GLOBAL COMPETITIVENESS OF EXPORTING BUSINESS:
THE CASE STUDY OF LITHUANIA

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Abstract. The article aims to study global competitiveness of exporting business of Lithuania. In the article theoretical aspects of international trade challenges and global competitiveness of exporting business, international trade tendencies in Lithuania in the period of 2004–2013 are studied, Lithuanian structure of international trade in 2008–2013, Lithuanian international trade partners in 2013 are explored, global competitiveness of Lithuania is evaluated. The results of research indicates that it is important to achieve global competitiveness of Lithuanian exporting companies in order to prepare international trade specialists properly. Highly educated and appropriately qualified people could be the main factor for the development of exports of high value-added products and services of Lithuania.

Keywords: international trade, export, international business, competitiveness, international trade specialists.

Introduction

Analysis of economically developed countries with relatively small domestic market economic shows that in order to ensure stable economic growth, export expansion becomes important. Export volumes typically account for a large share of GDP. Globalized economy becomes more and more open. Companies derive benefit from open market through international trade, including export, but still struggle in order to engage in foreign market. For the exports development the state can provide the necessary support for business in many ways, helping to develop competitive products and increase export sales (Jatulevičienė 2009). A strong export base is generally regarded as a key component to economic growth.

Exporters are usually considered to be high-performance firms for two reasons: when competing in foreign markets exporting firms generally incur higher trade barriers and face different consumer tastes and tougher competition; exporting additionally makes firms more easily aware of potential innovations taking place abroad and they may assimilate these in order to improve their position both in domestic and foreign markets.

International trade is the purchase, sale or exchange of goods and services across national borders. International trade produces many benefits to countries both exporting and importing products. For countries importing products, the benefit is that they get goods or services they cannot produce enough on their own. Likewise, for the exporter, one of the benefits is through the trade they can also get either the goods or services they need or the money to purchase these goods from another country or source. International trade also helps the economies of the countries by providing more jobs for people involving them in manufacturing processes and services. The main aim of the article is to study global competitiveness of exporting business of Lithuania. The main objectives of research is to study theoretical aspects of international trade challenges and global competitiveness of exporting business; to analyse international trade tendencies in Lithuania in the period of 2004–2013; to study Lithuanian structure of international trade in 2008–2013; to explore Lithuanian international trade partners in 2013; to evaluate global competitiveness of Lithuania.

International trade challenges and global competitiveness of exporting business

The most popular way for firms to engage with international markets is through export (Leonidou et al. 2007). Globalization and integration of various economies has often been linked to internalization of economic growth and development. Export is a very important factor for achieving high economic growth rates (Hessels, van Stel 2007; Shih, Wickramasekera 2011). Export is a key in
achieving economical growth of the state and a higher level of competition in the domestic market, but there is no proof that exports promotion made by the state is efficient to stimulate export activities (Dzemydaite et al. 2012).

The major tenet of international business literature is that increased presence in foreign markets will increase the firm’s performance (Contractor et al. 2003). Export benefits for the company are widely analyzed in literature. Several factors could be highlighted. An exporter can benefit from a heightened awareness of local market conditions through information sharing with foreign partners. Lu and Beamish (2006) pointed out that the learning-from-exporting effect is a factor that facilitates building the strong capabilities that enable the implementation of comprehensive strategies. Exporting will increase the firm’s international competitiveness (World Bank 2000) and also enhance its competitive position locally (Williams 2008).

Several factors that enhance or diminish the overall competitiveness of a firm’s products in the export marketplace have been identified in literature (Chadee, Kumar 2001; Wickramasekera, Oczkowski 2004; Shih, Wickramasekera 2011). These include: production competitiveness; quality of product; uniqueness of product; the position held by the firm within the industry and business relationships; efficient production; marketing skills; a good network of distributors; impact on product competitiveness is price financial access and the efficiency of financial intermediaries (Dzemydaite et al. 2012). One other factor that has moderate impact on effective export of the company is excess production capacity (Williams 2008). Small firms, in most cases, suffer from limited and sub-standard production due to their limited resource stock in developing countries.

Shih and Wickramasekera (2011), in researching the Taiwanese electrical and electronic industry, pointed to a positive outlook with regard to export market expansion based on positive managerial perceptions and international orientation of managers. The research shows that if non-exporting companies aim to be successful exporters, it is very important to improve the quality of their products, their marketing skill, and their distributor network. These are the key attributes that show that exporters are more competitive in the market.

The key success factors lay on companies intended to export on what is already exported. One of the main aspects of the processes of export is the marketing competences of companies. Exporting companies have enough potential to create dynamical resources because of their more common orientation to market. One other very important aspect is how companies diversify their products or the services that they export. Diversification-according structure of different foreign markets is one of key success factors of exporting companies. But to do that it is necessary to know the cultural aspect of the market, and consumption habits of people. This requires new competence – intercultural communication – for export managers in exporting companies. Furthermore, production capacity is one of key success factors for exporting companies. The production capacity which creates added value should be created in time (Dzemydaite et al. 2012).

Export is one of the main forms of engaging with international markets. It is obvious that export is a key determinant to achieve economic growth of the state and higher level of competition in domestic market. In scientific literature it is emphasized that the main factors that make companies in export more efficient are interconnected with various aspects of competences of companies, especially in the field of marketing, international trade specialists and intercultural communication. That comes from deep orientation to market, that have the exporting companies. This point of view contradicts the resource-based view of companies and requires for more researches and scientific literature in the field of dynamical resources and competences of exporting companies.

Analysis of international trade tendencies in Lithuania in the period of 2004–2013

For small economies, as the case of Lithuania, export is substantial in sustaining growth and vitality. Export development has contributed significantly in terms of capital inflows, employment, industrial development, and widening of the production base. Export has also allowed domestic industries to achieve some economies of scale, which otherwise would not have been possible due to the limited domestic market size. Nowadays the results, changes and dynamics of foreign trade are best indices to evaluate capabilities of national companies to compete in open global economy (Saboniene 2009).

In 1995 Lithuania became a signatory of the General Agreement to Tariff and Trade (GATT) and after ratifying the World Trade Organization (WTO) arrangements in 2001, it became a member of the WTO. Membership in the WTO gave stability and reliability in trade relations – factors that are significant for trade partners and investors. Lithuanian trade with the third countries has become more liberal, transparent and predictable, while Lithuania became more attractive to foreign investment. Membership in the WTO has major importance in export promotion, improving the business environment. Since then, Lithuania has gradually moved towards more free trade by introducing a simplified
tariff band structure and simultaneously decreasing the average tariff rate to internationally acceptable levels.

Moreover, the EU membership has a significant impact on the further dynamics of Lithuanian foreign trade, so average annual export growth rate reached 14% in 2004, jumped to 27% in 2005 after the trade barriers were removed.

The analysis of export data reveals that the share of exports of goods and services grew continuously between 2004 and 2013 (see Fig. 1, Table 1), with the exception of 2009, when 26.6% decrease was recorded. In the period of the financial and economic crisis the business environment in Lithuania can be described by problems associated with decline of consumption, manufacturing, sales of productions and increased unemployment. The economic crisis had negative effect on all economies and their economic development and had shown failures of market systems and in governance also.

However exports recovered quickly after the crisis and the volumes of exports increased in 2010 as compared to 2009 accordingly by 33%. During 2004–2008, exports consisted 43% of total volume of international trade so 2009–2010 share of exports expanded to 47%. At the end of the analysis period (in 2011–2013), exports of the goods and services increased by 21.8%. In recent years, Lithuanian export growth rate was faster than the average in the European Union Member States (European Union in the World 2014).

Lithuanian imports tendencies are very similar as exports (Fig. 1, Table 1). In the period 2004–2008 imports increased steadily. Unfortunately, it is clearly visible that by the year 2008 gap between imports and exports had widened, it means that the trade balance deficit had increased. It can be assumed that Lithuania by entering the free movement of EU economic space has lost opportunities for the free realizing of foreign trade policy, and thus lost the opportunity to protect its producers individually using tariff and non-tariff regulation techniques. From 2004 to 2008 Lithuania could not resist the old EU Member States and more competitive economies of other countries, has not been able to compensate for increased imports, gradually increasing exports. Of course, we cannot ignore the fact that membership in the EU has substantially increased the pace of export growth.

However, the situation has significantly changed during the economic crisis (Fig. 1). In the year 2009 annual trade deficit was the lowest in a decade. In other words, imports decreased (–37.9%) much more than exports (–26.6%) (Table 1). It can be assumed that Lithuania’s consumption decreased much more than in another state member of the EU or in another Lithuania’s foreign trade partner, as the need for imports fell more than export demand. Also, do not forget the fact that the Lithuanian economy is much more based on agricultural products, and thus its exports is relatively less adaptable to changes in the economy, because a much larger share of the export consists of daily consumer goods.

Figure 2 represents exports share in GDP. It is noted

![Fig. 1. Lithuanian exports and imports tendencies in 2004–2013, million Lt (prepared by the authors according to the Statistics Lithuania data 2014)](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>26.9</td>
<td>25.5</td>
</tr>
<tr>
<td>2005</td>
<td>18.7</td>
<td>23.5</td>
</tr>
<tr>
<td>2006</td>
<td>11.1</td>
<td>15.4</td>
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<tr>
<td>2007</td>
<td>28.5</td>
<td>18.7</td>
</tr>
<tr>
<td>2008</td>
<td>–26.6</td>
<td>–37.9</td>
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<tr>
<td>2009</td>
<td>32.7</td>
<td>34.5</td>
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<td>2010</td>
<td>28.8</td>
<td>29.3</td>
</tr>
<tr>
<td>2011</td>
<td>14.4</td>
<td>9.0</td>
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<tr>
<td>2012</td>
<td>6.5</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Table 1. Lithuanian exports and imports percentage changes compared to the previous year (prepared by the authors according to the Statistics Lithuania data 2014)
that exports account for the large part of GDP and it is rapidly growing. From the 2009 to 2013 the exports share in GDP increased from 54.2% to 86.9%. The following indicators show that exports variation affects the changes in GDP. Therefore, it can be said that exports have the greatest impact on the GDP variation, which indicates the overall national economic level. It perfectly reflects Figure 3 where it is noticeable that the exports and GDP trends are very similar.

In sum, the examination of the Lithuanian international trade performance in 2004–2013 shows that Lithuania’s membership in the European Union has a positive impact on international trade. However, it did not help Lithuania to overcome the negative foreign trade balance. Exports account for a large share of the country’s total GDP, and the exports share in GDP is growing every year. Therefore, it can be said that the export growth affects the change in the country’s GDP.

**Lithuanian structure of international trade in 2008–2013**

Exports of goods and services represent the value of all goods and other market services received from the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments (The World Bank group 2014).

Lithuania’s export/import structure can be analyzed from various aspects: by combined nomenclature, macroeconomics categories, businesses entity, etc. Export/import sector can be divided into exports/imports of goods and services exports/import. Exports of goods can still be divided into goods of Lithuanian origin exports and re-exports. The economic literature defines “re-exports” as foreign goods that are exported in the same state as previously imported. Analyzing the international trade of the country the re-exports are included in export/import flows.

According to the classification of macroeconomic categories (BEC) 2008–2013 data (Table 2) intermediate goods were dominating in exports (products used as raw material for the production of other goods), accounting for about half of the country’s overall exports. However,
from the viewpoint of economic competitiveness it is not a positive phenomenon, as these goods create a low added value (Jakutis et al. 2007).

The consumption goods (end-use products that are not used for other production) share of total exports accounted for less than one-third and they displayed no clear upward or downward trends. There is quite a significant capital goods export growth trend during the period when the share of Lithuanian exports grew by about 2.3% from 2008 till 2013 year. The amount of capital goods compared to the country’s size defines the national economic development level. However, the overall composition of Lithuanian exports of these goods is not high. In the recent year the export of motor spirit decreased by 0.6% compared with the previous year. Goods involving passenger cars accounted for a relatively stable share.

In 2008 imports of capital goods was 14%. In 2009 the crisis had a negative impact on the import of capital goods and the decrease was 3.9%. The following years imports of capital goods started to recover slowly and in 2013 it reached 13.4% of all imports. Imports of investment goods are important to overall national economic growth. Consumption products have maintained a fairly clear trend of annual growth and over the period have changed about 2.5%. There are low observed rates of motor spirit imports, which accounted for the smallest portion of imports (about 0.1%). The import of passenger motor cars over the last year declined steadily, as it is noted from 2008 till 2013, this field decreased by 2.5%.

**Lithuanian international trade partners in 2013**

Lithuania’s most important trade partners are European Union countries where every year over half of total exports of goods and services are exported and imported (Table 3). However, Lithuania imports more than exports, so the international trade deficit is formed during the recent years (in 2013 there was a deficit of 5742.2 million Lt). In 2013 was exported 55.46% and imported 60.32% of goods and services to/from the EU countries. One of the most important reasons why Lithuania’s goods and services are mainly exported to the European Union, is that there are no tariffs on trade between States. If the exporter satisfies the requirements raised by the European Union, he/she may trade without any barriers in any European Union country. Among the members of the European Union Lithuania mostly exported to Latvia 9.96%, followed by Poland 7.40%, Germany 7.17%, Estonia 5.59% and imported from Germany 10.50%, Poland 9.54%, Latvia 6.22%. However, due to the proximity the Polish industry is one of the main Lithuanian industry competitors.

Outside the European Union Lithuania major international trade partners are the CIS (Commonwealth of Independent States) countries, among which the most important – Russia. In 2013 to the CIS Lithuania exports 31.60% exported goods and services, where exports to Russia occupies 19.84% and imports 32.63%, where Russian imports composed 28.12%. Of course, considering the political situation in 2014, it may be assumed that international trade with Russia has decreased due to the sanctions. A small part of international trade includes EFTA (European Free Trade Association) countries with 2.44% of export and 0.78% of imports.

Reviewing the Lithuanian export partners, we can see that the most important partners for a long time remain the same parties. In the literature is often cited a statement that the countries trade extensively with neighboring or nearby countries and the Lithuanian case proves this.

To summarize it can be said that Lithuania’s accession to the WTO and the EU opened up wider opportunities for international trade. EU countries, subjected to the same trade laws, allow to compete and export effectively the

<table>
<thead>
<tr>
<th>Classification</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<th>2013</th>
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<tbody>
<tr>
<td></td>
<td>Exports</td>
<td>Imports</td>
<td>Exports</td>
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<td>Exports</td>
<td>Imports</td>
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<tr>
<td>Capital goods</td>
<td>11.1</td>
<td>14.0</td>
<td>9.0</td>
<td>10.1</td>
<td>9.8</td>
<td>10.4</td>
</tr>
<tr>
<td>Intermediate goods</td>
<td>53.1</td>
<td>60.4</td>
<td>49.5</td>
<td>60.8</td>
<td>50.3</td>
<td>64.2</td>
</tr>
<tr>
<td>Consumption goods</td>
<td>23.5</td>
<td>19.6</td>
<td>29.9</td>
<td>22.5</td>
<td>27.9</td>
<td>21.7</td>
</tr>
<tr>
<td>Motor spirit</td>
<td>8.5</td>
<td>0.0</td>
<td>8.1</td>
<td>0.0</td>
<td>8.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Passenger motor cars</td>
<td>3.5</td>
<td>5.7</td>
<td>3.3</td>
<td>3.3</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Others</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
<td>0.3</td>
<td>0.0</td>
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<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
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goods within the EU. Escalation of the Russian crisis in 1999 led to Lithuanian exports reorientation from the CIS countries to the EU. Due to the new European markets Lithuanian export increases every year, which is encouraging for further economic growth. However, imports to Lithuania are still higher than exports and as a result a negative foreign trade balance is formed. In the last years there has been a tendency that Lithuanian exports is growing slowly to the CIS countries, largely in Russia, and falling to the EU countries. The current political situation with Russia and the applicable sanctions may negatively affect Lithuania export.

**Evaluation of global competitiveness of Lithuania**

The competitiveness is the set of institutions, policies, and factors that determine the level of productivity of a country. A more competitive economy is one that is likely to grow faster over time. The Global Competitiveness Report 2013–2014 assesses the competitiveness landscape of 148 economies, providing insight into the drivers of their productivity and prosperity (Schwab 2014). On the basis of 12 criteria the global competitiveness of the country was calculated. Competitiveness has been calculated taking into account the following criteria:

1. **Institutions** – The institutional environment is determined by the legal and administrative framework within which individuals, firms, and governments interact to generate wealth. The role of institutions goes beyond the legal framework. Government attitudes toward markets and freedoms and the efficiency of its operations are also very important: excessive bureaucracy and red tape, overregulation, corruption, dishonesty in dealing with public contracts, lack of transparency and trustworthiness, inability to provide appropriate services for the business sector, and political dependence of the judicial system impose significant economic costs to businesses and slow the process of economic development.

2. **Infrastructure** – Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is an important factor in determining the location of economic activity and the kinds of activities or sectors that can develop within a country. Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions.

3. **Macroeconomic environment** – The stability of...
the macroeconomic environment is important for business and, therefore, is significant for the overall competitiveness of a country. This pillar evaluates the stability of the macroeconomic environment – government budget balance, inflation, national savings rate, the interest rate on public debt, the country’s credit rating.

4. Health and primary education – A healthy workforce is vital to a country’s competitiveness and productivity. Poor health leads to significant costs to business, as sick workers are often absent or operate at lower levels of efficiency. In addition to health, this pillar takes into account the quantity and quality of the basic education received by the population, which is increasingly important in today’s economy.

5. Higher education and training – Quality higher education and training is crucial for economies that want to move up the value chain beyond simple production processes and products. This pillar measures secondary and tertiary enrollment rates as well as the quality of education as evaluated by business leaders. The extent of staff training is also taken into consideration because of the importance of vocational and continuous on-the-job training – which is neglected in many economies – for ensuring a constant upgrading of workers’ skills.

6. Goods market efficiency – Countries with efficient goods markets are well positioned to produce the right mix of products and services given their particular supply-and-demand conditions, as well as to ensure that these goods can be most effectively traded in the economy.

7. Labor market efficiency – The efficiency and flexibility of the labor market are critical for ensuring that workers are allocated to their most effective use in the economy and provided with incentives to give their best effort in their jobs.


9. Technological readiness – information and communication technologies application and use. The technological readiness pillar measures the agility with which an economy adopts existing technologies to enhance the productivity of its industries, with specific emphasis on its capacity to fully leverage information and communication technologies (ICTs) in daily activities and production processes for increased efficiency and enabling innovation for competitiveness.


11. Business sophistication – The quality of a country’s business networks and supporting industries, as measured by the quantity and quality of local suppliers and the extent of their interaction.

12. Innovation – ability to innovate; research institutions, intellectual property protection, etc.

Measured by the above criteria Lithuania among 148 countries in the world was estimated at 48 place (Schwab 2014). Lithuania has received a low score in such areas as institutional environment – 61st place, labor market efficiency – 69th place, market size – 78th place and the lowest rank is in financial market development pillar – 87th place. As a better rank could be highlighted the higher education and training pillar – 27th place.

Estonia, for example, remains the best performer within Eastern Europe, up two places this year to 32nd. The country has excellent educational system and highly efficient and well-developed goods and financial markets, as well as a strong commitment to advancing technological readiness. In addition, Estonia’s 22nd ranking macroeconomic stability reflects its relatively well managed public finances. The country’s margin ahead of the rest of the region also reflects its more flexible and efficient labor markets (12th), which continue to be rigid in other countries throughout much of Europe as a whole.

Moreover I would like to emphasize Finland. According to the total rank Finland retains its 3rd position. Similar to other countries in the region, the country boasts well-functioning and highly transparent public institutions (1st), topping several indicators included in this category.

Its private institutions, ranked 3rd overall, are also seen to be among the best run and most ethical in the world. Finland also has the top position both in the health and primary education pillar and the higher education and training pillar, the result of a strong focus on education over recent decades. This has provided the workforce with the skills needed to adapt rapidly to a changing environment and has laid the groundwork for high levels of innovation, allowing Finland to become a highly innovative economy.

Improving the country’s capacity to adopt the latest technologies (ranked 18th) could lead to country’s competitive position going forward. Finland’s macroeconomic environment has weakened slightly on the back of rising inflation (above 3 percent), but it fares comparatively well when contrasted with other euro-zone economies.

For the development of international trade it is im-
important to prepare international trade specialists properly. Some human resources management theories show that all innovative processes are controlled by the people who are considered as the most important element of the modern organization. In order to prepare properly qualified personnel companies should work closely with institutions of higher education. Like in case of Finland entrepreneurs, professors and doctors share their knowledge at universities and thereby contribute to the preparation of qualified professionals in the university. Contributing to the preparation of professionals, companies can directly contribute to and influence the development of study programs. In this way developed study programs will ensure that international trade specialists’ qualifications will be developed in response to the challenges for international business.

Conclusions

Export is one of main forms of engaging with international markets, it is a key determinant to achieve economic growth of the state and higher level of competition in domestic market. The main factors that makes companies in export more efficient are interconnected with various aspects of competences of companies, especially in the field of marketing, international trade specialists and intercultural communication. That comes from deep orientation to market, that exporting companies have. As the economy becomes more and more open the factors based on human resources, knowledge and skills become more important. These factors help the company to achieve long-term competitiveness.

The examination of the Lithuanian international trade performance in 2004–2013 shows that Lithuania’s membership in the World Trade Organization and European Union opened up wider opportunities for international trade. However, it did not help Lithuania to overcome the negative foreign trade balance. Exports account for a large share of the country’s total GDP, it can be concluded that the export growth affect the change in the country’s GDP.

Lithuanian international trade tendencies complex analysis showed that intermediate goods are accounting for about half of the country’s overall exports. From the viewpoint of economic competitiveness it is not a positive phenomenon, as these goods create a low added value.

Lithuania has a large number of educated people and low levels of their unemployment. The qualified people and their willing to learn science are the main strengths for the developing international trade. Highly educated and appropriately qualified people could be the main factor for development of the Lithuania’s exports of high value-added products and services.

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PASAULINIS EKSPORTUOJANČIŲ GAMINTOJŲ KONKURENCINGUMAS: LIETUVOS ATVEJO ANALIZĖ

G. Zacharevič, I. Dzemyda

Santrauka


Reikšminiai žodžiai: tarptautinė prekyba, ekspertas, tarptautinis verslas, konkurencingumas, tarptautinės prekybos specialistai.