Brazil´s internationalization of SMEs: Trade barriers and notes on how to overcome them – a commented literature review

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Abstract

This study assumes a literature review on trade barriers perceived by Brazilian Small and Medium Enterprises (SME). It was found that each previously conducted study on trade Barriers in Brazil uses a different trade barrier classification, subsequently infusing the responses and making direct comparison difficult. This article suggests to use Leonidou's (2004) classification to aid researchers to compare, synthesize and build upon the research. It was found that most Brazilian SME's perceive an unfavourable business climate to internationalize. The most severe trade barriers are the deficient logistical infrastructure and unfavourable home regulations. These barriers can be overcome by investing in infrastructure and the effective implementation of logistical policies, while simultaneously making bureaucratic processes more transparent and predictable through providing an adequate enforcement structure. Furthermore, it appeared that firms whose decision-makers are rather incompetent, risk-averse, and inward-looking are very likely to perceive more export obstacles. As such investment on training and education was considered desirable to reduce the perception of trade barriers on all fronts. Even though, it seems like SMEs are subject to unfavourable external situations, they can join strengths by conducting lobbying activities. In addition, government-business consultation is considered key to the future internationalization success of SME, these kind of processes should be open, balanced, and transparent, providing a clear channel for SME participation.

Key words: Internationalization, Brazil, Trade Barriers, SME

1. Introduction

Brazil has the world's ninth largest economy by Gross Domestic Product (GDP), and the seventh largest by purchasing power parity (OECD, 2016). However, in comparison to other nations, the percentage in export compared to the GDP is low. In 2016 the Brazilian exports amounted only for 13% of the GDP while the global average is 30%, independently of the particular nation’s stage in economic development (CNI, 2014 & CNI, 2016). This can partly be explained by the fact that operating in a country with 200 million habitants, a growing economy and the availability of natural and human resources, internationalization remained a second objective (Floriani & Fleuri, 2012). However, this paradigm is slowly shifting since the Brazilian GDP (3,8% decline in 2016), purchasing power and domestic demand are decreasing due to the recent Brazilian economic crises. Internationalization can pose an outcome to Brazilian firms to sustain revenue while dealing with a declining internal demand. In addition, the crises depreciated the Brazilian Real, which improves Brazil’s international competitiveness. In other words, even though the favourable conditions for Brazilian firms, the international trade performance remains underwhelming. To a large extent this can be explained by trade barriers. Trade barriers are responsible for (1) many small firms viewing exporting with great scepticism; (2) starting exporters creating a negative attitude towards exporting and considering a withdraw of operations; (3) experienced exporters suffering from deteriorating performance, threatening their international competitiveness (Leonidou 2004; Leonidou and Katsikeas 1996; Miesenböck 1988). Compared to all Brazilian companies, trade barriers seem to disproportionally affect Small and Medium Enterprises (SMEs) since they represent 27% of the GDP while only representing 1% of the exporting amount (Estadão PME, 2015). Frankly, SMEs are more vulnerable to trade barriers due to their limited resources, capabilities and their lower threshold to absorb risk (Etemad, 2004; Goh, 2002). As such, the study of SMEs assumes greater relevance. Subsequently representing the research question:

What are the trade barriers to Brazilian SME's internationalization and how can they be overcome?

Furthermore, this study was developed to explore the possibilities for an export consulting firm in Portugal. The firm in question was considering to expand its internationalization-support services to Brazil. The number and severity of trade barriers are important determinants to the feasibility for this potential expansion, since neither a lot nor a few trade barriers would pose an ideal situation for the consulting firm. A large number and a high severity of trade barriers will make it unpractical for SME's to internationalize, while a scenario with no trade barriers would not pose any support-work opportunities for the consulting firm.

The purpose of this study is threefold; (1) to extract and consolidate existing knowledge considering trade barriers; (2) to put existing scattered and fragmented research on trade barriers in Brazil in an empirically validated framework; (3) to draw overall conclusions on internationalization barriers for SMEs in Brazil (Loenidou, 2004).

SMEs are considered firms that fit to the conditions of employing less than 250 persons and having a turnover underneath the 50 million (European Commission, 2015; CNI, 2016; Eurostat, 2015). This SME definition is chosen because it is clear-cut, and conforms with the Confederação Nacional da Indústria (CNI), of which the research is used as a main source to identify the trade barriers in Brazil.

2. Previous research on Trade Barriers

Trade barriers have been defined as the barriers to exports, factors that hinder a firm's ability to initiate, develop or sustain business operations in a foreign market and therefore can take on many different forms (Leonidou, 1995).

Author	*Confederação Nacional da Indústria (2016)*[1]	*Grecco D'Elia & Moaraes Zouain (2008)*	*Guilmarães et al. (2012)*	*Steigledder Herrena (2010)*
Listed Trade Obstacles[2]	1. Transport cost 2. Charged tariffs by airports and harbours 3. Low governmental efficiency in support to overcome export barriers 4. Offer of competitive prices 5. Charged tariffs by consenting bodies 6. Conflicting, inefficient and complex laws 7. Excess and frequent change of laws 8. Over complexation of export documents 9. Time it takes for inspection and dispatch of products 10. Difficulty in understanding laws, with information coming from various sources	1. Technical standards 2. Risk analysis 3. Target market software validation 4. Representation, distribution, marketing and technical assistance 5. Price of product 6. Quality of product	• Logistical infrastructure • Bureaucratic delays • Harbour infrastructure • Unfavourable exchange rates • Unqualified suppliers in Brazil • Non-tariff barriers • Political instability • Economic crises • No exportation culture or international experience	• No export culture • Changing environment • Access of capital for internationalization • Slow and costly I infrastructure • Bureaucracy • Lacking support from the government • Management inexperience • Lack of information about foreign markets
Methodology	540 small firms and 206 medium sized firms from different industries. Data obtained: closed-answer survey	7 small and medium sized firms exporting medical devices to the EU. Data obtained: questionnaire	5 small and medium sized firm operating in different industries. Data obtained: semi-structured interviews	9 micro and small firms from Porto Alegre operating in the clothing industry. Data obtained: elaborate interviews
Strengths	Rich data collection. Large number of respondents. Large number of trade barriers. Trade barriers listed by their significance	Trade barriers are listed by their significance. Well-explained data collection method.	Trade barriers are well explained. Identifies trade barrier source. Large scope, looking at several supporting and impeding factors.	Mentions the source of the barriers. Broad scope on the limiting and supporting factors for internationalization. Well explained methodology.

[1] *Confederação Nacional da Indústria* (2016) article lists several more trade barriers, however only the ten most significant barriers are mentioned and examined in this table for practical comparison reasons.
[2] If explicitly mentioned the significance of the trade barriers is represented in an ascending order, using numeration.

Weaknesses	Limited amount of data analysis. Closed answer survey, whereas it is unclear how the closed answers were generated, which makes given answers biased. Often unclear what a term or barriers exactly mean. Trade barriers overlap with each other.	Small sample. Unclear what success factors link to what trade barriers. Unclear how or why the trade barriers were selected for the questionnaire	Small sample. Unclear how to overcome the trade barriers, besides some general advice. Unclear what the relative impact of the trade barriers are.	Small sample. Unclear how to overcome the trade barriers. Unclear what the relative impact of the trade barriers are.

Table 1: An overview of the most relevant information regarding articles listing Brazil's SMEs trade barriers.

For the examination of the trade barriers as identified in Table 1, articles were deemed applicable when complying to the following conditions; (1) there is a firm size distinction whereas firms fit to the SME definition; (2) the respondents are engaged in internationalization trade flow activities from Brazil to another country. As a result of this process, four articles remained. Examining the table above one can find numerous similarities between the trade barriers. However, the different methodologies lack definitions and use different terms often for similar trade barriers, making the research arguably fragmented, infusing the responses, arguably making the results precarious. Subsequently the barriers are hard to compare, classify and list based on their relevance. (D'Elia & Zouain ,2008; Guilmarães et al., 2012; Steigledder, 2010; CNI, 2016). Solely the CNI (2016) article creates the impression of using a theoretical framework due to the research's different categories. However, categories remain undefined and sometimes overlap with each other and are therefore deemed to be prone to the interpretation of the reader.

Using an uniform theoretical framework creates a template for previous, current and future research creating various benefits; (1) it aids researchers to compare, synthesize and build upon the research, making it easier to compare amongst industries, countries and sizes of firms; (2) each barrier is defined, removing the risk of overlap, duplication, misinterpretation or confusion; (3) it can be used to list barriers by their significance, potentially providing managers and public policy makers with a tool to identify and subsequently focus on the most severe barriers; (4) it can be used to group trade barriers based on their source or influencer, which can be used as a tool for related parties to focus on trade barriers within the particular player's sphere of influence. Due to these reasons it was considered desirable to put trade barrier research for SME in Brazil into a theoretical framework. Throughout the years several classifications were developed, however this article suggests to use Leonidou (2004) classification since it is the most popular and widely recognized classification for trade barriers (cited 544 times on Google Scholars).

2.1. Leonidou (2004) Classification of Trade Barriers

Leonidou (2004) established a framework to assess trade barriers by evaluating 32 empirical studies from 1960 to 2000. The framework depicts two main categories, internal and external barriers. Internal barriers are related to the resources and capacities that the firm possesses and thus can influenced. Internal barriers can be further separated into informational, functional and marketing barriers. The external barriers are impeding factors in the external environment, and can be distinguished between procedural, governmental, task and environmental barriers. Image 1 portrays how trade barriers are classified, grouped together and defined.

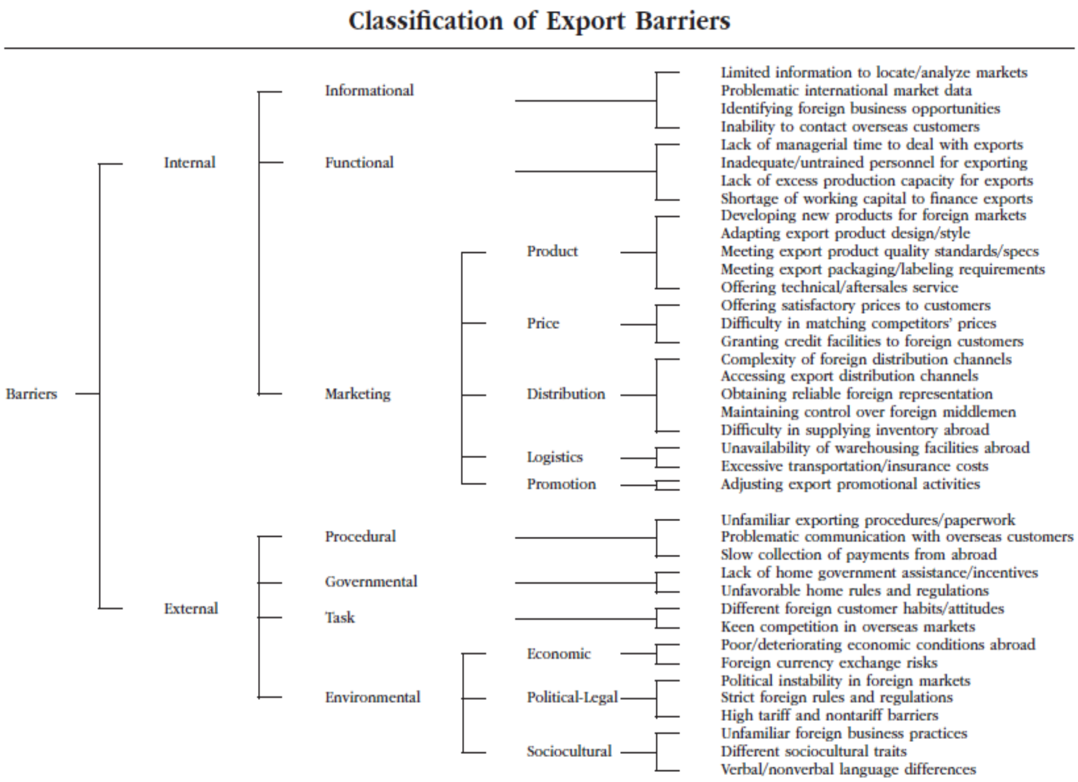

Image 1: Leonidou (2004, p. 283). Classification of trade barriers

2.2. Convert previous research into Leonidou (2004) Classification

Due to mentioned benefits resulting from using a trade barrier classification one should aim to convert the previously conducted scattered research into Leonidou's (2004) framework. Discernibly, this is a complicated task that will reduce the validity of this research since none of the previously identified trade barriers are defined. Trade barriers have been shown to be situation specific, largely depending on the managerial, organizational, and environmental background of the firm (Leonidou, 2004). Therefore, found trade barriers with a sample size of less than ten, will likely be statistically invalid due to their high risk of extreme observations or outliers. As a result, Table 2 solely depicts the CNI (2016) conversion into the Leonidou (2004) classification.

Trade barrier ranked by significance[3]	Related to trade barrier	Moved to category	Moved to Sub- category
1. Transport cost	Excessive transportation cost	Internal	Marketing > Logistics
2. Charged tariffs by airports and harbours	High tariff barriers	External	Environmental > Political-Legal
3. Low governmental efficiency in support to overcome export barriers	Lack of home government assistance/incentives	External	Governmental
4. Offer of competitive prices	Difficulty in matching competitors' prices	Internal	Marketing > Price
5. Charged tariffs by consenting bodies	High tariff barriers	External	Environmental > Political-Legal
6. Conflicting, inefficient and complex laws	Unfavorable home rules and regulations	External	Governmental
7. Excess and frequent change of laws	Unfavorable home rules and regulations	External	Governmental
8. Over complexation of export documents	Unfavorable home rules and regulations	External	Governmental
9. Time it takes for inspection and dispatch of products	Unfavorable home rules and regulations	External	Governmental
10. Difficulty in understanding laws, with information coming from various sources	Unfavorable home rules and regulations	External	Governmental
11. Multiple interpretations of legal requirements by state officials	Unfavorable home rules and regulations	External	Governmental
12. Interest rate	*Insufficient explanation to relate this variable to a trade barrier* [4]	-	-
13. Exchange rate	Foreign currency exchange risks	External	Environmental > Economic
14. Demand of official documents with several signatures	Unfavorable home rules and regulations	External	Governmental
15. complex clearance procedures	Unfavorable home rules and regulations	External	Governmental
16. Strikes of professionals involved in export activities	Unfavorable home rules and regulations	External	Governmental
17. Availability of capital for export	Shortage of working capital to finance exports	Internal	Functional
18. Excess of taxes	High tariff barriers	External	Environmental > Political-Legal
19. Lack of procedure standardization of the different consenting agencies	Unfavorable home rules and regulations	External	Governmental

[3] More trade barriers are mentioned in CNI (2016) but due to the scope of this research only the 25 trade barriers deemed most severe and significant were examined.
[4] The trade barrier interest rate, could not be placed into the Leonidou (2004) classification due to insufficient information on its meaning and effect.

20. Lack of synchronization between the consenting parties and federal revenue	Unfavorable home rules and regulations	External	Governmental
21. Expectations of foreign market	Poor/deteriorating economic conditions abroad	External	Environmental > Economic
22. Ineffective marketing in target market	Adjusting/meeting marketing practices in target market	Internal	Marketing > All of the sub-categories
23. Lack of assistance of consenting bodies and the government	Lack of home government assistance/incentives	External	Governmental
24. Low availability and inefficiency of harbours	Excessive transportation costs	Internal	Marketing > Logistics
25. Absence of trade agreements with foreign markets	Lack of home government assistance/incentives	External	Governmental

Table 2: Converting CNI (2016) into the Leonidou (2004) classification.

By converting the several trade barriers into the classification a better overview of the overall characteristics and origin of the trade barriers is generated. Examining the categories, it can be diagnosed that five out of the twenty-four most significant trade barriers are internal to SMEs and nineteen out of the twenty-four trade barriers are external and therefore subject to the external environment of the exporting firm. This demonstrates that Brazilian SME's depend on an unfavourable and disadvantageous business climate, decreasing their international competitiveness, and thus their internationalization potential. Fourteen external trade barriers are related to governmental impediments.

Comparing the Brazilian situation to the world there are several similarities; *lack of government assistance*, *transportation cost*, *shortage of working capital* and a *difficulty to match competitor's prices* are all trade barriers that have been shown to have a high impact on SME's in Brazil as well as in other countries around the world (Leonidou, 2004; OECD, 2009). However, on the contrary, *unfavourable home regulations and rules* has been identified as a very radical trade barrier in Brazil impacting SMEs in various ways and has even been considered Brazil's most severe trade barrier

(Guimarães et al, 2012; Steigleder, 2010). However, this obstacle is not identified as a trade barrier in other countries (OECD, 2007; OECD 2009). In fact, the OECD and APEC (2006) depict that SMEs worldwide rated barriers related to internal capabilities and market access as being more significant obstacles to internationalization than the barriers related to the business environment. Seemingly, the opposite seems to be the case in Brazil, where the business environment seems more significant and severe to impeding international trade as compared to the internal capabilities of the SME.

3. Overcome Trade Barriers

3.1. Functional

Functional barriers are internally found or internally manageable factors. In this section one trade barrier has been identified; *shortage of working capital*. The OECD & ECLAC (2012) underline that SMEs in the region receive only 12% of the total credit in the region, while the in OECD countries SMEs are the recipients of 25% of total credit. SMEs receive less financial funds, mainly due to substantially high net interest margins, in Latin America 8.6%, while 2,7% in the OECD area (OECD & APEC, 2012). In addition, Teixeira & Picchiai (2015) have found that half of the Brazilian SMEs are unaware that they can obtain governmental financial support, and that for the firms that are aware, most of them have difficulties fulfilling the financial requirements. In fact, even though the shortage of working capital is a reality for Brazilian SMEs, 66,8% of these very same enterprises have indicated that they do not use government services in order to obtain necessary capital for internationalization due to the; (1) difficulty to access information; (2) difficulty of access due to difficulty of fulfilling requirements, (3) difficulty of access due to the size of the firm (CNI, 2016). These contradictions highlight the gap between public policy intentions and SME perceptions. This gap can be overcome, firstly, and most effectively, by facilitating the access to information considering capital requirements for SME. Brazil should make a greater effort to inform SMEs about the financial aid possibilities. A more impactful and a more problematic way to improve SMEs access to capital is to reduce the capital requirements and/or the interest rate on capital. Unquestionably, this will be much costlier and whether Brazil can invest in this depends on politics and public policy development. As for SMEs, they can invest to improve their capital structure, thereby reducing the institutions risk of borrowing money, which in turn reduces interest rates and capital requirement to borrow money.

3.2. Marketing

Marketing focuses primarily on the pressures imposed by external forces, adapting the elements of the marketing strategy (Leoniou, 2004). In the marketing category, the barrier *ineffective marketing in the target market*, can be overcome by employing more resources and time to marketing, specifically investing in competences. Hence, to effectively deal with external marketing practices, more skilled marketing managers are necessary. This can be reached through better hiring practices, such as contracting marketing managers with international marketing experience. In addition, investment in workshops and executive education can help SME obtain the necessary skills to deal with this trade barrier. Furthermore, export supporting institutions can help SMEs with marketing practices by providing consultancy or necessary information related to the field.

3.2.1. Logistics

As for trade barriers related to logistics, shortcomings of the Brazilian infrastructure were clearly articulated, as logistical costs were regarded excessive and harbours were considered as inefficient. The logistical system is deficient in such a way that they add costs which were previously unseen, added to the final price of the exports (CNI, 2016). In fact, there are numerous studies underlying this articulated weakness of Brazil's logistic system (Mazon and Silva, 2009). Moreover, in Latin America, domestic logistics costs can add up to more than 42% of total sales for SMEs, compared to 15% for large firms. In Latin America, 57% of the exports consist of perishable or logistics-intensive products, while only 17% in OECD countries (OECD et al, 2013). Finally, cheaper logistics costs will benefit SMEs the most, since they are too small to provide all production phases in-house, so they need a business environment with low transaction costs to facilitate a business-to-business trade relation (Calderón & Servón, 2010). All this evidence suggests that investment in infrastructure and quality institutions is key to facilitating trade and reducing trade costs for SME (Teixeira & Picchiai; 2015). Therefore, Brazil needs to implement long-term solutions to reduce transport costs by developing qualitative infrastructure; modern storage facilities, better roads, railways, ports and airports. At the same time the government can improve the transport of goods and services using existing infrastructure using more short-term solutions. This can be done by developing logistics policies supported by the necessary governance and institutions through the following methods:

1) Establish efficient customs and certification procedures. Brazil should improve how they design their customs regulations. By reducing these impediments, one can simultaneously reduce infrastructure impediments, because poor regulatory framework adds transportation cost and time.
2) Investment in information and communication technologies. Technology and communication holds the potential to reduce costs and streamlining processes for SMEs. Reducing complexity and cost of logistics.

3) Promoting competition in transport. Regulatory changes to encourage competition in the transport sector facilitate the use of different transport systems and reduce logistics costs. As competition increases, firms are obliged to decrease costs and to increase the efficiency of their operations.
4) Improve logistical security and certainty. In Brazil, 33% of surveyed logistics operators identified solicitation of informal payments as a key source of delays, in addition to criminal activities. Good logistics performance in the region will require improvements to governance by means of anti-corruption and security policies. In turn, improvements to the security of logistics chains would reduce direct costs caused by theft or by losses during transfers (Moisé, 2013; OECD et al, 2013)
5) Infrastructure education & training. Education and training are essential ingredients to ensure that existing infrastructure in Brazil is put to best use. If there is access to training in logistics, existing transport infrastructure and technologies can be used efficiently to ensure freight transport is properly managed (Moisé, 2013).
6) Attract private investment. Private investment can play an important role in the construction of transport infrastructure and bring other positive externalities, such as reducing deficiencies in national investment systems and transferring commercial risks to the private sector (Fischer & Galetovic, 2009).

3.2.2 Price

As related to the trade barrier in relation to price, it has been mentioned that SMEs have a difficulty to offer a competitive price. However, this mentioned barrier does not provide any further explanation, thus the source of this barrier can only be presumed. However, two other identified trade barriers, namely a *high bureaucracy* and a *poor lacking infrastructure* drive up prices, which might make this barrier more related to the external environment as opposed to the internal environment. Nonetheless, Brazilian SME's productivity is in fact below 30% as compared to larger firms (OECD-ECLAC, 2013) suggesting that Brazilian SME still have a lot of unfulfilled potential to increase productivity and thereby simultaneously reducing the prices of their products.

3.3. Governmental

Governmental barriers pertain to actions or inaction by the home government in relation to its indigenous exporters (Leonidou, 2004). It has been argued that most firms experience problems exporting before the product even leaves the country (Guimarães et al, 2012; Steigleder, 2010). Even though, the Brazilian government has launched several tools to support exports, these mechanisms are considered unsatisfactory, either due to the ineffectiveness of their implementation or by the fact that SME are unaware of their existence. The OECD (2008) suggest that an increased awareness of current programs offered by governments is necessary. In addition, Gardoza et al. (2016) highlights the lack of awareness found amongst SMEs. Indeed, a great deal of support is freely available to SMEs and it is crucial that appropriate information is placed within their reach and brought to their attention (OECD, 2009). This can be done by investing in advertising and marketing. For instance, a useful tool in websites are easy and active links to the support programs for SME internationalisation provided by supra-national organisations. On a broader note, there might be more deeply rooted causes for the unsatisfactory functioning of export promotion agencies. Hogan *et al.*, (1991) pointed out export supporting agencies are not effective in functioning in developing countries, due to a lack of strong leadership, while experiencing limited funding, bureaucratic and high influence of the government (Lederman *et al.*, 2010; Keesing *et al.*, 1991).

Besides the unsatisfactory support of the government, SME also perceive unfavourable home country rules and regulation (Gardoza et al, 2016). Administrative delays in fiscal institution processes has been reported frequently (Guimarães et al, 2012). Moreover, while in OECD countries it takes around four days to complete customs procedures for direct exports, in Latin American countries it takes close to or more than ten days (OECD et al, 2012). The Procedural barriers to trade are difficult to document and remove since they can take many different forms, are less direct and often invisible. Most barriers are found to be implicit by nature and took the form of administrative procedures or problems from interpreting or implementing government regulations (OECD, 2008; PBEC, 1997). Assumedly, perceived trade barriers do not consist solely from the time and money loss throughout the regulatory process but is, to a larger extent, related to accompanied and perceived frustration and uncertainty.

To overcome these trade barriers, the two most difficult items mentioned are related to transparency and implementation issues (Chingt et al., 2004). Simarly, Bernert (2003) highlights the need for simpler custom and international pay procedures, simpler export/import documentation, increased transparency and predictability of regulations, and easier access for all information on custom requirements. In addition, Bernert (2003) argues that where implementation of regulation is the issue, this is often linked to the question of whether a country has sufficient well-trained staff and adequate implemenation and enforcement structure. As such one should attempt to invest in and to recruit well-trained staff. In addition, the government should attempt to steadily make the procedural process more transparent and predictable through an enforcement structure. Even though the impediments are related to governmental institutions, SMEs are not totally subject to these conditions. SMEs can either try to influence the conditions or attempt to overcome the procedural conditions. Export procedural-related barriers can be classified into controllable and uncontrollable barriers. Controllable barriers be learnt to control with time and experience as they are routine tasks and can be overcome by managerial experience. In this sense, SMEs can attempt to recruit more experienced managers. Furthermore, SMEs can create an information sharing platform whereas managers can share best practices or found obstacles in order to collectively increase experience gains. Non controllable barriers on the other hand are issues that have to be handled on a case to case basis and can be overcome by taking the support of consulting firms or other specialists (Ramaswami & Yang, 1990; OECD, 2008).

3.4.Environmental

This final category is referring primarily to the economic, political–legal, and sociocultural environment of the foreign market within which the company operates or is planning to operate (Leonidou, 2004). Two obstacle were found in this category, namely; *forecast of foreign markets* and *unfavourable foreign exchange rate.* These obstacles cannot be overcome by companies nor the government as they are subject to external market fluctuations and will therefore not be further discussed. Three barriers were identified which are related to high tarrifs and charged taxes, these additional cost reduce the SME international competitiveness. However to reduce these charges, another party has to reduce their revenue. Moreover, tariffs and taxes are purely related to political and public policy decisions and therefore difficult to influence. Due to this barrier’s impractiblity there are other, more effective ways to reduce trade barriers and subsequently stimulate Brazil’s international trade.

3.5.General

As regard to effective solutions, besides the specific recommendations there are a number of prescriptions and considerations that are not limited to a definite category but rather apply to the architecture of the whole system. Unquestionably, barriers faced by SMEs in their path to internationalization are diversified and multidimensional. Barriers can be generalized but they still remain, to a large extent, region and market specific. Therefore, there is continuing justification for the segmentation or needs-based approach to targeting internationalisation support (Ibeh, 2006; Leonidou et al., 2007; Wheeler et al., 2008; Keng and Jiuan 1989; Kedia and Chhokar 1986). In this sense, one should segment SMEs based on the trade barriers faced, their stage in internationalisation or any other characteristic deemed adequate, since a multifaceted approach to a generic problem faced by SME may produce faster benefits for SME.

All the intractable barriers previously discussed are identified by inquiring managers in SMEs. However, it can be assumed that given answers may not totally reflect reality as people generally are subject to a number of bias. Responses may be subject to the social desirability bias, whereas people provide socially desirable answers. This bias depicts that humans are inclined to blame others for failure, and as a result managers are more likely to blame factors in the external environment instead of their own incompetence or failure. Evidence for this is that in the beginning of internationalization process, firms underestimate barriers in the external environment and their own shortcomings (OECD, 2009). This may suggest that even though external barriers seem much more severe than internal barriers, this could be attributed to the mangers unwillingness to show or mention their own incompetence. Moreover, it has been found that the characteristics of the managers will have an impact on the content and impact of the trade barriers. Firms whose decision-makers are rather incompetent, risk-averse, and inward-looking are very likely to perceive export obstacles in a more intense and severe manner than firms with capable, risk-taking, and foreign-oriented managers (Dichtl et al, 1990; Abdel-Malek 1978; Bilkey and Tesar 1977). In fact, Brazil firms have been argued to be more inward- oriented (Floriani & Fleuri, 2012) and education is shown to be below average, in a study done by the OECD (2016), of the 64 countries Brazil became final last. Furthermore, the OECD & APEC (2012) considered Latin America's lag in education and skills represents one of the major challenges that SMEs face. All of this evidence points to the fact that a lack of managerial time and skills are trade obstacle on itself but in addition, these trade barriers also increase the perception of other trade barriers. Since skilled human resources are fundamental, investment in education is necessary. Brazil can do this by investing in future managers or by training current SME managers. One recognized tool to make managers more outward oriented is international experience. International experience helps learn foreign business practices and opportunities (Leonidou *et al.*, 1998; Reid, 1981) and is an irreplaceable resource that results in specific know-how and is difficult for the competitors to copy (Narayanan, 2015; Athanassiou & Nigh, 2000; Ruzzier *et al.*, 2007). As such investing in travelling opportunities and studying abroad will make SMEs more prone to engage in exporting activities and make them more internationally competitive.

On a different note, most issues and obstacles discussed so far are created by the government, however, SMEs can attempt to influence or form government decisions in various ways. When policies or a situation is judged to be unjustified, discriminatory or unusually burdensome firms can approach the host country to seek change or join industry associations (OECD, 2009). Firms can invest time money and managerial expertise into lobbying activities and can take a proactive approach in international negotiations. For instance, monitoring policy developments abroad, building a case in favour of a policy, assisting government negotiations and build relationships with key policy makers (ITC, 2002). In other words, SME constraints can be overcome by building a framework that facilitates SME integration into the trade policy process. This kind of government-business consultation should be open, balanced, and transparent, providing a clear channel for SME participation. Even though, centralized states like Brazil tend to be less open to business advocacy (ITC, 2002) and have more resource constraints that limit private sector participation, when nations adopt more open trading regimes, the need for trade policy consultation increases (Alba and Vega, 2002; Bouzas and Avogadro, 2002). This is critical, since the ability of trade officials to seek solutions and overcome trade barriers depends heavily on the identification and documentation of those barriers, which in turn depends on the input of exporting firms, on SMEs.

4. Discussion

It was found that each previously conducted study on trade Barriers in Brazil uses a different structure and different words for the same term, infusing the responses, making direct comparison difficult. This article suggests to use a uniform theoretical framework to aid researchers to compare, synthesize and build upon the research. For this purpose, Leonidou's (2004) classification was chosen due to its comprehensibility and received recognition. It was found that nineteen out of the twenty-four trade barriers were subject to the external environment of the exporting firm, which demonstrates that Brazilian SME's perceive an unfavourable business climate which is not conductive to internationalization. Numerous trade barriers were found however the *lacking logistical infrastructure* and *unfavourable home regulation and rules* have shown to be the most severe. By examining and analysing the trade barriers several recommendations were subtracted. SME perceive an unsupportive government. Therefore, greater awareness and improved effectiveness of these programmes is necessary to stimulate export efforts. Furthermore, investment in infrastructure and the implementation of logistical policies is key to facilitating trade and reducing trade costs for SME. Above all, procedural and governmental barriers were considered the biggest bottleneck, respective processes need to become more transparent and predictable, and supported with trained staff and an adequate enforcement structure. In addition, it appeared that firms whose decision-makers are rather incompetent, risk-averse, and inward-looking are very likely to perceive export obstacles in a more intense and severe manner. Indeed, the Brazilian education can be considered amongst the weakest and investment on training and education was considered desirable to reduce the perception of trade barriers on all fronts. Even though, it seems like SMEs are subject to unfavourable external situations, SMEs should join strengths by conducting lobbying activities. In addition, government-business consultation is considered key to the future internationalization success of SME, these kind of processes should be open, balanced, and transparent, providing a clear channel to SME participation.

The limitations of this research are (1) the conversion from the previous research into the Leonidou (2004) framework reduced the validity since the categories and terms of the previous research were undefined and therefore the conversion process was subject to the interpretation of the researcher; (2) the previous research used is not based on a validated theoretical framework and uses closed answer questions, which makes it questionable whether it included all possible trade barriers; (3) the explored solutions in relation to the identified trade barriers are limited due to the scope of this research.

This research serves as a starting point for future research on trade barriers amongst Brazilian SMEs. Future research should validate whether all possible trade barriers are identified. Moreover, longitudinal studies on trade barriers should be developed to assess the trade barriers over time in relation to the practices employed. Some policies may prove to be effective in another context or will be proven to be executed ineffectively. As such knowing the effect of particular practices will add to the body of knowledge and can aid future researchers and policy makers in decision making processes. Furthermore, the increasing justification for the segmentation or needs-based approach, proves that trade barriers are very context-specific. In this sense, future research should distinguish between Brazilian SME's based on the industry, region or other variables to more effectively tackle the particular segment's trade obstacles.

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