ASSESSMENT OF ETHIOPIA'S EXPORT PERFORMANCE & ITS DETERMINANTS

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Abstract: *This study is aimed to investigate the Ethiopia's export performance trends and patterns and to identify major factors affecting export performance in Ethiopia over the period of 2005-2014 consecutive years. Researchers have used descriptive research design by collecting only secondary data from different public and private companies. After data collection, descriptive analysis is employed for the purpose of assessing export performance of Ethiopia and analyzing the performance and trends of the export. According to the result of the study the increment of GDP is proportionately associated or linked with Export and when the domestic production level increasing, the level of export is also increasing and having a positive association with export. The ratio of the price level abroad and the domestic price level, where the foreign price level is converted into domestic currency units via the current nominal exchange rate highly determining the flow of business in the country. The basic reason which aggravated the increment of import of the country is due to the reason that the exporting products are agricultural products, whereas the imported products are high price machines and finished products. The young tourism sector has a significant role in the country for the present development and growth of exporting services to the rest of the world. Merchandise export is increasing in a significant manner that the economic status and wellbeing of the country is highly depending on the level of agriculture. Firm characteristics, infrastructural development and financial development are in the infant stage and highly affect the export of goods and services.*

Keywords: export performance, export determinants, Ethiopian economy, exports of Ethiopia.

1. INTRODUCTION

1.1 Background of the Study

Emerging global foundations and increasing development of globalization have overshadowed the international commercial equation and questioned efficacy of the traditional tools and supported policies in this arena (Leonidouet al. 1988) cited by (Seyed M. Elahi., 2014). Exportation plays a vital role on the growth and survival of companies and companies can obtain competition advantage through casting influence on the international markets (Navarro et al., 2009).
Export marketing is achieved by a company when it increases its market share by maintaining production in its own country while venturing into the international market. The firm marketing strategies will have to change to meet the different demands set by the new markets with indirect marketing used frequently to enter new markets (Rabino, 2004).

At the firm level, through market diversification, exporting provides an opportunity for firms to become less dependent on the domestic market. By serving new customers abroad, the firm may also explore economies of scale and achieve lower production costs while producing more efficiently (Style & Ambler, 2000). Export success is the attainment of a good performance by a firm in export activities through strategic use of factors internal to the firm and proactive adaptation of the firm to external factors over a period of time (Sol, Patricio & Kogan, 2007,

An exporting firm requires successful entry first into an international market in order to transact its trading obligations (Astrow, 2003). But for a firm to have continuous success in repeatedly exporting into international markets, it may need to use additional strategies beyond those that allow it to make a successful entry into the international market in the first place. Successful entry and continuous success into an export market depend on a combination of both (Style & Ambler, 2000).

A very recent research also explained that Ethiopia is the country where coffee was first discovered and spread to the world. The commodity plays an important role in the country's economy even today. It is heavily exported and it is estimated that 25% of the population depend directly or indirectly on coffee for their livelihood. Coffee has remained the main export of the country; however, other agricultural products are currently being introduced on the international market (Tamirukumsa, 2015).

Now it is clear that exporting is important to both firms and nations. At firm level, exporting improves the utilization of productive capacity, improves financial performance and provides a foundation for future international expansion (Lu & Beamish, 2001; Ural, 2009). At the national level, however, exporting is a means of enhancing foreign exchange reserves, employment levels and productivity as well as driving economic growth (Ural, 2009). Despite the fact that the apparent gains associated with exporting, Ethiopia has a persistent phenomenon of low share of agricultural commodity with no consistent explanation. Statistics indicate that the share of commodity exports has remained marginally low compared to annual production of the crop.

Milford, (2004) also explained in his book that exporters mainly faced high competition, long duration of export document process, quality, export barrier from country destinations, delay in transportation, communication barrier, lack of international market knowledge, export administrative procedures, unofficial fee in export documents processing, incapable to supply product in time, limitation of destination country, time limitation in cargo, delay of shipping, lack of information and infrastructure problems. In addition to these problems standardized marketing strategies like product, price, promotion and distribution in export marketing, managers' characteristics about export success, firms characteristics, export market competition, and infrastructure bottleneck in export market and documentation problem in cross border transactions are also an areas considered as problems and needs to be investigated for the whole success of firms in the global market. Besides this there is scarcity of research works on assessment of export performance in Ethiopia. The purpose of this study is to provide a better understanding of export performance in Ethiopia and its determinant factors from the year 2005-2014.

1.2 Objective of the Study

1.2.1 General Objective

The general objective of this study is to assess the determinants of export performance in Ethiopia over the period of 2005-2014 years.

1.2.2 Specific Objectives

From the general objective the following specific objectives are derived:

- ✓ To assess the trends and patterns of Export performance in Ethiopia
- ✓ To identify the major factors affecting export performance in Ethiopia
- ✓ To examine the basic opportunities that enhances the export in the country
- ✓ To give a recommendation for governmental policy makes

2. RESEARCH METHODOLOGY

The purpose of this study is to evaluate the export performance of Ethiopia and trends for 10 consecutive years from 2005-2014. The study is conducted on the basis of trend analysis. The study design is descriptive which enable the researcher to describe the export performance and trends for 10 consecutive years. The researcher used quantitative and qualitative data from secondary sources. The researcher has collected data from secondary sources from Ethiopian Revenue and Customs Authority, National Bank of Ethiopia, Ethiopian Commodity Exchange Authority and the Ministry of Trade of the Country. It is a time series data and the relevant data have been collected for the period 2005 to 2014.
The collected data is summarized and presented by tabulating and figuring charts. After data collection, descriptive analysis is employed for the purpose of analyzing the performance and trends of the export and the related variables in Ethiopia.

3. LITERATURE REVIEW

3.1 Overview of Ethiopian Economy

Ethiopia is the second most populated country in Africa with an estimated population of more than 83 million people. Ethiopia is one of the least developing countries which ranks 157 out of 169 countries on the United Nations Development programs 2009 Human Development Index. According to a recent survey, nearly 30% of the country's population lives below the poverty line MoFED (2011). The Ethiopian economy is based on agriculture, which in 2009accounted for about 42 percent of the gross domestic product (GDP), about 80 percent of total employment, and nearly 80 percent of foreign currency earnings (MoFED, 2009). Ethiopia's major exports include coffee, oil seeds, 16 gold, chat, flowers, pulses, and live animals. Coffee is the leading export, constituting 30.6% of total exports by value in the year 2009 (MOFED, 2009). Generally, the overall economic growth of the country has been highly associated with the performance of the agriculture sector. Recently the industry and service sectors have been increasing their share of the GDP. The industrial sector, which mainly comprises small and medium enterprises accounted for about 13 percent of GDP in 2009. In the same year, the services sector accounted for about 44 percent of GDP.

3.2 Export and Economic Growth

Over the past two decades, exporting has been one of the fastest growing economics activities. Growing liberalization, integration and competition in the world economies have been responsible for the increasing engagement of firms in exporting activities. Exporting is a crucial business activity for nations‟ economic health, as it significantly contributes to employment, trade balance, economic growth, and higher standard of living (Czinkota and Ronkainen, 1998). Exporting also plays a key role to achieve sustainable competitive advantage of firms in the turbulent market, because of improvement of financial position, increased capacity utilization, higher technological standards, and attainment of a desired performance (Leonidou and Katsikeas, 1996). Exporting can be an engine for the individual firm‟s growth and profitability, and for the nation's economic growth (Hatemi and Irandoust, 2001). Once a firm enters the international market through exporting, the outcome is improved by economies of scale which reduce the cost of goods produced both for the domestic and international markets (Albaum, Strandskov, Duerr, and Dowd, 1989).

Exporting is the most widely used firm strategy for international expansion. For example, total world trade in merchandise and commercial services totaled U.S $7.8 trillion in 2002 (WTO press release April 22, 2003). However, from a strategic management perspective, we know relatively little about this strategy compared to other forms of international expansion such as direct investment and joint ventures. In this paper, we attempt a step toward deepening our understanding of firm exporting strategies.

The perspective that we take is that firms, not nations, engage in trade. Although goods flow between nations, it is generally firms that make the decision to export. Therefore, we consider exporting a firm strategy that will have important implications for performance.

3**.3 The Relationship between Performance and Productivity**

Most studies of the link between exporting and firm productivity focus on the extensive margin of exporting, asking whether mere participation in the export market affects firm outcomes. However, the above pathways could just as easily operate on the intensive margin, where firms continue to improve productivity as they expand their ex-port activity. For example, investments in productivity-enhancing technologies might be lumpy, and so firms may wait until they reach a certain level of exports before making such investments. Other studies in international trade have also examined the intensive margin of exporting. Such studies have mostly focused on how productivity gains are related to the number of years that a firm has exported (Alvarez & Lopez, 2005).

3.4 International Trade

3.4.1 ***International Market*****:** The issue of how firms acquire the knowledge and skills necessary to make the transition into operating in international markets is a key theme for business success. The view of internationalization as a sequential process, as described originally by Johanson and Vahlne (1977), sees the firm's experience in international markets as crucial in driving further international expansion, with a corresponding emphasis on gradually building firm-level experience.

3.4.2 Trade Balance: As of 2014 Ethiopia had a negative trade balance of $10.8B in net imports. As compared to their trade balance in 1995 when they still had a negative trade balance of $935M in net imports.

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3.4.3 Import: In 2014 Ethiopia imported $16.4B, making it the 84th largest importer in the world. During the last five years the imports of Ethiopia have increased at an annualized rate of 15.4%, from $8B in 2009 to $16.4B in 2014. The most recent imports are led by Refined Petroleum which represents 20.7% of the total imports of Ethiopia, followed by Delivery Trucks, which account for 3.19%.

3.5 Real Exchange Rate

Different studies have been conducted by different people to analyze the determinants of exports and to analyze their impact on export performance. Different studies used the imperfect substitution model proposed by Goldstein and Khan (1985) to analyze the determinants of countries export performance. For example Munoz (2006) analyze the impact of parallel market and governance factors on Zimbabwe's export performance using quarterly data and found positive and significant relationship between exchange rate and export. Similarly, On a study made on the factors affecting export performance in three different export categories; total merchandize exports, manufacturing exports and exports of machinery and equipment on nine East & South East Asian countries by Jongwanich (2007) using quarterly data and Imperfect Substitutions Model, Results found from the long run equation reveal that real exchange rate to have different elasticity in the three export categories, it was found to have highest elasticity for merchandise export while lowest elasticity for exports of machinery and transport equipment. Real exchange rate impact also varies among the nine countries, it was found to have lowest elasticity for Philippines while the largest elasticity for Indonesia. Contrary to real exchange rate influences, world demand was found to have highest impact for exports of machinery and transport equipment and lowest impact for merchandize export. World demand as determinants of countries‟ export has been significant, but it was found to be insignificant for Indonesia's export in all the three categories. The coefficient of world demand was highly elastic for China, more than 1, but less than 1 for the other countries in the group.

3.6 Infrastructural Development

Exports have come to be regarded as an engine of economic growth in the wake of liberalization and structural reforms in the economy. A sustained growth in exports is, however, not possible in the absence of proper and adequate infrastructure as adequate and reliable infrastructure is essential to facilitate unhindered production, cut down the cost of production and make our exports internationally competitive.

While the responsibility for promotion of exports and creating the necessary specialized infrastructure has largely been undertaken by the Central Government so far, it is increasingly felt that the States have to play an equally important role in this endeavor.

Recent studies on export have been focused on the role of trade facilitation reforms on export performance. A study made by Portuga-Perez and S.Wilson (2010) tried to analyze the role of hard infrastructure (roads, ports, airports, rail infrastructure and information communications technology) and soft infrastructure (efficiency of customs and domestic transport and business regulatory measures and transparency) on export performance of 101 countries during 2004 -07. The results from their study revealed that an improvement in hard and soft infrastructure leads to more exports which ensure that investments on physical infrastructure have a positive impact on exports, but declining as per capita income increases, on the contrary investments in ICT and soft infrastructures were found to have more impact on richer countries.

3.7 Price and Exchange Rate

Goldberg & Knetter (1997) and Goldberg & Hellerstein (2008) review the micro-foundations of ERPT from the perspective of import prices. Exporters set prices in their domestic currency (the producer currency) and those prices depend on costs and the firms' mark-up (because firms are imperfectly competitive they are able to price above marginal cost). The exchange rate at time t enters the equation for the export price denominated in the local (importer's) currency. ERPT is defined as "the percentage change in local currency import prices resulting from a one percent change in the exchange rate between the exporting and importing countries" (Goldberg & Knetter 1997, p.1248).

Complete ERPT occurs when the variation in the local currency price of the good mirrors the change in the exchange rate. Incomplete pass-through occurs when a change in a bilateral exchange rate is not completely transmitted into the local currency price of a traded good. Symmetrically, incomplete pass-through implies that some part of the exchange rate movement is absorbed by the exporter, through variation in the received unit price, while complete pass-through implies that the exporter does not absorb any of the exchange rate variation. Whether this has a positive or negative effect on exporters' returns will depend on the direction of the exchange rate change, as well as any impact on the volume of exports.

3.8 Real GDP in Ethiopia

The Gross Domestic Product (GDP) in Ethiopia was worth 55.61 billion US dollars in 2014. The GDP value of Ethiopia represents 0.09 percent of the world economy. GDP in Ethiopia averaged 15.70 USD Billion from 1981 until 2014, reaching an all-time high of 55.61 USD Billion in 2014 and a record low of 6.93 USD Billion in 1994. GDP in Ethiopia is reported by the World Bank.

3.9 Openness to Trade in Ethiopia

Ethiopia is one of the fastest growing economies in the world. It has registered impressive GDP growth for several years, ranging between 8% and 12%, depending on the data source. The World Bank and IMF forecast continued average growth of 7.5% to 8.5 % in 2015 and approximately 7% to 7.5% over the next three years. With a population of roughly 90 million, Ethiopia is the second most populous country in sub-Saharan Africa, after Nigeria.

The government of Ethiopia follows an integrated 5-year development plan, the Growth and Transformation Plan (GTP), which aims to achieve 11.2 – 14.9% GDP growth annually as well as achieve the Millennium Development Goals and attain middle-class income status by 2025. To realize these goals, the government is investing heavily in large-scale social, infrastructural and energy projects.

These developments are positive indicators for future private sector development, but translate into the flow of significant amounts of capital into public sector infrastructure projects, which can provide important opportunities but can also limit capital available to the private sector. World Bank estimates show that public infrastructure spending was approximately 19% of Ethiopia's total GDP in fiscal year 2011-2012.

The government of Ethiopia is currently pursuing accession to the World Trade Organization, while maintaining their goal of attaining least-developed country status, by 2015. In 2015, Ethiopia also became a full member of the Common Market for Eastern and Southern Africa (COMESA). It is actively pursuing improving the current investment climate through adopting more efficient bureaucratic processes in the areas of registration, logistics, and tax processes. Key energy generation and distribution projects as well as transportation infrastructure projects are scheduled for completion by the end of 2015.

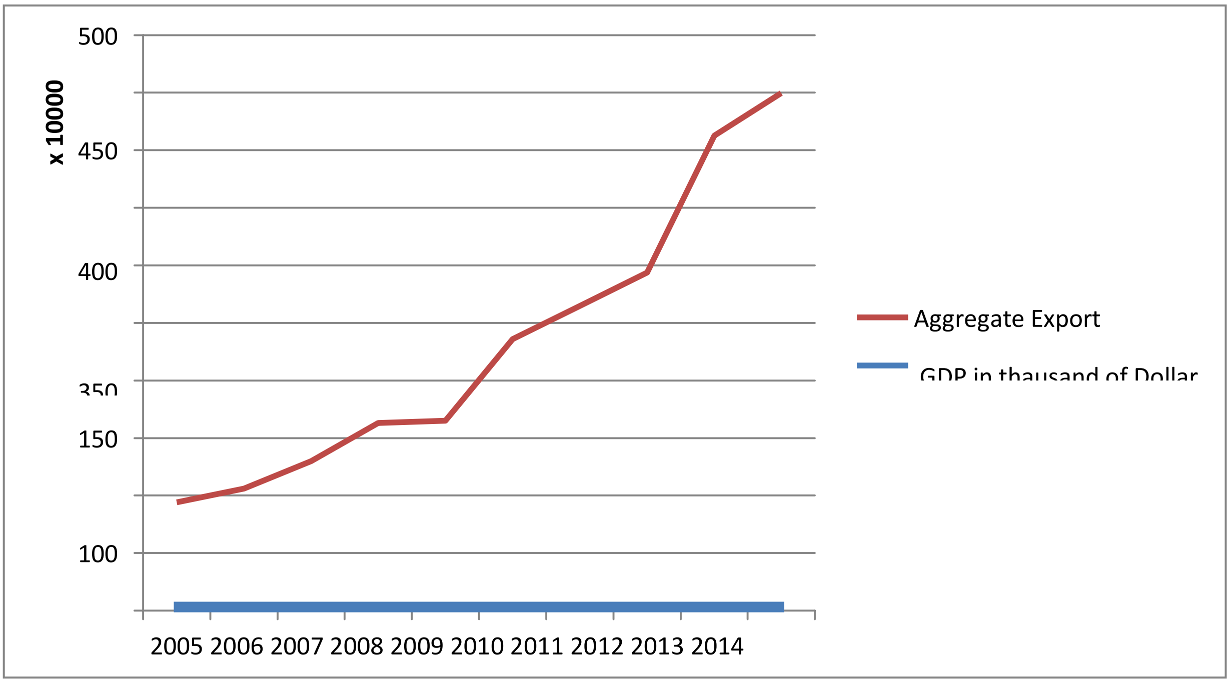
4. ANALYSIS AND INTERPRETATION OF DATA

International trade is the exchange of capital, goods, and services across international borders or territories, which could involve the activities of the government and individual. In most countries, such trade represents a significant share of gross domestic product (GDP), Importing, exporting, Transfer of technology and as well as it has a significance impact on the social, economic, political and cultural exchange and sharing of the people in different areas of the world. Researchers have analyzed and interpreted the data which has been collected from the secondary sources of UNCTAD (United Nations Conference on Trade and Development) by using tabulation of the data in rows and columns and representing it by graphs.

For the purpose of analyzing and interpreting the results a ten years data has been considered and researchers are attempted to observe the effect of each variable according to the specified time duration.

Table 4.1 the trends of GDP over the period of 2005 to 2014

Year	GDP in Thousands of Dollar	Aggregate Export
2005	12163.59	927216.3
2006	14983.27	1044106
2007	18991.92	1278444
2008	25608.61	1603612
2009	28194.22	1619901
2010	26311.27	2331958
2011	29921.24	2617678
2012	41717.85	2894083
2013	46017.35	4080079
2014	54254.76	4440138



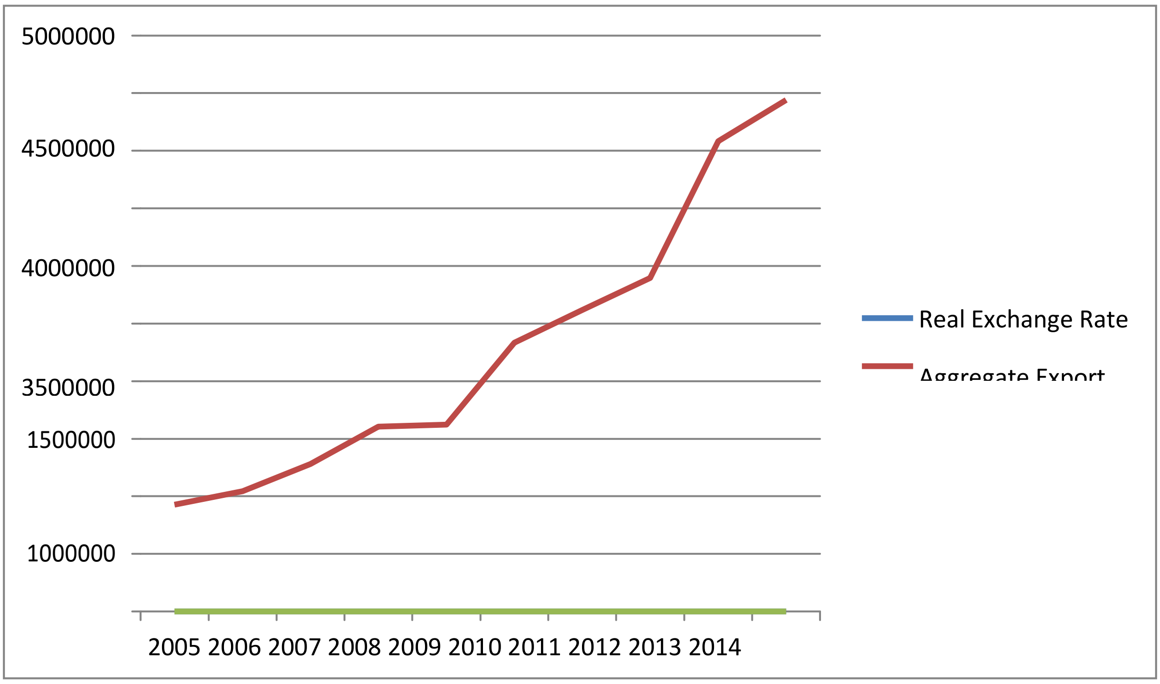
The graph shows the Gross domestic product (GDP) which is the monetary value of all the finished goods and services produced within a country's borders in a specific time period of 1005-2014. And researchers take the annual basis of calculated value of GDP and as it has shown from the graph above it is in the way of increasing along with the combined effect of merchandise as well as service exports.

And from the graph above what we can understand that the increment of GDP is proportionately associated or linked with Export and when the domestic production level increasing, the level of export is also increasing and having a positive association with export.

Table 4.2 Real Exchange Rate

Year	Real Exchange Rate	Aggregate Export
2005	99.99997838	927216.3
2006	108.8150505	1044106
2007	114.271	1278444
2008	138.8892	1603612
2009	124.7697	1619901
2010	107.515	2331958

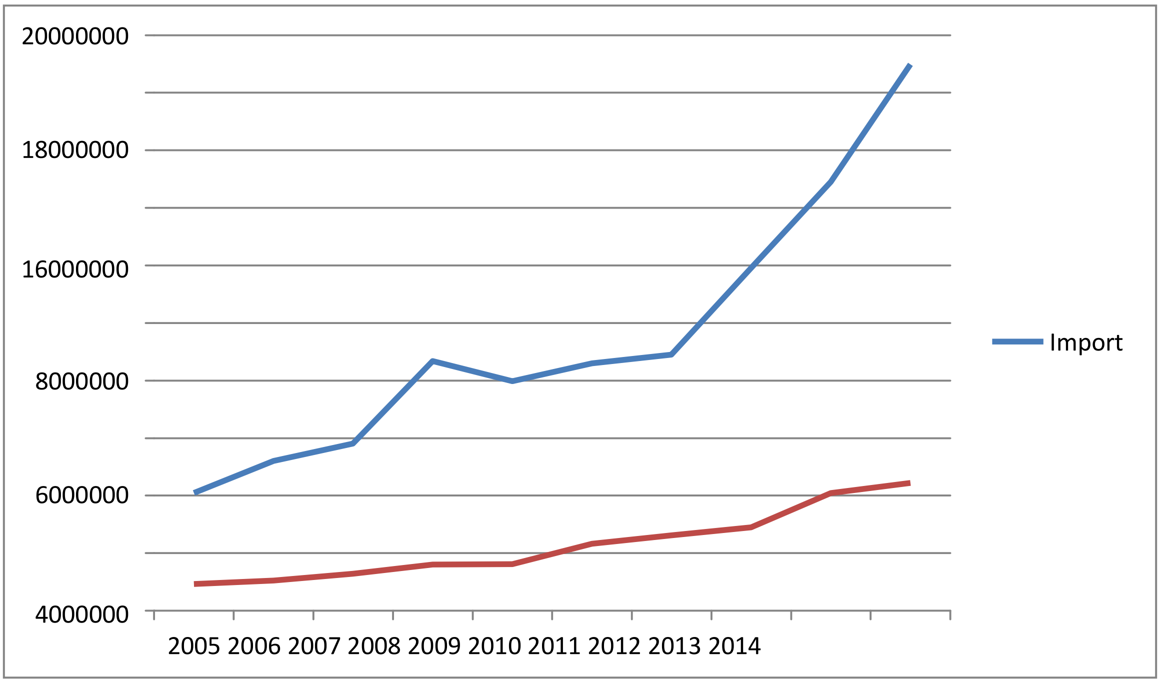
2011	114.925	2617678
2012	160.3796	2894083
2013	154.0806	4080079
2014	164.1817	4440138



The ratio of the price level abroad and the domestic price level, where the foreign price level is converted into domestic currency units via the current nominal exchange rate highly determining the flow of business in the country and as it is depicted from the above graph, for the first five years the real exchange rate is fluctuating and after the six year (2010) the rate becomes increasing and which impacts the level of export in a significant manner. And the aggregate export of the country is increasing in a similar manner with a slight difference.

Table 4.3 Imports in Dollars, 2005_2014 UNTCAD Data

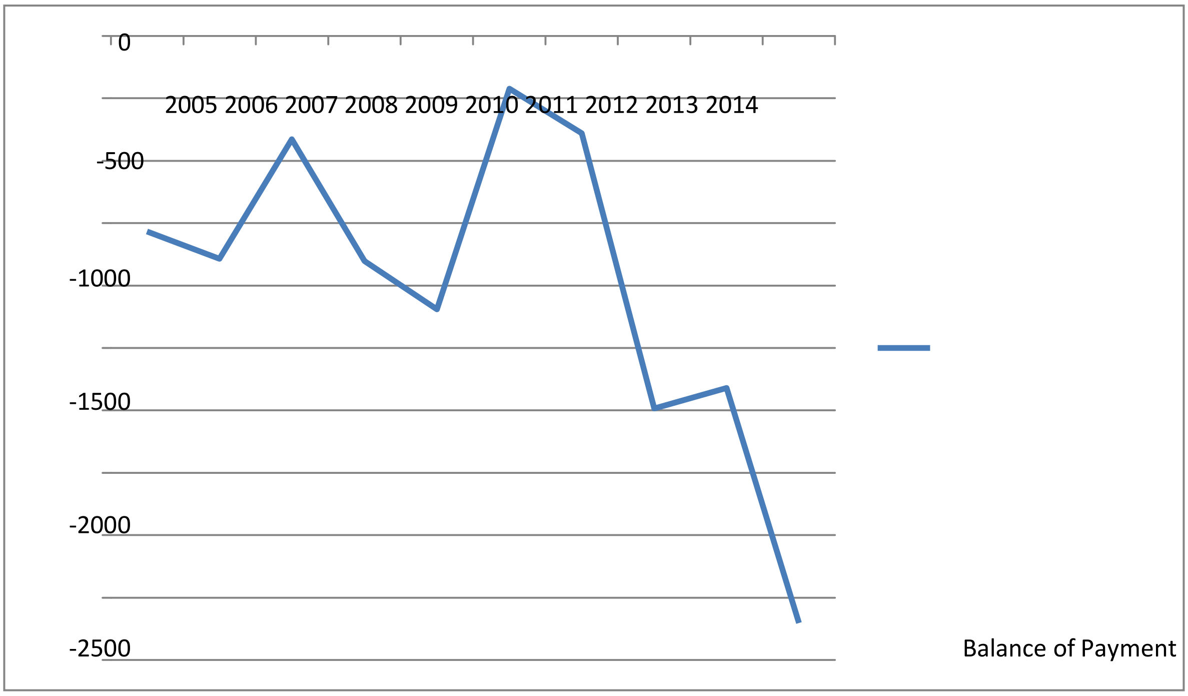
Year	Imports in Dollars	Aggregate Export
2005	4094775	927216.3
2006	5207320	1044106
2007	5808650	1278444
2008	8680326	1603612
2009	7973880	1619901
2010	8601769	2331958
2011	8896288	2617678
2012	11912932	2894083
2013	14899147	4080079
2014	18987291	4440138



From the Graph above the level and trends of import shows increment with respect to the consecutive study time period and the range of increment varies from on to other time duration. And while it is compared with the aggregate export, the imports are showing more increment and which cause the country to face the problem of negative trade balance and the main reason for such more increment in import is basically due to the reason that the importing materials to the country are machineries and different equipment which are pricing high and demands huge cost. And to the contrary the exporting products are unprocessed and raw materials which are mostly low price and the agricultural products.

Table 4.4 Balance of Payment

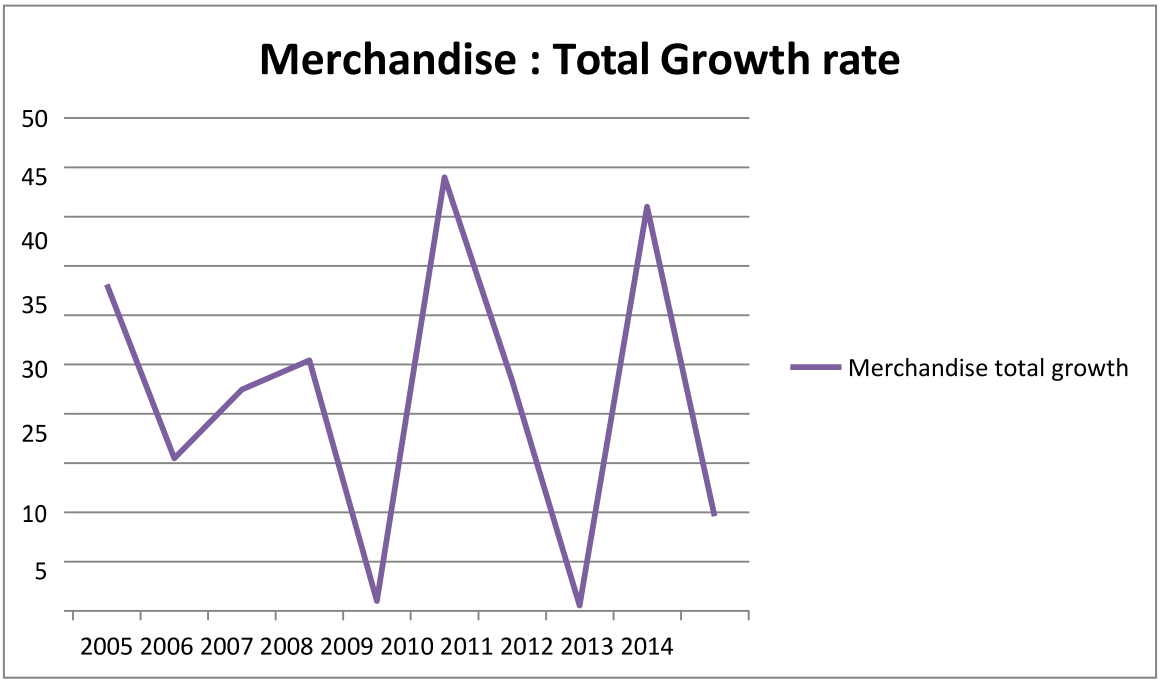
Year	Balance of Payment
2005	-1567.75
2006	-1785.9
2007	-828.005
2008	-1805.74
2009	-2190.65
2010	-425.43
2011	-783.057
2012	-2985.27
2013	-2821
2014	-4704



The downward plotted graph of the balance of payment shows the country is in high level of trade deficit by which the importing level is becoming highly increasing in an increasing rate over the export of commodities and services. This negative proportion of the balance between importing and export is high reflection and indication of the unbalance between importing and exporting. And the rate is fluctuating in different time periods. The maximum improvement was at 2010 which is -425.43 and the rest of indicators are decreasing. Therefore, such a negative balance of payment shows the saver risk of the country in participating and involving in the international market environment and in expanding expansion of its products to the trade partners or global trading countries.

Table 4.5 Merchandise growth rate

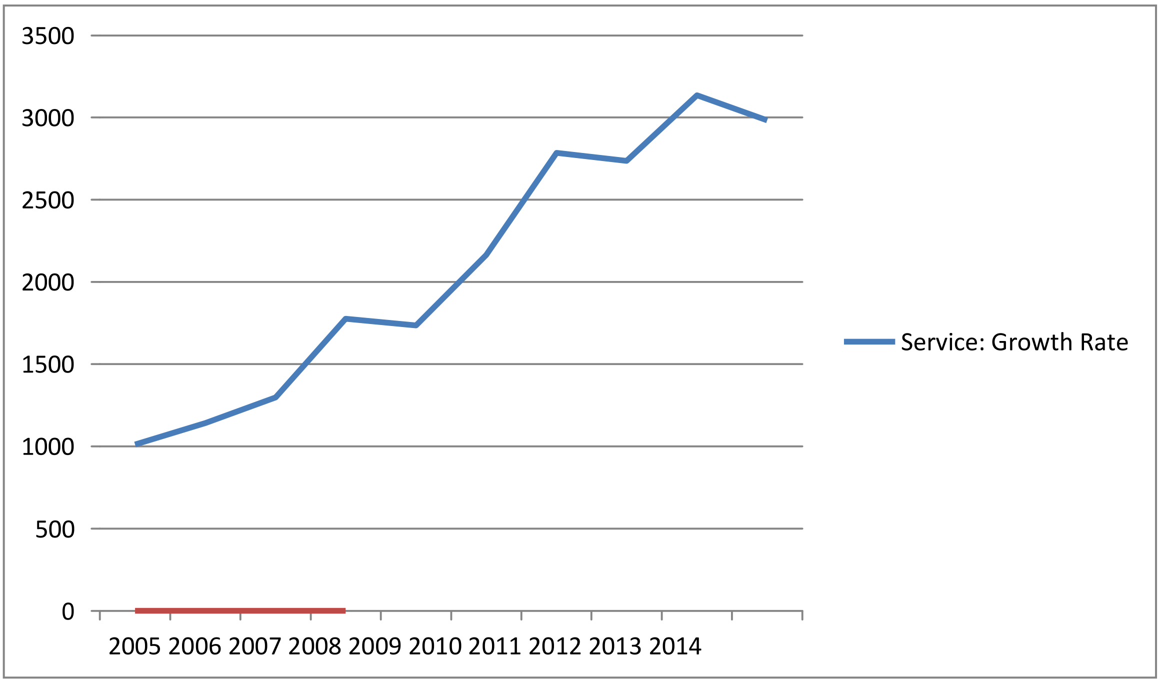
Year	Merchandise Total Growth Rate	Aggregate Export
2005	33.12654245	927216.3
2006	15.49977852	1044106
2007	22.45352904	1278444
2008	25.42311171	1603612
2009	1.019518239	1619901
2010	43.97737933	2331958
2011	23.41379685	2617678
2012	0.558587912	2894083
2013	41.00500562	4080079
2014	9.618920441	4440138



The proportion of merchandise export to the aggregate export level of the country as shown from the graph above is changed through different time periods. And in the year of 2009 and 2012 the rate of merchandise export was minimized and by the year 2010 the rate was increasing and reaching the top level while compared with the rest of time periods. And the main reason here is that the country's level of export on the merchandise sector is decreasing and shifted to the service sector as of having a unique and pleasant service sectors in the country.

4.6 Service: Total Growth in Dollars 2005_2014

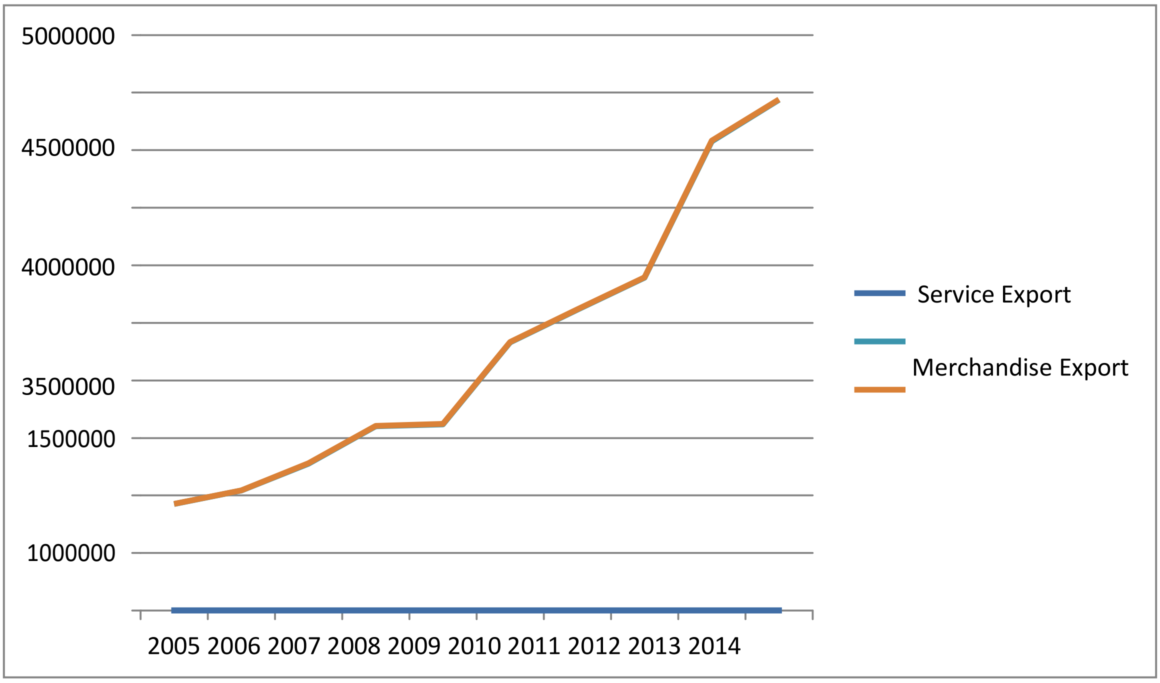
Year	Service: Growth	Aggregate Export
2005	1012.13	927216.3
2006	1142.94	1044106
2007	1298.85	1278444
2008	1776.7	1603612
2009	1735.25	1619901
2010	2164.72	2331958
2011	2785.83	2617678
2012	2735.93	2894083
2013	3134.633	4080079
2014	2984.364	4440138



A fundamental shift has been taking place in the Ethiopia's economy over the past 10 year, and the service sector plays an important and key role for the development and expansion of the level of export in the country. The young tourism sector has a significant role for the present development and growth of exporting services to the rest of the world. Therefore, this sector has a significance role for the growth of export s well as the overall economic development of the country.

4.7 *Export of service and its comparison with merchandise export and aggregates*

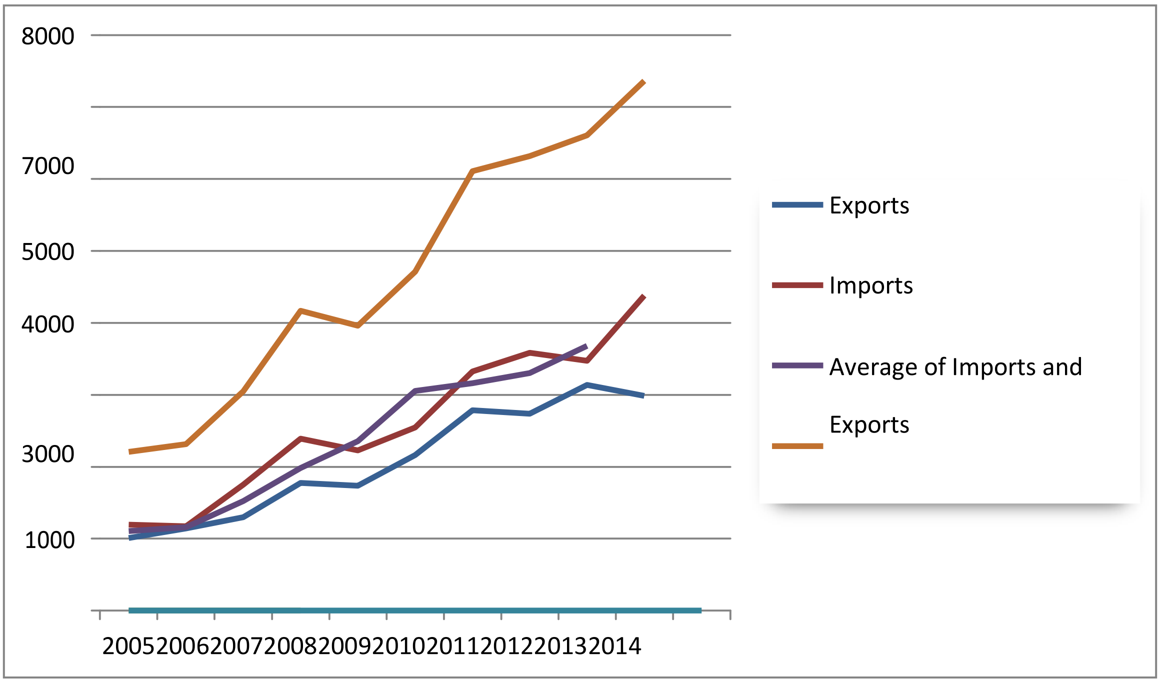
Year	Exports Services	Merchandise Export	Aggregate Export
2005	1012.13	926204.2	927216.3
2006	1142.94	1042963	1044106
2007	1298.85	1277145	1278444
2008	1776.7	1601835	1603612
2009	1735.25	1618166	1619901
2010	2164.72	2329793	2331958
2011	2785.83	2614892	2617678
2012	2735.93	2891347	2894083
2013	3134.632956	4076944	4080079
2014	2984.364308	4437154	4440138



From the table above we can understand that merchandise export is increasing in a significant manner that the economic status and wellbeing of the country is highly depending on the level of agriculture and most of the exporting commodities (merchandise trade) are the outputs of agriculture and from this we can conclude that, merchandise export in the country needs a due attention and consideration for the development of export and to boost the economic status of the country in the international market.

4.8 Trade Openness Indicators in Dollars at current exchange rate of services, 2005-2014

Year	Exports	Imports	Average of Imports and Exports	Sum of Imports and Exports
2005	1012.13	1193.83	1102.98	2205.96
2006	1142.94	1170.55	1156.745	2313.49
2007	1298.85	1748.88	1523.865	3047.73
2008	1776.7	2391.6	2084.15	4168.3
2009	1735.25	2223.8	1979.525	3959.05
2010	2164.72	2546.25	2355.485	4710.97
2011	2785.83	3321.8	3053.815	6107.63
2012	2735.93	3582.65	3159.29	6318.58
2013	3134.632956	3470.0331	3302.333028	6604.666056
2014	2984.364308	4376.592472	3680.47839	7360.95678



Trade (both imports and exports) is a vital and key to any successful modern economy and it is a crucial for the Ethiopian economy that needs to integrate with the country's overall production level and go to the international competition. The import and export flow of the country is increasing from time to time and which shows the country is in a good position for the movement and involvement in the international market and trading of its products to the international market. And the service sector in the country is in an infant stage by which it needs a high and well organized improvement for the expansion of the economy. As shown from the graph above the summation of imports and export is increasing and which is the reflection of the high movement of the country in the international market and trade openness is improved and paving the way for the business players in the country. And the country's import is greater than export in the study period out of 2011, when the import is becoming diminishing.

4.9 *Firm characteristics*

Most studies of the link between exporting and firm productivity focus on the extensive margin of exporting, asking whether mere participation in the export market affects firm outcomes. In the country, the firms are not as such well-equipped and notion and consideration of their business with ethics is ignored. And from these we can understand that the nature and characteristics of Ethiopian firms are not much suited for the expansion and growth of the country's export. And it has expected to integrate with each other and they need to be organized well and the internal structure or relationship with employees should be smooth and conducive.

4.10 *Infrastructural Development*

Empowering urban local bodies in Ethiopia to take up development responsibilities by using financial intermediaries to tap capital markets has serious implications for the pattern of urban development and organization of space within cities. It is important to keep watch on the process by which cities are segmented and basic facilities are not well covering in all the regions and the government needs to think over it for the purpose of the development and growth of export in the country. And the easy access of market for the rural people enables them to link with big firms in the urban area and the overall movement of exporting increasing.

4.11 Financial Development

Ethiopia is one of the least developing countries which rank 157 out of 169 countries on the United Nations Development Programs in 2009, Human Development Index. And the Ethiopian economy is based on agriculture, which in 2009 accounted for about 42 percent of the gross domestic product (GDP), about 80 percent of total employment, and nearly 80 percent of foreign currency earnings (MoFED, 2009). Ethiopia's major exports include coffee, oil seeds, 16 gold, chat, flowers, pulses, and live animals. Coffee is the leading export, constituting 30.6% of total exports by value in the year 2009 (MOFED, 2009). Generally, the overall economic growth of the country has been highly associated with the performance of the agriculture sector. Recently the industry and service sectors have been increasing their share of the GDP. The industrial sector, which mainly comprises small and medium enterprises accounted for about 13 percent of GDP in 2009. And the small enterprises are increasing in number and their contribution to the export of products is also increasing along with its growth.

5. CONCLUSSION

The increment of GDP is proportionately associated or linked with Export and when the domestic production level increasing, the level of export is also increasing and having a positive association with export which leads the country to expand its export in different areas of the world. The ratio of the price level abroad and the domestic price level, where the foreign price level is converted into domestic currency units via the current nominal exchange rate highly determining the flow of business in the country. And while it is compared with the aggregate export, the imports are showing more increment and this unbalance between import and export shows the negative balance of payment shows the country is in high level of trade deficit by which the importing level is becoming highly increasing in an increasing rate over the export of commodities and services. The basic reason which aggravated the increment of import of the country is due to the reason that the exporting products are agricultural products, whereas the imported products are high price machines and finished products.

The young tourism sector has a significant role in the country for the present development and growth of exporting services to the rest of the world. Therefore, this sector has a significance role for the growth of export as well as the overall economic development of the country.

Merchandise export is increasing in a significant manner that the economic status and wellbeing of the country is highly depending on the level of agriculture and most of the exporting commodities (merchandise trade) are the outputs of agriculture and from this we can conclude that, merchandise export in the country needs a due attention and consideration for the development of export and to boost the economic status of the country in the international market.

Trade (both imports and exports) is a vital and key to any successful modern economy and it is a crucial for the Ethiopian economy that needs to integrate with the country's overall production level and go to the international competition.

Firm characteristics, infrastructural development and financial development are in the infant stage and which affects the proper wellbeing of businesses in the country and which adversely affect the export of goods and services.

6. RECOMMENDATIONS

The Ethiopian economy is highly depending on agriculture and which takes the lion share in the export and overall economic performance in the country.

The government should try to give a due attention for agricultural sector to substitute the high level of import and to increase the export performance which enables the country to boost its economy in a high level.

As the country is having abundant resources which need to be doing business and which are mostly linked with services and the tourism industry needs a special care for generating foreign currency and to generate money as well as to involve in the international market environment.

The country need to substitute the high priced foreign products with local product and for this purpose, it should try to pave the way for small and micro enterprises to involve and produce products in the home country and enable the people to easily access the needed product and also sustains the country's economy. And alongside with the development of financial institutions and infrastructural development the government need to integrate small markets with the people and the access to road, electricity and water are the basic and crucial elements that facilitates the people to properly perform their business and contribute to the export activity.

The businesses in the country are lacking to operate in an ethical manner and the notion of corporate ethics is missed, and which has a greater impact for the development and growth of local businesses and to face immense completion with the rest of countries in the global business arena. As a result the government should try to enforce and practice the local private and governmental business corporations to act accordance with the stated rules framed under the Ethiopian Corporate Governance Institute (ECGI), which has a high impact for the success and wellbeing of the business as well as smooth integration and linkage between business with society, business with employees, business with customers and business with its shareholders

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