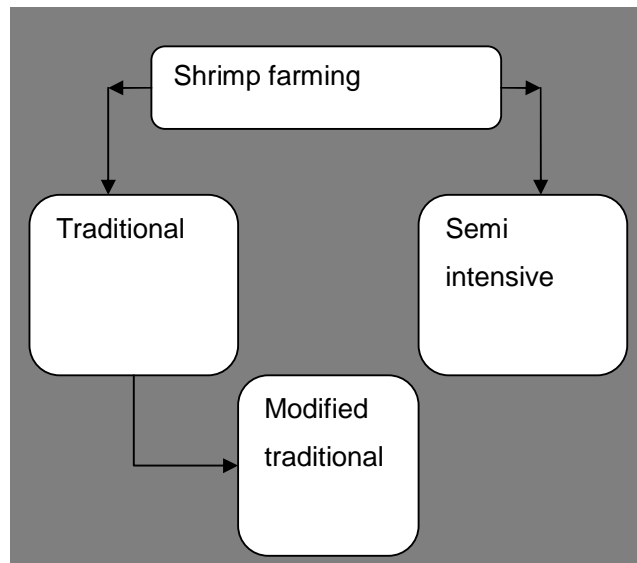


Figure 4. Methods in shrimp farming (Hossain 2012)

The shrimp farming needed different steps from the brood collection level up to the export level. The process involves different stake holders and creates employment for millions of people in the sector. The shrimp exporting process can be categorized in to three main levels. The initial phase is the brood collection phase where the farmers needed to collect the brood for shrimp farms. Secondly, maintain and cultivation of shrimp took place. Finally, processing and exporting of shrimp by the exporting companies in the foreign market. Below the supply chain management of shrimp has described from farming up to the exporting level. (Islam 2012)

The shrimp farming and exporting in Bangladesh requires a systemic process. The farming shrimp farming begin with the collection of shrimp brood. The farmers collect shrimp and cultivate in the pond and gher (shrimp farm). The beginning stage of the shrimp farming needs to monitor carefully as the brood need to adjust with the environment of the shrimp farm. Shrimp brood can be collected from the nature or from the hatchery. (Islam 2012)

Hatchery brood is the brood produce by the hatchery by using modern technology in the hatchery situated in the coastal zone of Bangladesh. Most of the hatcheries are situated in COX's Bazaar and in the Chittagong area. The shrimp farmer could buy the brood directly from the hatchery or from the brood agent. The farmers get the brood in a cheaper cost if they could buy it from the hatchery. (Islam 2012)



IMAGE 1. Fresh Bangladeshi shrimp (Photograph Shaikh Nazmul Huda November 2012)

On the other hand, the natural broods are collected by the individual brood catcher in the coastal zone. The natural brood also sold by the local agent. It is risky and time consuming for the shrimp farmer to get the natural brood directly from the brood catcher. Shrimp farmers buy brood from brood agent or directly from the hatchery. Brood Agent sales the brood to the farmers. Brood agent sales both natural brood and hatchery brood to the farmers. The availability of the natural brood depend the production and weather. (Islam 2012)

However, the shrimp farmers in Bangladesh could be categorized in rich, middle class and poor farmers. The rich farmers have their own land and capital to operate the business. On the other hand the middle class and poor farmers suffer from shortage of land and capital for shrimp farming. (Mir 2012)The step of shrimp exporting is related with different stake holders of the shrimp trade chain in Bangladesh. (Mollick, 2012)

The common stake holders in shrimp exporting are: local buyers (depot owners), commission agent (Aratdar), processing plant, exporter, foreign agent/ middle man and buyers. The local buyer or the depot owners are the small business organizations who buy raw shrimps from the farmers in rural area. Local buyers or depot owners and buy retail shrimp collect them in the frozen chamber in their own depots and deliver it to the commission agents. After that, commission agents buy shrimps from local buyers and depot owners. Subsequently, commission agents sell shrimp to the exporters & processing plants. (Mollick, 2012)



IMAGE 2. A Bangladeshi shrimp farmer near a shrimp farm (Photograph Shaikh Nazmul Huda November 2012)

Eventually, processing plants & exporters export the shrimp to foreign buyers. The exporters & processing plants engage direct and in direct exporting. The exporters & processing plants use a foreign agent or middle man to do in direct exporting. The commission agent receive a percentage based commission depends on the terms and conditions of the business. (Mollick, 2012)The shrimp need to be produced according to the needs of the foreign buyer. The product could be processed in different sizes and methods. The most of the plants produces Fresh water shell on, Ser Water Shell on, Peeled and Deveined, Peeled and Undeveined shrimp product.(Bangladesh frozen Foods exporters Association, 2012)

However, the processing of the shrimp from local buyer up to the exporting process requires maintaining extreme hygiene, sanitary and phytosanitary standard to meet the quality and standards required by the U.S. and European Union buyers. (Mollick 2012) Below figure 2 describes the steps in shrimp export process in Bangladesh

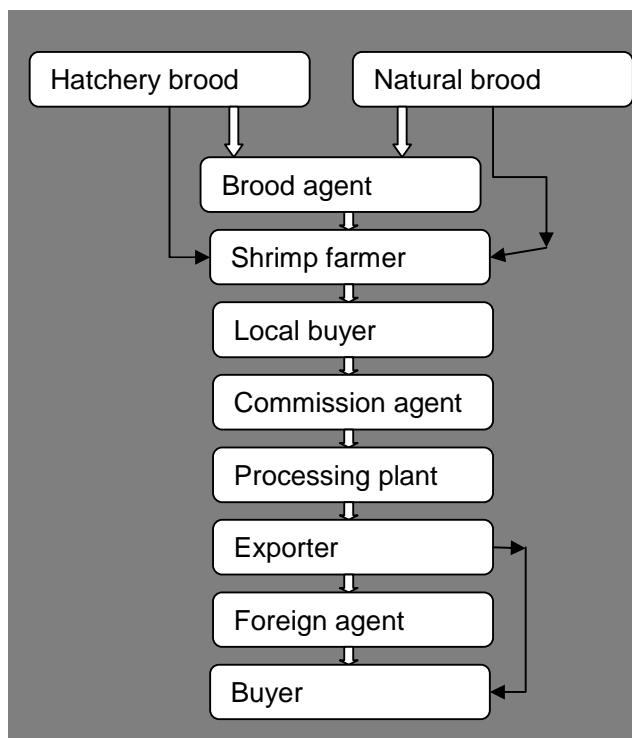


Figure 5. Steps in shrimp exporting in Bangladesh (Mollick 2012)

Further more, the shrimp exporting companies in Bangladesh use their own brand to sell their products in the international markets. (Bangladesh Shrimp and Fish Foundation 2012)

The shrimp exporting processing plant needed certification from the appropriate authority to export their goods to the international market. The approved farms strictly follow the rules set by the European Union and other international standard and quality assurance organization. The farms have their own code and registration number in order to export their commodities towards desired destination. (Bangladesh Frozen Foods Exporters Association 2012)

The trade gap between the export and import in Bangladesh is quite high. The growth in export production is highly necessary for Bangladeshi economy. The seafood industry is second biggest industries in Bangladesh. It is important for Bangladesh to develop new products to compete the challenge of globalization. The shrimp industry in Bangladesh encounters a series of problems. It is important to give attention for the development of the shrimp exporting industries in Bangladesh. The shrimp exporting industry in Bangladesh is contributing to the economy with a greater extend. A few millions people are related with the industry and making their living. About three percent of the global shrimp is produced in Bangladesh. (Bari 2008)

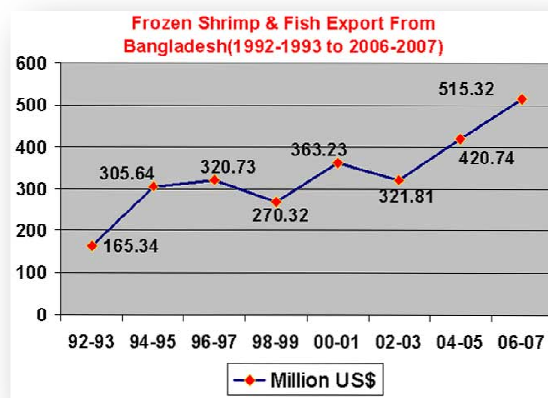


Figure 6. Shrimp and fish export from Bangladesh in Dollar (2006-2007)
(Bangladesh Shrimp and Fish Foundation 2012)

In addition to, the shrimp industry in Bangladesh is mostly family owned business and run by the owners of the companies. There is a great lack of permanent professional on the management level. The most of the important decision in the company is made by the owner himself in those companies. There is a lack of planning and strategy due tom poor vision of the management. (Bari 2008)

The number of brackish water shrimp firms in Bangladesh is approximately 40,000. The most of the shrimp firm is situated in Khulna the third largest industrial city of Bangladesh. The average size of a shrimp firm is about 4.5 hectares. The production of shrimp firming in Bangladesh has increased significantly in the last 15 years. (Bari 2008)The shrimp farming sector of Bangladesh has 5, 0 percent contribution to national GDP and responsible for 6, 0 percent of the total export amount of the country. (Bari 2008)

The European Union follows very strict procedure to import shrimp from Bangladesh. In the year 1997, European Union put ban on Bangladeshi shrimp product to export to the European Union. In order to solve the problem Bangladesh shrimp export industry and Bangladesh government implement HACCP standard for processing and exporting shrimp to the European markets. Moreover, The European Union rapid alert system for food and feed give a series of notification about the quality of Bangladeshi shrimp in the year 2004-2005. Consequently, Bangladeshi shrimp exporting companies upgrade the testing system for shrimp and seafood processing. (Bari 2008)

All over again, in June 2008 the European Union demands to implement new analytical test for Bangladeshi shrimp industry. Therefore, the Bangladesh government and shrimp exporting companies improved the laboratory and testing system of shrimp. (Bari 2008)

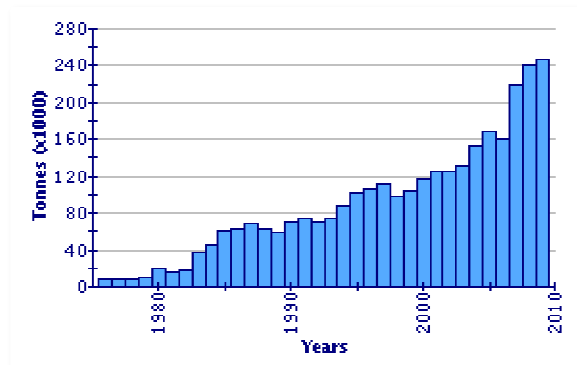


Figure 7. Bangladesh Fishery Commodity export during 1980-2010
(FAO statistics 2012)

According to Kasem (2010), “The European union is the largest importers of the Bangladeshi shrimp. January 2010 the European Union imposes a stringent testing system in order to get the quality set by the European Union. The European Union Food and Veterinary Office mission visited Bangladesh in January 2010. The **FVO** found insufficient improvements in laboratory capacity here since 2008 for detecting some pharmacologically active substance in shrimps in Bangladesh. The main barrier is the testing system and quality assurance facilities available in Bangladesh.”

Bangladeshi shrimp export companies' faces huge losses during the ban imposed by the European Union several times. However, the ban contributes to improve the quality and standards of the Bangladeshi shrimp to compete in the international markets. It is important for developing countries to improve the quality and standard to added value to their products in the market of developed countries. The developed countries will buy more from the developing countries if the products of the developing countries meet the minimum standard set by the importing countries. (Akhter 2012)

TABLE1. Different organizations related to the fish and aqua culture industry in Bangladesh and their roles

Name of organization	Roles
Bangladesh Shrimp and Fish Foundation	The foundation takes part in economical, social and sustainable development for the shrimp and fish industry in Bangladesh (BSFF 2012).
Ministry of Fisheries and Livestock Bangladesh	The main aim of the ministry of fisheries is to develop the fisheries export sector of Bangladesh (MOFL 2012).
Bangladesh Fisheries Research Institute	The mission of the institute is to carry research and development to build a sustainable fishery industry (FRI 2012).
Department of Agricultural Marketing	The aim of the department is to market the agricultural product in the international market(DAM 2012)
Bangladesh Frozen Foods Exporters Associations	The associations engaged in collaborating with different stake holders in national and international markets (BFFEA 2012)

Different national and international organizations are working for the development of the Bangladesh fish and aqua culture industry. The World Bank, international development agency, world fish are the major international organizations working with the institute. Among the national organizations different government and non-

government institutions are working closely with Bangladesh fisheries research institute. (Bangladesh Fisheries Research Institute 2012)

4.2 European Shrimp Market

The European Union has 27 member states. The member states maintain a strong economic and political relation between each other. The European Economic Community was established in the year 1958 in order to create economic relation and avoid conflict among countries. Belgium, Germany, France, Italy, Luxembourg and the Netherlands these six countries were the members of European Economic Community. European Economic Community became the European Union in the year 1993. The European Union becomes a giant business market by corresponding in the local and global market. (European Union 2012)

Most of the countries in the European Union import shrimp and prawn. Belgium, France, Germany, Italy, the United Kingdom and the Netherlands are the top importers of shrimp and prawn in the European Union. The European Union market is the biggest market for shrimp exporter. The European Union market is the consumer of the 70% of the exported shrimp in the world. The demand of shrimp and prawn is growing in the single European Union market. (CBI 2010)

The local production in the EU is decreasing and the opportunities for the exporter outside EU are increasing. The tropical shrimp have good demand the European Union market. The peeled and unpeeled both types of shrimps are consumed by the consumers across Europe depend on their food culture and geographic location. The EU consumers are more aware about sustainability, organic and different certification of the imported shrimps. Moreover, the health and safety issue is major concern for the EU consumers. (CBI 2010)

Customers in the European Union give value to organic and wildy caught shrimp and ready to pay a better price during different festival period. The consumers in the Southern European countries buy shrimp more before Easter the religious festival of the Christians. (The Fish site 2012) The European Union is the largest single seafood market in the Europe. The average consumption of sea food in the European is 24 kg per capita. The biggest importers of the seafood in the European are Spain, France, UK, Italy and Germany. (World Aquaculture Society 2009)

A large number of **importers**, **agents** and **wholesalers** are involved in shrimp trade chain in the European market. The importers and processors the importers and the processors are responsible for importing from the developing countries. The importers and processors import a variety of products based on the need of the local customers. (CBI 2010)

Sometimes, the **importers** and **processors** may import only specific type of product as they are specialized in the certain product area. The importers and processors are mainly small and medium sized companies and have business partners in the developing countries. The major importing countries in the European Union try to create different opportunities for the exporter in the developing countries. The transportation and logistics system are very developed in the European countries. Consequently, the distribution channel is very well structured in the major European Union importing countries. (CBI 2010)

Importers in the European Union buy shrimp from overseas countries and then sell them to the retailers or wholesalers. The importers also sell to the retail and food preparing packers. Moreover, some of the importers are engaged in packing and whole selling the products by themselves. Consequently, these types of importers are known as processing importers. (CBI 2010)

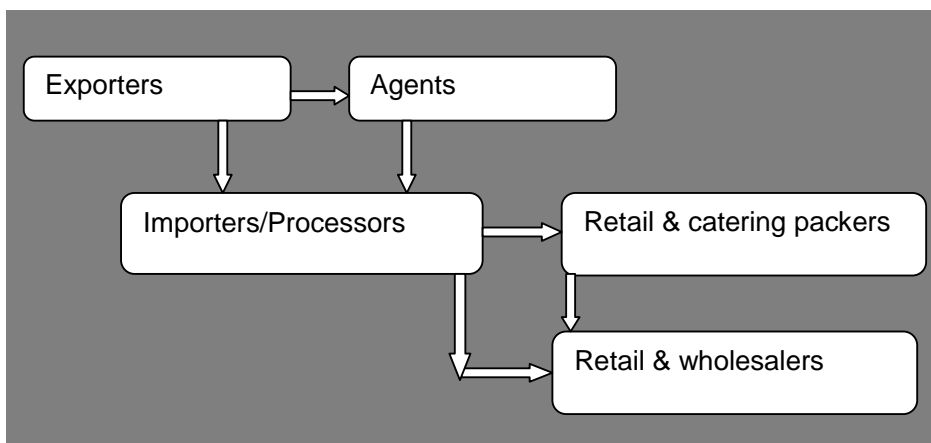


Figure 8. The shrimp trade channel in the EU (CBI 2010)

On the other hand, **agents** are the middle man to arrange business transaction between buyers and sellers in the international market. The agent does not engage in any direct investment in the business. An agent normally works on a commission

basis. The agents could work for buyers or for sellers to complete business transaction. The commission in the EU may vary on the agents normally range from 2%-5%. The agent keeps different useful information about the market situation. The role of agent In the European Union is changing due to the improved information and communication technology. A large number of buyers and sellers are engaged in the direct business transaction. (CBI 2010)

In order to export shrimp to the European Union the exporting companies should maintain all the health and safety standard required by the European Union. European Union allows shrimp which are produced in an authorized country. Furthermore, the shrimp have to catch by the approved vessels or to produce in registered farms and maintain all the health certificates and passed the test taken by the European Union border inspection authority. (European commission 2012)



Figure 9. The shrimp export process to the European Union
(European commission 2012)

The process of exporting shrimp to the European Union requires several steps. In the beginning the list of countries which are allows to export shrimp to the European Union are available in European Union website. (European commission 2012)

Secondly, the shrimp have to be processed and prepared in an approved processing plant by the European Union as well as certified by the local ministry of health or appropriate authority. Shrimp products will need a health certificate according to the standard set by the European Union. Furthermore, the local government will issue a certificate which carries a harmonized template. Finally, the shrimp product will be checked at the European Union border by the EU veterinary officials to complete documentary and physical checks. The access of the shrimp product will depend on the result given by the European Union veterinary inspection team. (European Commission 2012)

Labelling and certification play a vital role for marketing a product in the international market. Sometimes the labelling and certification is required to satisfy the regulatory standard set by a country or to satisfy the consumers of the target market. The process of production is important to the consumers in the international market. Organic, fair trade and eco labelling are different types of requirements set by the customers to recognize the product as environmental friendly and sustainable. (FAO 2012)

The European Union has implemented new regulations for fishery products from 1 January 2002. According to the new regulations, the fishery product should contain labels describing the method of production and catch area of wild species. Fishery products cultivated in the farm require the Latin name and commercial name of the product to sell in the European market. (FAO 2012)

The labelling of shrimp products in the European Union is important. The physical condition or specific treatment of the product must be included in the labelling. The list of ingredients, quantity, weight in metric units, sanitary approval number, origin, lot marking, are some important issues for labelling shrimp for the EU market. (European Commission 2012)

Additionally, the label should describe **sea** if the location of catch is identified by Food and Agricultural Organizations. If the shrimp is caught in the **fresh water or produce** in aquaculture, the name of the country has to be stated on the label. The *carangon crangon* and *pandalus borealis* species of shrimp require the name of the producing country, the name of the exporting companies, quality and size, net weight in kg, date of grading and dispatch. (European Commission 2012)

The quality and size, freshness type need to show clearly on the lot and the label should be easily understandable to the customers. The official language of the specific market need to use in the label other wise an understandable language need to use for labelling shrimp product in the European market. (European commission 2012)

The European Union had a great decrease in the total amount of shrimp importing in the year 2008. The economic crisis had great impact on consumption of shrimp in the European Union market during the year 2008. The Spanish shrimp market was in down turn in the year 2008 compare to 2007. The total Spanish shrimp imports decreased 7 percent in volume and 3 percent in value. The French shrimp market had a decrease of 2 percent in the year 2008. (The Fish site 2012)

Additionally, the shrimp market in the United Kingdom decreased by 8 percent in volume and 3 percent in value during the year 2008. The German shrimp market was quite stable. The total German shrimp import decreased by only 1 percent. (The fish site 2012) The world shrimp market had a positive growth during the first half of the 2011. The supply of shrimp in the global market was lower than the demand. However, the shrimp market was growing during that period. The European market for shrimp had an increase in the beginning period of 2011. (Euro fish 2011)

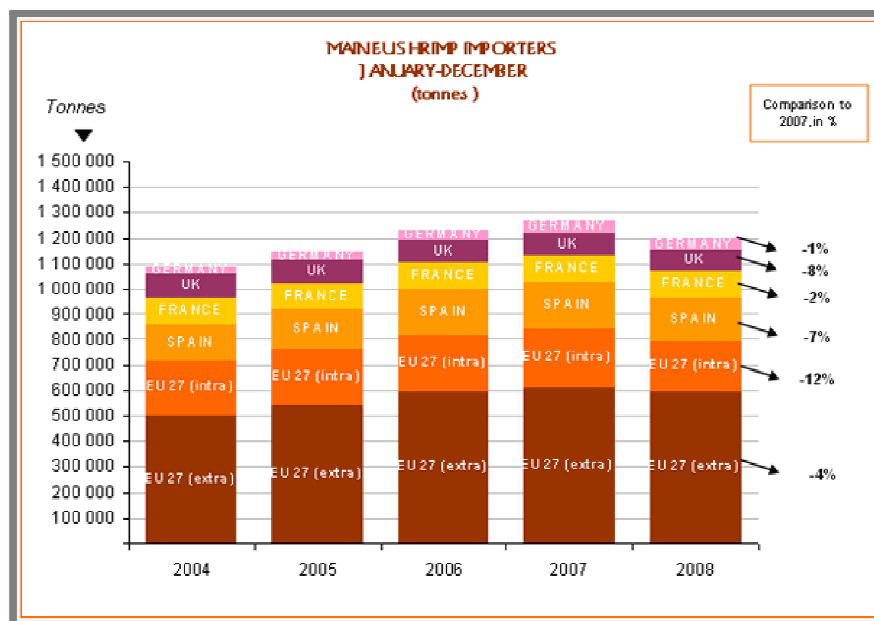


Figure 10. The amount of shrimp imported by EU during 2004-2008 (Panoramaacuicola 2009)

Approximately 386 000 tonnes of shrimp were imported by the European exporter during the first half of the 2011. Moreover, the volume of the imported raw frozen shrimp increased by 10 %.(Euro fish 2011)

The major exporters of frozen raw shrimp in the European Union during the first half of 2011 were India, Greenland, Argentina, Ecuador and china. The demand of shrimp among the major importing countries in the European Union stayed positive whereas the French shrimp market suffered a decrease of 7.5% in shrimp importing. The world shrimp market had a positive growth during the first half of the 2011. The supply of shrimp in the global market was lower than the demand. However, the shrimp market was growing during that period. (Euro fish 2011)

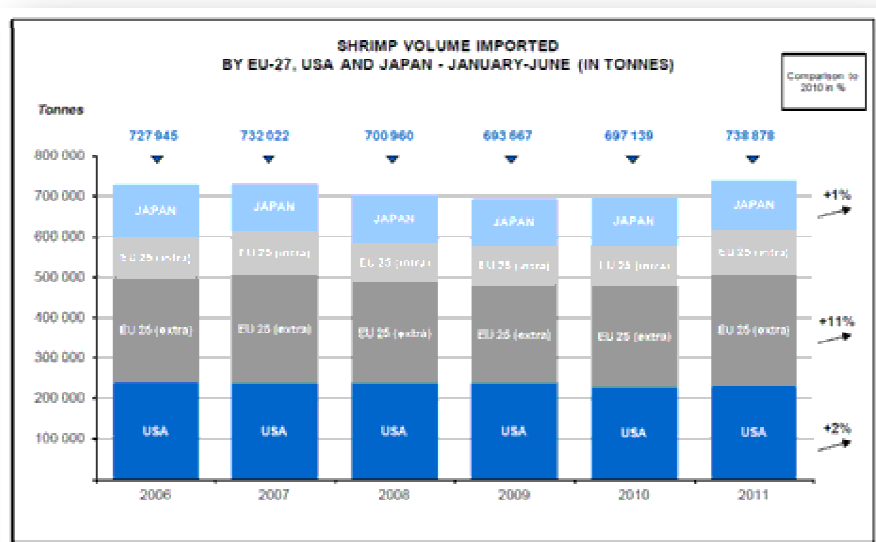


Figure 11. The amount of shrimp imported by EU, USA and Japan during 2006-2011 (Euro fish 2011)

The volume of the imported raw shrimp in the European Union was increased by 10%. The major exporters of frozen raw shrimp in the European Union during the first half of 2011 were India, Greenland, Argentina, Ecuador and china. The demand of shrimp among the major importing countries in the European Union stayed positive whereas the French shrimp market suffered a decrease of 7.5% in shrimp importing. (Euro fish 2011)

In the year 2012 shrimp import to Spain was greatly suffered by the financial crisis. The first quarter of 2012 the Spanish shrimp market was decreased by 28%. The biggest shrimp supplier in the Spanish shrimp market also suffered a decrease of their total export. Argentina had a decrease of 31.4% in shrimp exporting to the Spanish market while the Chinese suffered a loss of 37.1%. On the other hand, Ecuador had an increased of 1.8% in exporting shrimp to the Spanish market. The shrimp import market in Italy was drop by 24%. The biggest suppliers Ecuador suffered a decrease of 22.4% and Argentina had a decline of 14.3% in their total shrimp export to Italy. (Globe Fish 2012)

Shrimp import market in the UK was down by 2.2% in the year 2012. Bangladesh and India had a very successive growth in their shrimp export to the UK. Bangladesh was able to export 35.7% more shrimp to UK while India had a growth of 22.2% in exporting shrimp in to the UK shrimp market. In addition to, India had a better performance in the French shrimp market. The percentage of Indian shrimp export in the French market increased by 6.5% in the first half of the year 2012. The Danish shrimp industry decreased by 17.1% in the first half of the 2012. The German shrimp industry was dominated by the Thai shrimp exporting companies. Thailand exported 8% more shrimp in the German market in the first half of 2012 while Vietnam exported 27.3 5 less shrimp to the German shrimp market. (Globe Fish 2012)

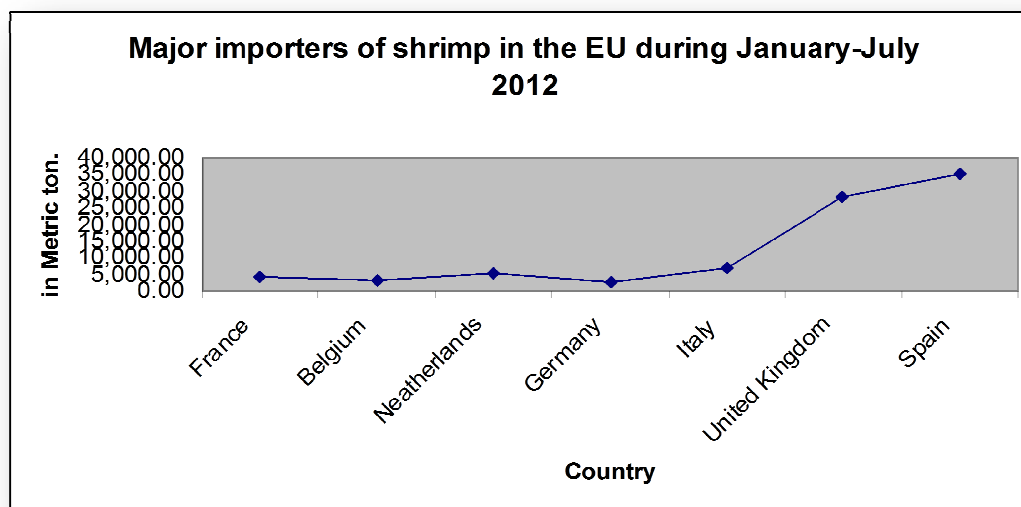


Figure 12. Major importers of shrimp in the EU during January-July2012

(VASEP 2012)

5 RESEARCH ON BARRIERS FACED BY BANGLADESHI SHRIMP EXPORTING COMPANIES

The planning for the research process was started by gathering information on the topic of SMEs and shrimp exporting companies in Bangladesh. The research question has been designed interrelated with the research topic. The free form interview has been founded from relevant literature connected to the research topic. The primary and secondary data has been utilized due to come across the most important result. The conclusion has been drawn founded on the result obtain from the interview given by the company representatives.

The research question involves a broad indication of the current situation of the shrimp exporting companies in Bangladesh due to identify the major barriers to export to the European market. During the research process both primary and secondary data are collected. The use of secondary data is monitored carefully and has been gather from relevant literature, government organizations and reliable internet sources.

The primary data has been collected by interviewing shrimp farmer, shrimp traders and company personal .The result of the interview has been evaluated in relation to the theory with the purpose of investigate the most important barriers faced by the companies. The information and gathering of primary data took four weeks of field work. At the beginning of the thesis process it was very difficult to make the initial contact with the interviewed companies. Some of the companies did not update their contract address and phone number shown in the list made by Bangladesh Export Promotion Bureau. A list of the companies was downloaded from the Export Promotion Bureau website.

Telephone call was made to 35 companies to inform them about the research process. Most of the call was received by the receptionist and he/ she does not want to give any information about their company. Hence, plan of the research was changed to make initial contact with the companies. The phone numbers of the executives of the companies were collected by using local network. Most of the executives of the companies were not interested about the research. However, the interview took place with the help of some and cooperative people who were working in the important positions in the companies those people gave their valuable time to complete the interview successfully.

Eventually, the interview session took place after building a relationship with the appropriate person in the companies. The researcher was able to interview three companies who are exporting shrimp to the European Union. Two of the companies gave me permission to published their name and one of the companies want to be anonymous but take part in the complete interview and give necessary information important for the thesis process.

The free form interview and discussion were take place to complete the interview and to collect all the necessary information relevant with the topic of the research process. The respondents were male and aged between 30-45 years old. All the respondents are working in the sea food industry for least 4 years and have relevant experience of sea food industry in Bangladesh.

5.1 Description of the Case Companies

Bionic Seafood Exports Ltd is one of the oldest and famous sea food companies in Khulna, Bangladesh. Bionic Seafood is mainly exporting their product to USA, Japan, Malaysia, and the European Union. The company considers European Union as the biggest market for them. The EU approval no of Bionic Seafood is- **KLN- 58**. (Mozumder, 2012)

Bionic Seafood Exports Ltd was established in the year 1997 and producing value added organic shrimp to export all around the world. The capacity of the factory is 10 metric ton per day while the capacity for the block frozen product is 8 metric ton per day. The storage capacity of bionic seafood is 650 metric ton. The number of full time employee in the company is 66. (Mozumder, 2012)

Bionic Seafood Exports Ltd has a tiny marketing department. The marketing decision in the company is implemented by the managing director and other executives working in the company. Bionic seafood export ltd does not have a website. The company uses their brochure to give information about their company. (Mozumder, 2012)

However, the company uses e-mail, phone and fax to communicate with foreign buyers and business partners. Bionic seafood export ltd involves in both direct and indirect exporting of shrimp and shrimp product in the European Union. (Mozumder, 2012)

X Seafood Ind. Ltd has established in the year 1989. **X** Seafood is one of the leading sea food exporting companies in Bangladesh equipped with modern technologies. The company is approved by the EU and has an EU approval no. **X** Seafood is very strict to maintain the safety and quality standard set by the European Union. (Y 2012)

The European Union is the major market for **X** Seafood industries. Buyers from Japan, China, Malaysia and Singapore buy product from **X** Seafood Ind. The capacity of the company is more than 20 metric ton per day. The number of full time employees in the companies is 86. (Y 2012)

X Seafood Ind. has a marketing department. The company has a website for the marketing purpose. The marketing department is responsible for doing marketing and exporting activities. The major decision in the company is made by the managing director and other executives working in the company. **X** sea food Ind. uses both direct and indirect exporting mode to export their goods all around the world. The company mainly uses Letter of Credit as their business transactions. However, other modes of payments also accepted by the company depend on the terms and conditions of the business transactions. (Y 2012)

Cosmos Seafood Export Ltd is a small sized company located in Khulna, Bangladesh. The company started their operation in the year 2007. The main export market for cosmos food is European Union. Cosmos Seafood Ltd strictly follows the quality and standard set by the European Union. Besides that, Cosmos Seafood also exports shrimp to the major Asian markets. The EU approval number for cosmos sea food is **KLN- 99**. (Rahman 2012)

Cosmos Seafood Ltd engages in direct and in direct exporting. The company does not have a complete website but use different online sea food trading website as marketing tools. Cosmos Seafood Ltd also use brochure to market their products in the international markets. (Rahman 2012)

The managing director and the executives in cosmos sea food are responsible for marketing activities. Cosmos Seafood is planning to attend the sea food fair in Europe next year. Last year the company sends their brochure in the international trade fair in Brussels to market their product in the European Market. (Rahman 2012)

5.2 Result of the Research

According to Mozumder export marketing coordinator of Bionic Seafood, once upon a time it was difficult for the Bangladeshi shrimp exporting companies to maintain the standard set by the EU. However, the shrimp exporting industries has gained very positive progress in developing and maintain the quality and standard set by the European Union. The shrimp processing industry in Bangladesh follow the HACCP standard to process and export shrimp. Furthermore, the processing factories strictly follow the rules set by European Union. Both Rahman and Y stated that, to maintain the standard set by EU is not a barrier any more. However, we assure and guarantee the best quality organic shrimp in the world.

Additionally, Mozumdar & Rahman claim that hiring a skilled employee is not a problem if they get a good amount of salary. Furthermore, information about European markets, pricing, branding, and the procedure of doing business with the European countries is not so much problematic and all the respondents did not claim those as barriers for exporting shrimp in the European market.

Most of the companies are doing business with the European countries for long time and have experience about the European business culture. According to Y the executive director of X Seafood there will be always differences in cultures but they do not consider culture as a barrier for their business growth. They are always interested about other people culture and want to share our culture with our international clients.

Besides that, differences language has been described as a barrier in the theory. The respondents did not recognize language as a barrier to communicate with the European buyers. They also mentioned that English is the second and official language in Bangladesh and English is widely spoken language in the shrimp exporting industry.

A buyer always uses an interpreter if he/she is not able to communicate in English. In addition to, the employees in the export buying house speaks different language to communicate with buyers in the different international market. Differences in languages are not considered as a barrier by the respondents take part in the research process.

Getting finance for exporting is considered as the most important barrier by all the respondents take part in the research. According to Y the executive director of X sea food, "A company might need several months to get loan from bank for export development in a new market."

Besides that, Rahman manager Cosmos Seafood and Y the executive director of X sea food claim as transportation cost as a barriers for export to the European market. Mozumder export marketing coordinator of Bionic Seafood stated, transportation cost is high but bionic seafood does not recognise transport cost as a barrier. All the respondents did not recognise any other any other major barriers for exporting shrimp in the European Union. However Y the executive director of X sea food mentioned political instability &bureaucracy as barriers for export. Instable political situation make delay export in performance and shipment and a delay shipment imposes extra and unnecessary burden to the exporting companies.

6 CONCLUSIONS

The shrimp exporting industry is the second biggest industry of Bangladesh and the industry play very important role for Bangladeshi economy. The European market is the biggest shrimp market for Bangladesh. Bangladesh seafood industry faced the sanitary and phyto sanitary standard problem in several times in the past. However, recently the Bangladeshi shrimp export industry has achieved significant improvement to maintain the standard and quality set by the European Union.

The implementation of HACCP standard and improvements of processing plants and modern microbiological lab has hep Bangladeshi shrimp industry in a competitive place in the world shrimp market. The result of research shows that maintain the quality and standard of the shrimp product is not a barrier for the Bangladeshi shrimp exporting companies any more.

However, the main purpose of the research was to find out the major barriers faced by the small and medium sized Bangladeshi shrimp exporting companies to the European market. The literature of the research focuses on the export barriers faced by SMEs in the international market.

According to the respondents from the companies that most of the shrimp exporting companies in Bangladesh do not make a market research before entering to a European market. They collect essential data and market information through internet and other sources. Subsequently, they do not engage in any marketing activities and advertising for their product in the European market.

Bari (2008) also stated, “The shrimp industry does not have any policy for marketing, promotion and research. There is lack of research before entering the market. They send the goods in the international market, but there are no marketing people who would explore the market or understand the real need of the customer. The most important issues for the Bangladeshi shrimp exporting is to maintain the social and regulatory fulfilment to access the European and American markets. ”

The main activities for marketing their product are the international fish trade fair, website and company brochure. A large number of shrimp exporting companies in Bangladesh do not have a website. They advertise them by registering them in different sea food directory portal. It is quite easy for a buyer to find a seafood

producer and processor from those web sites. However, the respondents from the companies did not mention the lack of marketing research and advertising as barriers to export shrimp in the EU market.

However, according to the report of result barrier to finance and transportation cost could consider as the major barriers to export faced by the small and medium sized shrimp exporting companies in Bangladesh. The research was done in a certain group companies in the same geographic location. A further research could be done to compare the companies in different sizes and in different geographic location to find out a better result of the export barriers faced by the Bangladeshi shrimp exporting companies to the European market.

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APPENDICES

Appendix1. Questions for interview

- Could you tell me about your company background?
- What is your position in the company?
- How many employees do you have in the company?
- Do you think that is it difficult to hire a skilled Employee?
- Do you find it difficult to get information about the EU market?
- Do you face problems in pricing your products in the EU market?
- Do you find it difficult to maintain the quality and standard set by the European Union?
- How do you advertise your product In the EU market?
- Do you engage in market research before entering in a foreign market?
- Do you have a marketing department?
- Do you use a foreign middle man/agent for exporting in EU?
- Do you find it difficult to contact with European Union buyers?
- Do you have sufficient time for export development?
- Do you implement any marketing strategy for the export performance?
- Does your company have a Web site?

- Does your company use a brand for exporting?
- Does your company consider about organic and eco-labelling for exporting?
- Does your company aware about the consumer needs in the EU market?
- Does your company attend in international trade fair?
- Do you find it difficult to get bank loan or finance for exporting?
- Is there any delay in getting payments from EU countries?
- Have you find any problem with language when doing business with EU countries.
- Do you face any cultural problem with EU customers?
- Do you find transportation & insurance cost as a barrier for exporting?
- Is it difficult to do business with European Union countries?
- Could you rank the top five export barriers faced by your company?
- Are there any other barriers hampering your company?

Thank you!

