

Assessment of Challenges and Performances of Ethiopian Export Market

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Abstract

Export is an important ingredient for country's economic growth and sustainable development, like in Ethiopia; it is the back bone of the country's economy. The main objective of the study was to assess challenges, opportunities and performance of Ethiopian export market in the past three years (2015 -2017). The study was conducted by the relevant primary and secondary data from the key staff member of the exporting companies, their associations and the government bodies through questioners and deep interviews. After the data has been collected, it was analyzed by using simple statistical techniques which is tables and percentages. The findings of the study showed that, there are many challenges in the internal and external environment of the exporters. The major factors are strong international competition, high transportation costs and ineffective national export promotion programs. In the overall export performance as country wide was deteriorating year after year and the firm's perception about their performance was extremely dissatisfied. However, the country has opened many doors for promoting the sector in many incentive packages. Finally, based on the findings, results and analysis of the study a general and policy implication recommendations are forwarded. In general recommendations, top management of the company should work on the improvement of their product quality and uniqueness, the firm should be cost sensitive for their products by minimizing costs and increase their competitive advantages in the global market. In additional, the policy implications to increasing the availability of credit facilities, simplifying export sector regulations and formulation short-term and long-term export growth policies are essential to improve export performance of the country.

Keywords: Competition, Export Performance, global market, marketing strategy, Ethiopia.

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1. INTRODUCTION

1.1 Background of the Study

Nowadays, export trade is vital for the nation's economy. Export performance and economic growth relations are becoming the main agenda in the international and regional development programs around the world (International Labour Office, 2015). Ethiopia is a developing East African country going through political, economic, social and technological transitions. The country's development strategy has the objectives of promoting rapid economic growth with a stable economic atmosphere and enhancing the integration of country's economy with a global economy (Allaro, 2012).

Ethiopia's potential for export of manufactured goods lies in textile, leather and leather products, as well as products of agro-processing. Exporters have a good possibility of increasing export due to the availability of all-important elements in the country at a reasonable price. These elements are, "raw materials, low wages and low energy costs" (Abadi, 2015, p. 36). This is highly important for a country to attract the industry investments and also it gives a comparative advantage of other countries.

1.2 Statement of the Problem

To generate sustainable growth in the country, the government has developed Growth and Transformation Plan to bring about a shift in the export sector. Export items such as "flower, fruits, vegetables, coffee, sesame and cereals" are the major exportable commodities of agricultural sector; however, during the plan period, performance of these sub sectors fell short of the planned targets (National Planning Commission, 2016, p. 65). Export is regarded as the most common international market entry mode (Saravanel, 2009). While, countries want to achieve sustainable economy, it gives to priority for the export sector. Ethiopia export sector is expected to serve as a key driver for

economic transformation through “expanding output, employment creation, technology transfer and introduction of new products” (National Planning Commission, 2016, p. 105). Thus, aggressively expanding the export sector will be a key direction to ensure sustainable economic growth and development. But, over the past three years, the weak performance of the export sector was the main constraint in ensuring reliable and adequate supply of foreign exchange required for imported capital goods and services that are “essential for industrialization, infrastructure development and technological upgrading” (National Bank of Ethiopia, 2017, p. 68). Therefore, the paper has assessed and explored the challenges, opportunities and performance of the country’s export market in the past three years from 2015 to 2017. Consequently, attempts have been made to find answers for the following basic research questions:

- 1) How is export trade performing during 2015-2017 and what is the level of performance?
- 2) What are the main factors that influence performance of the export market?
- 3) To what extent the opportunities available in the export sector?
- 4) What should be done to improve the performance of export trade?

2 LITERATURE REVIEW

2.1 Importance of Export Marketing

Exports are significant contributions for all developed or underdeveloped countries. The International Journal of Fundamental Psychology and Social Sciences (2011) article listed out the main advantages of export marketing at the national level are:

- i. Foreign exchange earnings:* Exports are very important for exporting countries by earning foreign exchanges. It is vital for the country to pay for

the import of raw materials, components, spares, capital goods and advanced technical knowledge.

- ii. *Balance of payment:* Potential exports in the country are a capacity to solve the balance of payment problems and enables the country to bring favorable balance of payment positions.
- iii. *Promoting economic development:* Exports are required for encouraging industrial development and economic growth. Rapidly rising of export business has bringing fast and sustainable economic development in a country.

2.2 Overview of the Ethiopian Export Sector

Ethiopia is a developing East African country going through political, economic, social and technological transitions (Allaro, 2012). The country's development strategy has the objectives of promoting rapid economic growth with a stable economic atmosphere and enhancing the integration of country's economy with a global economy. Ethiopia's potential for export of manufactured goods lies in textile, leather and leather products, as well as products of agro-processing. Clothing offers a good possibility of increasing export due to the availability of all-important elements in the country at a reasonable price for the development of textile industry. These elements are, "raw materials, low wages and low energy costs" (Abadi, 2015, p. 36). This is highly important for a country to attract the industry investments and also it gives a comparative advantage of other countries.

2.3 Determining Factors of Ethiopian Export Performance

As NPC (2016) report identified the constraints of the export sector was shortage of investment land, inputs, electricity; weak trade and custom services facilitations, regulations, weak administrative and logistics support and

monitoring system; the production capacity and the investment flow to the manufacturing sub-sector was not sufficient and the performance of the existing manufacturing industries was also weak in terms of volume and quality during the GTP I period. Debas (2006) study concluded that, “market access, low level of private investment, high transaction costs, infrastructural deficiencies, delays in service delivery, limited market knowledge and shortage of skilled work force” are the main constraints and challenges of Ethiopian export sector (p.103). The World Bank (2016), in a report entitled 3rd Ethiopia Economic Update: Strengthening Export Performance through Improved Competitiveness have considered exchange rate overvaluation, low level of investment in the economy, coffee surtax, inadequate marketing infrastructure, high tariffs on imports of raw materials, high trade costs and insufficient adjustment of producer prices are some of the limiting factors to the country’s export growth.

2.4 Improving Market Access with Global and Regional Economic Integration

Agreements for the objectives of increasing export market and to reduce tariff and non-tariff barriers between two and more countries in a regional, continental or worldwide level for achieving a common goal of the free flow of goods and services between them is referred to as economic integration. According to the World Bank, Country Department for Ethiopia (2014), Ethiopia has market access to Common Markets for Eastern and Southern Africa (COMESA), Access to African Growth and Opportunity Act (AGOA), for Everything But Arms (EBA) trade and Generalized System of Preference (GSP) into the European Union. Especially, under the AGOA program, like other countries in the region, Ethiopia has also eligible for the US market as a duty and quota free access. In similar way, the country is entitled to get a free

market access for many products in other countries market (United Nations Development Program, 2014). Some of these countries are; Canada, Japan, Australia, Russia, United Kingdom and most European Union member countries under different economic integration programs.

Africa is moving toward regional integration. There are eight Regional Economic Communities approved by the African Union (AU). These are: Community of Sahel Saharan States (CEN-SAD), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Inter- governmental Authority on Development (IGAD), Arab Maghreb Union (UMA) and Southern African Development Community (SADC) (Ethiopian Investment Agency, 2016). Ethiopia has preferential trade agreements with key international markets. Some of these are: The African Growth and Opportunity Act (AGOA) offers market access privilege to the US market, Everything but Arms (EBA) of the EU offers market access privilege and Duty free and quota free (DFQF) privilege extended by international markets of China, India, Japan and Korea (Ethiopian Investment Agency, 2016).

2.5 Synopsis of Ethiopian GTP II Export Sector at a Glance

The export sector is expected to serve as a key driver for economic transformation through “expanding output, employment creation and technology transfer and introduction of new products” (Muhabaw, 2014, p. 76). It broadens market opportunities through serving as outlets for local producers. Export is critical for sustainable economic growth and development by enhancing competitiveness of the overall economy and expanding market opportunities. In the long run, it leads to increased competitiveness in international markets, increases efficiency in production and marketing, in the

process showing other domestic producers the possibilities to penetrate into the global market. Emphasis will be given to revamping the merchandize export sector given its crucial role through boosting and sustaining overall economic growth and development. Hence, efforts will be made so as to bring a significant shift in export performance during the Growth and Transformation Plan II (GTP II) period (National Planning Commission, 2016).

3. RESEARCH METHODOLOGY

A descriptive study explores and describes the way things are. It is also concerned with the assessment of attitude, opinions, performance, demographics, practice and procedure (Kothari, 1990). For these reasons, to answer the basic research questions, this study adopts a descriptive survey method. The study used both quantitative and qualitative data that will collect from both primary and secondary data sources. The primary data was collected by self-administered questionnaires including both open and close ended questions and interviews by purposive sampling methods of the country's major valuable exportable commodity exporting companies which is represented by their associations. The secondary sources such as reports, magazines, different published and unpublished materials, journals and articles from National Planning Commission, Ministry of Trade and Industry, Ethiopian Customs Authority, National Bank of Ethiopia, Ethiopian Investment Agency and Ethiopia chamber of commerce sources will be utilized.

To conduct this study, the researchers chose the non-probability sampling techniques. This method is appropriate when the study places special emphasis upon the control of certain specific variables. At the World's Top Exports (2017) and National Bank of Ethiopia (2017) report indicated that the top 10 most valuable export product categories are representeing 92% of the overall

export market of the country in 2017. These are; those products exporting company has establish their own associations for facilitating administration and other operational issues in different category. These are: depending on the two tables below, the researchers tried to select the top three most valuable export products, which accounts of 68% for the study samples. These products are coffee, tea, spices, vegetables and oil seeds.

Table 1: Top ten export products in Ethiopia

S.N	Product	Amount (USD Million)	Percent of the total exports
1.	Coffee, Tea, Spices	963.0	33.6
2.	Vegetables	538.4	18.8
3.	Oil Seeds	446.3	15.6
4.	Plants, Cut Flowers	221.9	7.8
5.	Gems, Precious Metals	125.7	4.4
6.	Meat	97.1	3.4
7.	Raw Hides, Skins Not Fur Skins, Leather	74.8	2.6
8.	Live Animals	61.9	2.2
9.	Electrical Machinery, Equipment	56.2	2
10.	Footwear	45.5	1.6
Total		2,630.8	92

Source: Addis Ababa Chamber of Commerce and Sectoral Associations (2018)

Table 2: Exporters Association in Ethiopia

R. No	Name of the Association	Number of Companies	Percentage
1.	Ethiopian Coffee Exporters Association	61	19.1
2.	Ethiopian Pulses, Oilseeds and Spices Processors Exporters Association	45	14.1
3.	Ethiopian Horticulture Producer and Exporters Associations (EHPEA)	34	10.6
4.	Ethiopian Tanners, Footwear and Leather Products Manufacturing Association	38	11.9
5.	Natural Forest and Forest Products Exporters	7	2.1
6.	Live Animal Exporters	11	3.4
7.	Ethiopian Textile and Garment Manufacturers Association	49	15.3
8.	Ethiopian Handicraft Manufacturers and Exporters Association	16	5
9.	Ethiopian Honey and Beeswax Producers and Exporters Association	26	8.1
10.	Ethiopian Meat Producers Exporters Association	4	1.3
11.	Other Agricultural Related Export Companies	29	9.1
	Total	320	100

Source: Addis Ababa Chamber of Commerce and Sectoral Associations (2018)

The top ten exportable products are also represented by their 10 associations. From those associations, Ethiopian Coffee Exporters Association, Ethiopian Pulses, Oilseeds and Spices Processors Exporters Association and Ethiopian Horticulture Producer and Exporters Associations are an umbrella of 140 companies. It means that, they are 43.8% of the total exporters in the country and produced more than 65% of the country's total export value. Through these expressive data, the researchers used a sample size of 140 export companies which means 43.8% of the country exporters represented by their three associations are selected by purposive sampling methods for attained the study objectives during 2015 - 2017.

4. RESULTS AND DISCUSSION

4.1 Characteristics of Firms

1) Firm Competencies and Characteristics

Many of exporting companies are established from 1990 – 1997, these are 64% of the total. The other 7%, 18% and 11% are before 1990, between 1998-2007 and 2008-2017 respectively. On firm size, 79% are more than 100 employees and 21% of them are below 100 employees.

Table 3: Firm competencies and characteristics

Statements	Period	Total Sample (n=28)		
		Frequency	Percent	Cumulative Percent
Firm's years of establishment	Before 1990	2	7	7
	1990 - 1997	18	64	71
	1998 - 2007	5	18	89
	2008 - 2017	3	11	100
Size of the firm	0-50	-	-	-
	51-100	6	21	21
	>100	22	79	100
Export product Categories	Coffee	12	43	43
	Oil Seeds & Spices	9	32	75
	Plants & Cut Flowers	7	25	100
Effect on country of origin	Not at All	-	-	-
	Unsure	-	-	-
	Rarely	7	25	25
	Frequently	21	75	100
Quality control certification	Yes	23	82	82
	No	5	18	100

Source: Authors' survey result (2018)

The companies' major export products category is different, of this 43% are coffee products, 32% of oil seeds and spices and 25% are plants & cut flowers. Furthermore, customers' perception on the quality of those products in the country of origin is frequently perceived by 75%. But 25% of them are

responded as rarely feedbacks. From these exporting companies 82% of them are certified by quality management system and 18% has not certified.

2) Firm’s Level of Access

Firm’s level of access is one of the measurements between company and external bodies who is involved in the export sector. In the modern theory of international trade, the Heckscher–Ohlin theory stated that; the capital rich countries are export capital intensive goods and import labor intensive goods. On the other hand, labor rich countries are exporting labor intensive goods and import capital intensive goods (Verter, 2015). This theory is absolutely true for Ethiopia, because Ethiopia exports labor intensive goods and imports capital intensive goods. Because, exporting companies in Ethiopia had shortage on capitals.

Table 4: Firms’ level of access

Firm’s location	Not at All		Rarely		Frequently		Convenient	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Access to necessary sources of supply.	5	18	3	11	16	57	4	14
Access to government agencies.	-	-	2	7	4	14	22	79
Access to export services such as financial, freight, insurance services and advice.	-	-	16	57	8	29	4	14
Access to the necessary general labor skills	-	-	-	-	18	64	10	36
Access to networking opportunities	-	-	7	25	2	7	19	68

Source: Authors’ survey result (2018)

As the World Bank (2016) Ethiopia economic updates report identifies that, poor access of finance, low level of investment, inadequate marketing infrastructure, high tariffs on imports of raw materials are stated as some of the limiting factors to the country's export growth (The World Bank, 2016). So, as the data explained, export companies access to the necessary sources of supply was in convenient access only by 14%. The other firms are not getting sufficient access for exporting their products. In addition, government agencies access to exporting companies are by 79% of convenient. This means, the rest 21% are not access in the right time and right quality of services from them. Similarly, exporting company's access to export related activities such as finance, freight, insurance services and networking opportunities are not in convenient levels. Insufficient access of government service was listed the prior determining factors of the country's export performance reported by National Planning Commissions in 2016 (National Planning Commission, 2016).

4.2 Firm's Strategy and Export Performance

1) Firm's Export Marketing Strategy

Firm's position compared to their competitors in the safety of production and products, average cost of production, uniqueness of the product and company reputation are the major advantages by 79, 93, 82 and 86 percent's respectively. Proximity to foreign markets are 57% advantage in the company's competency. In addition, quality of personnel in the exporting companies is very essential. As stated in the Heckscher–Ohlin theory, labor rich countries are exporting labor intensive products. For exporting these products, the quality of personnel was very critical for the firms by 80%. For other 20% firms were not that much advantage, because those firm's higher

number of employees working as daily laborers especially in the farm area of plants and cut flower companies.

Table 5: Firms export competencies

Statements	Major Disadvantage		Disadvantage e		Advantage		Major Advantage	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
	Safety of production & products	-	-	-	-	6	21	22
Average cost of production	-	-	-	-	2	7	26	93
Product uniqueness	-	-	-	-	5	18	23	82
Quality of personnel	2	7	4	14	9	32	13	47
Export marketing knowledge	-	-	5	18	11	39	12	43
Company reputation!					4	14	24	86
Goodwill	-	-	1	4	16	57	11	39
Proximity to foreign markets								

Source: Authors' survey result (2018)

About the firm's major competitive advantage, the export products uniqueness was 79%, but 21% of the company's product were not unique at all. Standards of the quality like in superior levels were not by 43%. But, 39% had products of superior quality and 18% were not sure about their product's superior quality. Depending on the price competitive, 60% of the company's product was not competitive at all. Only 29% of the product was competitive in price. In promotional campaigns, 68% are not successful at all. Only 18% are certainly a successful promotional campaign.

Table 6: Firms' major competitive advantage

Statements	Not at All		Not sure		Certainly	
	Freq.	%	Freq.	%	Freq.	%
Are your export products unique?	6	21	-	-	22	79
Are your export products of superior quality?	12	43	5	18	11	39
Are your export product prices competitive?	17	60	3	11	8	29
Are your export promotion campaigns successful?	19	68	4	14	5	18

Source: Authors' survey result (2018)

As National Planning Commission (2016) and World Bank (2016) report identified that, country's export sector was inadequate marketing infrastructure, poor marketing strategy, weak custom services facilitation, regulations and logistic supports (The World Bank, 2016). In addition, firm's country of origin effect on customers' perception about their products was a higher negative response. And also, in the interview session, poor communication facilities, less export management and planning skills and poor promotional activities are the major drawbacks of their performance. The above studied major factors and firm's response about the promotion campaigns were showed that, the exporting companies' promotional campaigns were unsuccessful.

In export country destinations, 43% of the firms are exporting below 5 countries. 32% of the firms are exporting to 5-10 countries and 25% of them are exporting destinations for more than 10 countries. Depending on the continents in the export destinations, Europe is the major one by 36%. Asia

(25%) and North America (21%) are followed, but South America is the lowest by 7% of export destination continents.

Table 7: Country's Destination of Exports

Statements	Total Sample (n=28)		
	Frequency	Percent	Cumulative Percent
Numbers of regularly exporting countries			
<5	12	43	43
5 – 10	9	32	75
>10	7	25	100
Most important continents for exporting			
North America	6	21	21
South America	2	7	28
Europe	10	36	64
Asia	7	25	89
Africa	3	11	100

Source: Authors' survey result (2018)

2) Firm's Export Performance

Firm's performance on their export objectives in the market share are dissatisfied by 29%. Only 21% are satisfied by their performance. These results are also similar in the market share growth. In the firms export sales value, volume and growth 75% of them are dissatisfied. Only 14% are very satisfied and 11% are satisfied. The firms export profitability and its growth is very satisfactory by 39%, but 25% of them are dissatisfied. By new country market penetration, 82% are satisfied and very satisfied. Only 18% are dissatisfied. Like country's plan in export sector, every exporting firms were their own objectives for the total turnover and export division turnovers. From the table 12 firm's information gave a clear image about turnover performance of the firms.

Table 8: Firm's Performance on Export Objectives

Objectives	Dissatisfied		Not Sure		Satisfied		Very Satisfied	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Export market share	8	29	11	39	6	21	3	11
Export market share growth	8	29	11	39	6	21	3	11
Export sales value	21	75	-	-	3	11	4	14
Export sales volume	21	75	-	-	3	11	4	14
Export sales value growth	21	75	-	-	3	11	4	14
Export sales volume growth	21	75	-	-	3	11	4	14
Export profitability	7	25	-	-	10	36	11	39
Export profitability growth	7	25	-	-	10	36	11	39
New market penetration	5	18	-	-	9	32	14	50

Source: Authors' survey result (2018)

Firm's turnover performance depending on number of companies from 2015 to 2017 was different with up and down growth. Number of firm's which achieved USD 501,000 to 1 million turnovers was decreased from 2015 to 2016 by 14% and remained in the same number in 2017. Decrease in number of firms means, firms were shifted to the next higher-level turnover ranges. It was a good indication for the firm, because their turnovers were growing. From USD 1 to 5 million accomplished numbers of firms were increased by 6% from 2015 to 2016 and decreased by 19% in 2017. Firms from lower level were up warded in 2016 and out from this range by 2017 went to the next category. USD 5 to 10 million turnover firms were increased year after year by 11% up

to 2016 and 7% by 2017. This was a good sign, because number of firms was growth from lower level and their turnover was increased. More than 10 million USD turnover performance firms were increased from 32% in 2015 to 43% in 2017 by 14% incremental rate. This was an excellent performance for the firms as well as the country, because turnover growth was a solution for liquidity problems, increasing efficiency and increase inflow of foreign currencies to the country. So, the turnover performance of the firms was increased from 2015 to 2017. In 2017, 43% of the exporting firms were more than 10 million USD turnovers per annum.

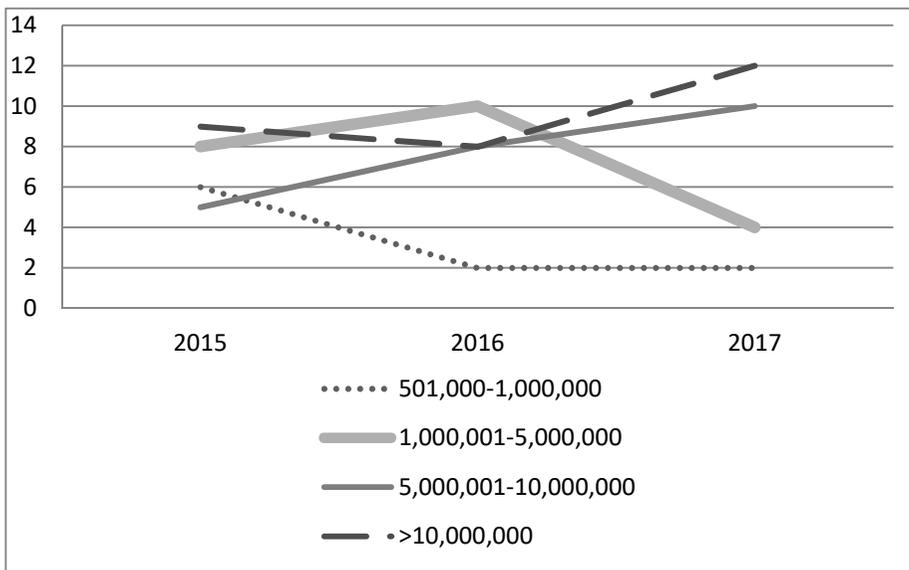


Figure 1: Number of Exporting Firms

Source: Authors' survey result (2018)

The firm's export sales performance was different from company to company and there were its own goals depending on their characteristics. But, all the companies were engaged in export business, they are expecting to all sales in

the company were generated from export sales. In this understanding, as table 12 depicts, firms less than 100,000 USD sales were increased by 7% in 2017 from 2015. Growth the number of firms to lower sales range means decreased the firm's sales performance from year 2015 to 2017. While from USD 100 to 500 thousand sales in number of firms also increased by 7% from 2015 to 2017. More than USD 1 million export sales company in 2015 was 22 and in 2017 this number was decreased to 16. It means number of firms whose export sales were more than USD 1 million had decreased by 27% in 2017 from 2015.

As presented in table 8, the firm's turnover performance was in good status and increased from year to year. But their export sales were deteriorated. Because, exporting companies were dependence on short term liquidity through working capital requirements. Then, the firm were focused on domestic markets than international. The foreign market has many hassles, unpredictable changes in exchange rates, low production capacity, less commitments for facing exporting challenges and poor quality of products in export standard are the major reasons of the firm to focus on domestic markets than foreign markets (Berman & Berthou, 2011). Because of these effects the company's total sales turnover was in good progress, but export sales performance was decreased.

Table 9: Export Sales Performance of Firms

In US Dollar	2015		2016		2017	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
<100,000	2	7	-	-	4	14
100,000 - 500,000	1	4	3	11	5	18
501,000 – 1,000,000	3	11	8	28	3	11
1,000,001 – 5,000,000	11	39	12	43	13	46
5,000,001 – 10,000,000	7	25	3	11	2	7
> 10,000,000	4	14	2	7	1	4

Source: Authors' survey result (2018)

Firm's turnover and export sales performance was discussed in above. In the below table, firm's satisfaction level of their export performance was assessed. As firm's performance in terms of export sales were dissatisfied by 97%. This means, the company was not doing well in export sales performance. Additionally, firm's percentage of export sales were dissatisfied by 96%. The company's main business was export sales, but it couldn't be equal with their turnovers.

The main strategic goal of exporting company was increasing sales and growth their profits. However, their export sales showed poor performance and unsatisfactory (82% of them responded unsatisfactory). The less export sales were a negative impact on the firm's long-term profitability ratio. However, export sales were profitable and firms also satisfied by 85%. In overall export performance, 94% of firm's were not satisfied. This was a similar result reported by National Bank of Ethiopia (2017) and National Planning

Commission (2016). These reports concluded that, the country's export performance was at weak level and needs improvement in GTP II period.

Table 10: Firms' Export Performance Satisfaction Level

Statements	Extremely Dissatisfied		Dissatisfied		Satisfied		Extremely Satisfied	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Firm's performance in terms of export sales	19	68	8	29	1	3	-	-
Export sales as a percentage of total sales	16	57	11	39	1	4	-	-
Export profitability	1	4	3	11	11	39	13	46
Strategic goals achieved	12	43	11	39	2	7	3	11
Overall export performance	17	61	9	33	1	3	1	3

Source: Authors' survey result (2018)

4.3 Firm's Export Challenges

1) Similarity on export and domestic markets

Depending on the similarities between export and domestic markets, 94% of consumer products behavior is not similar. In buying characteristics of the consumer 96% are not similar, only 4% were similarities between them. In purchasing power (89%), socio-economic characteristics (93%) and distribution channel characteristics (94%) are not similar. But legal frameworks between export and domestic market were similar by 15% and not similar by 67%. 18% were not sure their similarities. To explore market similarity was very essential for expanding export markets in different countries.

Table 11: Similarity in Export and Domestic Markets

Characteristics	Not Similar		Not Sure		Similar		Very Similar	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Consumer product behavior	26	94	1	3	1	3	-	-
Consumer buying characteristics	27	96	-	-	1	4	-	-
Customer purchasing power	25	89	-	-	2	7	1	4
Socio-economic characteristics	26	93	-	-	2	7	-	-
Legal framework	19	67	5	18	3	11	1	4
Distribution channel characteristics	26	94	1	3	1	3	-	-

Source: Authors' survey result (2018)

2) Export Trade barriers

The firm's trade barriers of tariffs (78%), social and cultural barriers (50%) and lack of adequate distribution channels by 57% are important. The political situation of export target country (61%) and social & cultural barriers (46%) are very important barriers for export trade. But quota is not important by 68%.

Table 12: Export trade barriers

Barriers	Not Important		Not Sure		Important		Very Important	
	Freq	%	Freq.	%	Freq.	%	Freq.	%
Tariffs	3	11	-	-	22	78	3	11
Quotas	19	68	2	7	5	18	2	7
Political situation of export target country	-	-	2	7	9	32	17	61
Social and cultural barriers	-	-	1	4	14	50	13	46
Lack of adequate distribution channels	2	7	4	14	16	57	6	22

Source: Authors' survey result (2018)

3) Challenges encountered during exporting

In the firms export activity, highly repeated problems are: insufficient information for overseas market (68%), difficulty to identify capable collaborators in the host country (57), strong international competition (78%), high transportation costs (78%), ability of the company to adopt new challenges (53%) and ineffective national export promotion programs by 78%. As Debas (2006) study about the main constraints and challenges of Ethiopian export sector was limited market knowledge and delays in service delivery. In addition, the World Bank (2016) study also identified that inadequate marketing infrastructure is one of the factors. In the export firm's response also showed that, there was no any government or private agencies in the country to interpret and analyze international marketing data in continual bases.

Furthermore, the country's promotional programs were ineffective, because of limited skilled manpower with less expertise in international advertising and promotion (Gebreyesus & Demile, 2017).

Table 13: Problems during export activities

Statements	Never		Not Sure		Rarely		Always	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Insufficient information for overseas markets	-	-	-	-	9	32	19	68
Difficulty to identify capable collaborators in the host country	-	-	-	-	12	43	16	57
Strong international competition	-	-	1	4	5	18	22	78
Lack of qualified personnel for exporting	3	11	2	7	14	50	9	32
High transportation costs	2	7	1	4	3	11	22	78
Financial risks (e.g. country-related and business risk)	13	46	8	29	2	7	5	18
Ability of the company to adopt the new challenges	2	7	3	11	8	29	15	53
Ineffective national export promotion program	1	4	2	7	3	11	22	78

Source: Authors' survey result (2018)

On top of the above challenges, the researchers investigated from interview that lack of export management experience, poor systemization of export planning and lack of price competitiveness as challenges faced by firms. In addition to this, minimum production level and growth, poor communication facilities, different legal norms in the exported country, different customs and cultures, and finally the firm's low quality, high price and poor promotional activities are the main drawbacks of those companies. The most common

problems, which were also identified by the international organizations are: poor quality and high cost of products, inadequacy of trade information systems, unfavorable world prices and lack of competitiveness with limited production capacity, inability to produce to potential client's standard, lack of reliable suppliers of inputs or raw materials and poor quality of institutional supports. Furthermore, lack of finance, differences in weights, measures and technical specifications, intense competition and fluctuating of costs are the main determinants of the export sector in Ethiopia.

5. CONCLUSION AND RECOMMENDATION

The main objective of the study was to assess challenges, opportunities and performance of Ethiopian export market from 2015–2017. Based on data collected, the research attempted to explore the recent export performance of the country. Depending on results and analysis of the study, the following major conclusions are identified. Most employees in the export sector are young and middle-age peoples. But those are mostly male and first-degree graduates. And also, their work experience is under 10 years. Many firms are established before 27 years, but many employees working experience are under 10 years, it showed that, employees' turnover is very high in the sector. In addition, many employees are working under the top management position. This may cause to lack of industry experiences in high positions.

Customer's perception in the country of origin effect is very high rate. This is a negative impact in the country's export product categories. Because, Ethiopia is the under developed country and their export product on the consumer perception is highly negative effect by their country of origin. However, the exporting companies knew this effect and tried to solve it by improve the product quality management system. About 96% company has a general

awareness about the importance of this certification and more than 80% of this are already certified. This is one step to ahead for decreasing the consumer perceptions about the products effect in country of origin.

To achieve in company base or country wide of the exporting objectives, the exporters should get the full access for many facilities. In the study, the convenient access is only 42%. This result shows that, without the radical improvement and change about the facility access for all exporters, the country exporting sector will be in slow move and the company also have no significant contribution in the country's GTP. The important issue that the study identified about the product is product quality and price competitiveness in the export market. As the result, quality and price competitiveness of the product has a challenged for the firm as well as for the country. Currently, there are plenty of market opportunities around the globe, this is most important for the developing countries like Ethiopia for needs of export market. 86% of the firm knew this market opportunity as a global wide. But, the current export destination countries are small. 75% of the exporting countries are under 10, which is mostly Europe. As the result showed that, coffee is the most exported product in the country and the number of countries is small, the country's export performance in general is in trouble.

As the study general result about the firms export performance in terms of market share, sales volume, its growth and export strategic goals are extremely dissatisfied by 94%. This shows that, the firm as well as the country has major challenges about the sectors performance. The export firm has many internal and external challenges. More than 78% of the firm's challenge is internal especially related to the quality and price of their products. In addition, the government's poor support and minimal monitoring and evaluation in the

sector has a negative impact of the export performance. But the exporting companies are failed to use properly the incentive packages those initiated by the government to strengthen the export. The country's export performance was incapacity to finance the import expenditure was forced the country to suffer from shortage of foreign currency which is crucial to import capital goods and other intermediate inputs that are required to sustain growth. All data and reports showed that, how the country's export sector is going to in trouble. Without sufficient export trade, the country will be in big problems as the shortage of foreign currency and high inflations. These effects will be showed up directly in the manufacturing industry, because, more of inputs used by many industries are importing from other countries. The industries are waiting longer time to get foreign currency could be a direct impact on operations of the company and not far to see closing of such industries. Furthermore, the country will work strongly for increasing export destination countries around the world. When the country will reach many countries by their export items, it will increase the volume and congruently raises export value. This will help to attract foreign currency inflows to the country. However, the government has an interest to strengthen the sector by establishing different strategies for the local and international exporting companies through the country. Some of the strategies are promoting different incentive package and implementing the country's export strategy by GTP II. More than this the government also tries to implement trade free zone, regional coordination for trade improvement with other countries throughout the world.

Based on the findings of the study the following recommendations are forwarded:

- The firm's top management should work to balance the male and female employees' ratio at least to 60:40. There are a superior talent and skill in female employees special in the promotional campaign activities.
- Top management of the company should work on the improvement of their product quality and uniqueness. In addition, the firm should be cost sensitive for their products by minimizing costs and increase their competitive advantages in the global market.
- The firm will establish a separate promotion and advertising team and implement unique strategy for increasing promotional campaign in the existing and new markets around the world.
- The government should work with the major business stakeholders and partners to facilitate the ambitions to join World trade organization (WTO) for helping the international trade benefits to reduce tariffs and other challenges in the exporting sector and maintains the country export growth.
- To develop and improve different facilities, policies and procedures in the export sector is very crucial. Government services for the firms should be very accessible and convenient for all exporting participants, this helps to increase production capacity and quality products with a competitive price in the global market for exporters.
- To Advance and upgrade the knowledge, experience and skills of the key members on the export sector like, supplier, processors, exporters, associations, commercial chambers and the regulatory bodies are very essential for the growth of the sector. Without the strong private sector economic participation in the economy, the government will be paralyzed.

- The government, exporters association and export companies could be establish bi-annually or annually meeting schedules to assess, evaluate and experience sharing with other stakeholders in finding solutions for their challenges and barriers.
- The government has responsibility to aware the quality certification and control mechanisms and also will assess continuously for fully certified exporting companies in the country.
- The government will restructure the export sector policy and strategy for giving the fully convenient access for all exporters in terms of many facilities what they want from them.
- The government should asses the implementation procedure about the incentive packages. Some policy and strategies are good for the exporters but, there is a big problem in implementing the policy. When the government assigned a separate institution for the exporting sector, this institution will have a regular contact with the exporters and it will be easy for supporting and strengthen the firm's activity in the regional or international markets with a continual base.
- Increasing the availability of credit facilities: the availability of credits especially long -term credit is very important to exporters. The government will consider these facilities for aiming to increase the country's overall economy growth.
- Simplifying export sector regulations: the government should shorten the export sector regulations in every aspects of the operations. It also increases their capacity about the collection and dissemination of the global market's information as a continuous base.

- Establishing and improving cooperation with the regional and global economic actors: export growth is getting by the cooperation activities with many stakeholders. The government will facilitate the cooperation programs and increase their connection with the highly experienced global companies.
- Formulation short-term and long-term export growth policies: the formulation of short- and long-term policies is crucial for the growth of export performance in the country. Especially the government support for the sector including the incentive packages is important.

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