Impact of market power sources on international trade at the level of small industries

a Mehran Akhoundi

b Amir Najafi

a PhD student, Department of Management, Islamic Azad University, Tabriz Branch, Tabriz, Iran

b Associate Professor, Department of Industrial Engineering, Islamic Azad University, Zanjan Branch, Zanjan, Iran

Author : Mehran Akhoundi (mehranakhondi1375@gmail.com - +989126419318)

Abstract

International trade has become a very important category in business today. All countries with small and large economies are trying to play a greater role in this market and therefore are trying to improve their performance by defining different strategies. However, one of the most important issues in the success of international trade is the necessary awareness of environmental conditions and factors affecting it. One of the factors in the field of the impact of market power resources on international trade at the level of small industries is less discussed. The end is with other countries that cause problems in the labor market and in the labor markets can create powers in the market and prevent this. The market has an efficient output. One solution to this need is to evaluate and prioritize the factors affecting trade, the impact of power in the labor market. To ensure the effectiveness of the defined structure by creating a specific and purposeful structure and considering all the challenging factors and its various aspects Appeared. This will be achieved by carefully reviewing the research literature and interviewing experts. This research is applied in terms of purpose and descriptive-survey. MATLAB software has been used to analyze the information.

Keywords: market power sources; international trading; small industries.

1- Introduction

The rapid and ongoing process of globalization creates profound challenges for firms operating in the market economy. Global integration has increased the size of firms' product markets and the amount of their competitors, while global production networks and dramatically falling transportation costs redefine the nature of production activities. How firms respond to these new market conditions has fundamental implications for domestic workers, productivity levels, and living standards.

Traditionally, most research studying firm responses to trade exposure relies on perfectly functioning labor markets. By design, this limits the analyses to scenarios where wages are always on competitive levels and where firms do fully pass gains and losses from trade exposure through to labor expenditure adjustments. Recent work, however, has raised awareness to the role of imperfect functioning labor markets for understanding firms' responses to trade exposure: By affecting how firms adjust to changes in product and input market conditions, labor market imperfections may alter distributional outcomes from trade and may change aggregate trade gains compared to a baseline scenario with competitive labor markets (e.g. Egger and Kreickemeier, 2009; Kambourov, 2009; Dix-Carneiro, 2014). Therefore,

understanding how international trade interacts with labor market imperfections has a first order priority in evaluating welfare effects and distributional impacts from trade.

The basic framework of international marketing is no different from domestic marketing. In other words, knowledge of the target market, design and creation of goods or services, pricing, distribution and Advertising is the basis of international marketing and marketing. What is international marketing? International marketing in its simplest form is the implementation of a Or a few marketing activities across a country's national borders. Like a small company that only exports its goods to a foreign country And the responsibility for pricing, advertising and distribution under the contract will be the responsibility of the foreign representative. The most complex aspect of international marketing is the program Planning and implementing all marketing activities in many countries. Like Ford with $ 57 billion in global revenue operating in 121 different countries. Today, marketing in its most complex form is global marketing management. The correct understanding of international marketing is done by knowing exactly its definition and its differences with domestic marketing. (Onquisite and Shaw)

International marketing is the business of delivering goods and services from one country to customers in another for profit (Katura and Graham).

Others call international marketing the process of planning and implementing the concept, pricing, sales promotion, and distribution of goods, services, and ideas across a country to create an exchange that meets individual and organizational goals (Onquisite & Shaw).

However, the concept, steps and principles of marketing have a standard aspect and are applicable in all markets and countries. But international marketing and domestic marketing are different in that they differ in their field of activity and the environment in which they deal.

That is, international marketing is a trade in a foreign country, and possibly a generalization of the trade method to more than one country (Katura and Graham).

Compared to domestic marketers, international marketers must manage a wider range of information about customers, competitors, and host country-related factors to make effective decisions, including cultural differences between countries, global competitors, exchange rates, rules, and regulations. Government and factors related to the host country, etc. Thus, international marketers face a wide range of environmental factors compared to domestic marketers (Katura and Graham).

International marketing involves 7 activities in several foreign markets, and in these markets not only uncontrollable factors vary from country to country, but there is a strong possibility that controllable factors also vary from market to market. When export marketing becomes an integral part of a company's marketing activities, the company has started a new strategy for growth and development called international marketing.

A unique feature of international marketing is the multicultural trend 2, which emphasizes product adaptation and promotion in international markets (Kotabeh and Helsen).

Because international marketers compete with local companies, international marketers adapt products and product promotions to the needs and wants of customers in foreign markets to strengthen the company's competitive position.

To do this, they use two methods: First, the company allocates part of its production capacity to exports. Second, due to transportation costs, tariffs and other laws and regulations, as well as access to manpower and capital in foreign markets, the company produces locally.

An important challenge in international marketing is to understand the different environments in which a company intends to operate. Understanding cultural, economic, political, and legal differences is essential to a company's success.

Therefore, most of the international marketing is dedicated to understanding different external environments. So the task of international marketing management, like domestic marketing, is to adapt controllable factors to the environment and to adapt to uncontrollable factors, except that it is very complex.

Mohammadi and Sakhi Hani In their research entitled "Factors affecting the supply of pistachio exports in Iran", they examined the factors affecting the supply of pistachio exports in Iran. The results of this study showed that the most appropriate model for examining price fluctuations on the supply of pistachio exports is the EGARCH model in which relative price fluctuations of pistachios in the short and long term have a negative, significant and asymmetric effect on the supply of pistachio exports. Other research variables, namely domestic pistachio production, oil export earnings and the real exchange rate, also have the expected sign on the supply of pistachio exports. It is suggested that in formulating trade policies for pistachio products, the trend of relative prices and its fluctuations should be taken into account and negative shocks in the supply of pistachio exports should be avoided as much as possible.

Mortazavi and others In its research entitled "Determinants and trade potentials of Iranian shrimp exports in the European Union, using the model of gravity" to examine the trade potentials of Iranian shrimp exports to EU member states and estimate the determinants that affect this flow. Are paid.

The results show that Iran's per capita GDP, geographical distance between the two trading partners, exchange rates of importing countries and technical and health regulations imposed by importing countries have a significant negative effect on the flow of Iranian shrimp to EU member states. have. GDP per capita of importing countries and the exchange rate of Iran also have a positive effect on the volume of shrimp exports. Also, using the standard gravity model, the amount of commercial potential and commercial success in shrimp exports to EU member states was estimated. Spain with exports four times the existing capacity has the highest commercial success and Germany with 1% success has the lowest commercial success in using the existing capacity.

Sadeghi and others In their research entitled "Presenting the model of the main factors of export success from the perspective of exporters in Iran", they examined the main factors of export success from the perspective of exporters in Iran. The results of this study showed that among the factors affecting the increase in exports from the perspective of exporters, environmental factors, respectively, variables (rules and regulations, culture, special communications, technology, political factors), side factors of the product, respectively, variables (warranty and after-sales service). From sales, distribution channels, product quality, brand, design and packaging), the individual factor in terms of variables (public relations, export knowledge, education, work experience) and finally the economic factor in terms of variables (export marketing, government subsidies, Export pricing, markets Export) have importance and impact.

Ahmadzadeh and others In their research entitled "Study of factors affecting the export of services Case study: export of technical and engineering services" examined the factors affecting the export of technical and engineering services. The results of this study showed that the impact of per capita production variables, real effective exchange rate, inflow of foreign capital, and communication infrastructure on the total export of services as well as technical and engineering services in selected countries is positive and significant.

Sadat Kazeruni In his research entitled "Study of effective factors in the export and sale of Iranian handmade carpets in global markets" he examined the effective factors in the export and sale of Iranian handmade carpets in global markets. The results of this study showed that the amount of carpet exports is significantly related to products, the amount of carpet exports is significantly related to product price, the amount of carpet exports is significantly related to distribution channels, and the amount of carpet exports is significantly related to incentive and promotional activities. . The research findings indicate the significant impact of marketing mix factors on exports so that the research model and research hypotheses are confirmed.

Ghazi zadeh In his research entitled "Study and determination of factors affecting the success of Iranian export companies in Central Asian markets and provide an appropriate strategy to increase non-oil exports" to review and determine the factors affecting the success of Iranian export companies in Central Asian markets and provide an appropriate strategy to increase They paid non-oil exports. The results of this study showed that there is a significant relationship between target and national market variables and the success rate of exports, ie the more favorable the situation of these environments, the success rate of exports has increased or decreased, as well as a significant relationship between political and economic components. Competitive Information and Technology Market Environment Target and economic components and technology of national environment and financial management components Marketing and organizational culture of the company's internal environment and product elements, prices, distribution channels, and marketing mix incentive activities are successfully Has been identified in exports.

Zhuang and Moore In their research entitled "Factors Affecting the Export of American Bird Products", they examined the factors affecting the export of American poultry products. The results of this study showed that the factors affecting the export of American poultry products include 9 trade tariffs, some health laws, anti-dumping cases and laws, economic sanctions, and religious barriers.

Osman and others In their research entitled "Impact of marketing and market orientation on export performance", they examined the impact of marketing and market orientation on companies' export performance. The results of their research showed that the size of the company, the information system of the company and the export commitment of the company affect the marketing mix and market orientation of the company. Also, the combination of marketing (price, product, distribution and promotion) and market orientation also affect the company's export performance. Due to the importance of the issue, in this study, the impact of market power sources on international trade at the level of small industries has been investigated.

2- Research Methods

Considering that the researcher in this study seeks to investigate the impact of market power sources on international tart at the level of small industries, so this research is applied in terms of purpose and in

terms of method and data collection, descriptive-survey type. . Since the present study is not an attitude survey, there is no need to generalize the results of the research to the whole community (N). In fact, the statistical community determines the limitation of access to experts and the possibility of their response. The statistical population of this research in the process of extracting the conceptual model, its validation and also designing an adaptive fuzzy inference system based on the network includes 17 academic experts and experts who have all these features or at least one of them.

- Holds an industrial doctorate with a degree in business management.
- Has a history of managerial and executive work in the field of business management.
- Full familiarity with business management topics as well as labor market and international trade performance

The data collection stage is the beginning of a process during which the researcher collects field and library findings, classifies them inductively and then analyzes them, evaluates his / her hypotheses, and finally responds. He finds his problem by relying on them, in other words, the researcher discovers the reality as it is, relying on the collected information. Therefore, the validity of information is very important, because unreliable information prevents the discovery of truth and reality and the issue sought by the researcher is not properly identified. Information and statistical data either exist in various documents or the researcher records and collects them from the community and sometimes makes them. To prepare the literature in the present study using library studies including Latin and Persian articles, books, magazines, as well as the use of the Internet, also to collect data from the closed questionnaire using a standard scale (validity and reliability). In the present study, descriptive statistics were used to analyze the data using SPSS software. At the descriptive level, statistical characteristics such as frequency, percentage, graphs were drawn and information was analyzed, and MATLAB software was used to evaluate the effect.

3- research findings

To assess the validity of the conceptual model, a questionnaire containing the model indicators was designed and provided to the experts. The questions of the questionnaire contain a continuum in the range of zero to 100, which shows the level of agreement of the respondents as a percentage. Usually in measuring the validity of patterns, a confirmation rate of 50% or more is considered an appropriate value. In this study, the basis of validity of the template for all questions was 60% and above. The final results are the point of view of the experts in Table 1. Since all the sections were approved by 60% of the experts, the designed model is sufficient in their opinion to evaluate international trade.

Table 1: Model indicators score according to experts

Row	Indices of International Trade	Standard deviation	Variance	Average
1	Financial performance and market share	16/1	259/375	77/5
2	Product quality and safety	16/1	259/375	77/5
3	Timely delivery of goods and services	24/48	599/68	67/5
4	Brand management, brand reputation	23/02	530	61/3
5	Economic crisis management	22/27	496/354	60
6	Resource efficiency	21/63	467/35	73
7	The amount of trained staff	29/85	891/145	80

8	Improving infrastructure and community health	13/24	175/30	60
9	Non-discrimination in employment (employment of people with disabilities and non-discrimination on the basis of gender)	14/35	205/92	81
10	Ethics	13/65	186/32	71
11	Customer Satisfaction	15/04	226/30	68
12	Transparency information	15/82	205/50	60
13	Interaction and partnership with stakeholders	32/24	1039/58	77/5
14	Creating value for shareholders and stakeholders	15/04	226/30	77/5
15	Partner with legislators and impartial political assistance	16/25	264/025	60
16	Principles of corporate governance and compliance with laws	17/52	307/29	75
17	Business values and ethics	27/14	736/97	75

In the present study, the root mean square error (RMSE) has been considered as a criterion for model validation. Validation was performed using test data to test the ability to generalize the obtained fuzzy inference system. Test data is a set of data that has not been involved in the model training process. This is done to verify the functionality of the designed CANFIS. For example, in CANFIS designed to evaluate the performance of the labor market and international trade, comparisons are made between output and test data, and RMSE and MSE errors are calculated, which are acceptable values.

Results from the implementation of the model in Table 2: CANFIS International Trade

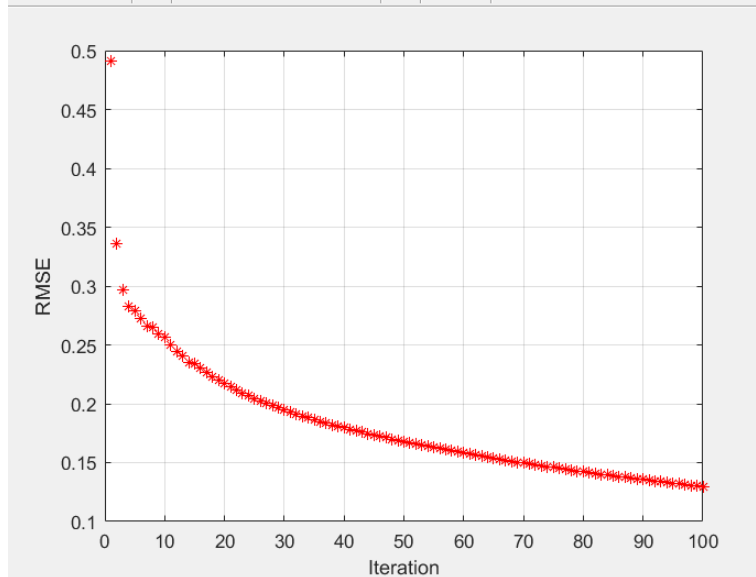| MSE	Average squares error	0/0098
RMSE	The square of the mean squares of the error	0/0990
MPE	Mean detection error	19/9
MAE	The average absolute magnitude of the error	0/082
R2	The coefficient of determination	0/8954

Figure 1: Error created in 100 canfis training courses for international trade

In this test, the input variables of each CANFIS are changed in different modes (very high and very low) and the sensitivity of the model to these changes is investigated. CANFIS is designed to evaluate international trade and has five inputs (economic, political, market potential, cultural and legal) and its output also represents international trade. As mentioned earlier, the model behaves quite logically and appropriately in response to changes in input variables from very low (zero) to very high.

4- Conclusion

One of the factors that has been less discussed in the field of the impact of market power sources on international trade at the level of small industries was the issue of trade in final goods with other countries, which caused problems in the labor market and power in labor markets. Create barriers in the market and prevent the market from having an efficient output. Import competition only has a detrimental effect on the market if the companies themselves have the power of the labor market, not the employees. Otherwise, increased demand for exports and competition for imports will lead to further deviations, which will reduce labor market efficiency and widen the gap between expected and outcome, and thus reduce trade profits. One of the solutions to this need is to evaluate and prioritize the factors affecting the performance of the impact of power in international trade in order to create a clear and purposeful structure and considering all the challenging factors and its various aspects, the effectiveness of the defined structure. Made sure. This is done by carefully reviewing the research literature and interviewing research experts done. The average effect of economic factor is 3.73 and above the average level (3) and is in line with the results of research by Mortazavi and others.

The relevance of existing heterogeneous structures of labor market distortions in shaping distributional and efficiency related outcomes is an aspect that is widely unconsidered in the theoretical literature. Yet, the result that trade related changes in product market competition and demand can fortify prevalent labor market power distortions is of clear importance for designing industrial and trade policy. Although trade may still be welfare increasing, an increase in labor market distortions diminishes total trade gains

compared to the first best allocative efficient scenario, which is usually considered in most theoretical models of trade

Sadeghi et al., Ahmadzadeh et al., Wood and Robertson. The average effect of culture was 3.84 and above the average level (3) and is in line with the results of research by Kahia and Din, Farrokhian et al., Wood and Robertson. The average impact of the legal environment was 4.28 and above the average level (3) and is in line with the research of Sadeghi et al., Zhuang and Moore, Farrokhian et al., Wood and Robertson. Future researchers are offered the following topics for research:

- Export market performance modeling using above innovative models

An important aspect that this article emphasizes is the role of labor market power as an alternative source of firm market power. While most existing IO-studies neglect this dimension of firm market power, incorporating imperfect labor markets into the analysis might offer new insights on currently intensively debated questions concerning firm market power. For instance, the existence of labor market power might be important for understanding how firm market power has changed over the past decades and how potentially rising firm market power has contributed to several macroeconomic trends like falling labor shares, rising inequality, and declining business dynamism. I therefore believe that investigating the determinants and importance of labor market power constitutes a promising field for future research and hope that this article encourages fruitful discussions on this topic.

Due to the fact that the results of the research are limited to the period of data collection and research, so it can not be definitively generalized to other time periods and it is necessary to conduct similar research in future time periods.

5- Resources

[1] Ahmadzadeh, Khalid; Yavari, Kazem; Assari, Abbas and Sahabi, Bahram (2012). Investigating the factors affecting the export of services Case study: Export of technical and engineering services. Economic Research Journal, Volume 12, Number 47, pp 1-20.

[2] Ebrahimi, Ismail; Rahnama, Afshin and Tavanazadeh, Somayeh (2014). Assessing the impact of factors affecting export development in small and medium enterprises. Quantitative Studies in Management, Volume 5 Number 3, pp. 141-162.

[3] Ismailpour, Hassan (2010). International marketing management. Second Edition, Tehran: Negah Danesh Publications.

[4] Beykzadeh Abbasi, Farzaneh (2002). Investigating the factors affecting the development of Iranian pistachio exports. Master Thesis, Islamic Azad University, Central Tehran Branch.

[5] Pish Bahar, Ismail; Plain, able; Zohori Kahnmoei, Rahim; Raheli, Hossein and Hosseinzad, Javad (2013). Investigating the economic factors affecting the export demand of Iranian pistachios. Agricultural Economics and Development, Year 21, No. 83, pp. 1-17.

[6] Jafarzadeh, Javad (2009). Investigating the relationship between marketing mixes and the development of handmade carpet exports in East Azerbaijan Province, M.Sc. Thesis, Bonab Branch of Azad University.

[7] Khaki, Gholamreza (2003). Research method with an approach to dissertation writing. Tehran: Drayat Publications.

[8] Khosravian, Gholamreza and Bakhshizadeh, Ali (1995). Marketing of export goods. Tabriz: Talash Publishing.

[9] Danaei Fard, Hassan; Alwani, Mehdi and Azar, Adel (2004). Quantitative research methodology in management: a comprehensive approach. Tehran: Saffar Publications.

[10] Albaum, G. and Strandskov, J. and Duerr, E. and Dowdv, L. (2002). International Marketing and Export Mnagement, Prentice Hall, 3ed, p 4,278.

[11] Azizi, A.A. and Sidin, S.M.(2008). Impact of environmental factors as moderator on export marketing performance. Journal of Kemanusiaan bill, Vol. 11, pp. 24-35.

[12] Balabanis, G. and Theodosiou, M. and Katsikea, E.S.(2004). Guest editorial Export maketing: developments and a research agenda. International Marketing Review, Vol. 21, pp 353-377.

[13] Brouthers, K.D. and Brouthers, L.E. and Werner, S. (2002). Industrial sector, perceived environmental uncertainty and entry mode strategy. Journal of Business Research, Vol. 55, pp. 495-507.

[14] Ellis, P.D.(2007). Paths to foreign markets: does distance to market affect firm internationalization. International Business Review, Vol. 16, pp. 573-593.

[15] Farokhian, S. and Sadeghi, T. and Karnalaee Esmaili, H.R.(2010). The Effective Factors on Increasing the Export from the Iranian Exporters' Standpoints. Asian Journal of Business Management Studies, Vol. 1, pp. 26-29.

[16] Gripsrud, G. and Benito, G.R.G.(2005). Internationalization in retailing: modeling the pattern of foreign market entry. Journal of Business Research, Vol. 58, pp. 1672-1680.

[17] Kahiya, E.T. and Dean, D.L.(2015). Export barriers and business confidence: a quasi-longitudinal examination. Asia Pacific Journal of Marketing and Logistics, Vol. 27 pp. 294-323.

[18] Schott, P. K. (2004). Across-product versus within-product specialization in international trade. The Quarterly Journal of Economics 119(2), 647–678.

[19] Klenow, P. J. and A. Rodriguez-Clare (1997). The neoclassical revival in growth economics: Has it gone too far? NBER macroeconomics annual 12, 73–103.

[20] De Loecker, J., C. Fuss, and J. Van Biesebroeck (2014). International competition and firm performance: Evidence from belgium. Technical report, Working Paper Research.

[21] Bertoletti, P., F. Etro, and I. Simonovska (2018). International trade with indirect additivity. American Economic Journal: Microeconomics 10(2), 1–57.

[22] Chaney, T. (2008). Distorted gravity: the intensive and extensive margins of international trade. The American Economic Review 98(4), 1707–1721.

[23] De Loecker, J. and J. Eeckhout (2018). Global market power. Technical report, National Bureau of Economic Research.

[24] Diez, F., D. Leigh, S. Tambunlertchai, et al. (2018). Global market power and its macroeconomic implications. Technical report, International Monetary Fund.

[25] Eaton, J., S. Kortum, and F. Kramarz (2011). An anatomy of international trade: Evidence from french firms. Econometrica 79(5), 1453–1498.

[26] Edmond, C., V. Midrigan, and D. Y. Xu (2015). Competition, markups, and the gains from international trade. The American Economic Review 105(10), 3183–3221.

[27] Gaulier, G. and S. Zignago (2010). Baci: international trade database at the product-level (the 1994-2007 version).

[28] Goldberg, P. K. (1995). Product differentiation and oligopoly in international markets: The case of the us automobile industry. Econometrica: Journal of the Econometric Society, 891–951.

[29] Holmes, T. J. and J. J. Stevens (2014). An alternative theory of the plant size distribution, with geography and intra-and international trade. Journal of Political Economy 122(2), 369–421.

[30] Romalis, J. (2007). Nafta's and cusfta's impact on international trade. The Review of Economics and Statistics 89(3), 416–435.

[31] Schott, P. K. (2004). Across-product versus within-product specialization in international trade. The Quarterly Journal of Economics 119(2), 647–678.