

ENHANCING ETHIOPIAN EXPORT COMMODITY MARKET THROUGH LENS OF MARKETING STRATEGIES BY GOVERNMENT AND FIRMS

Esubalew Melese

PhD. Scholar, SBS, Sharda University
Email: esubalew3melese@gmail.com

Abstract

Export plays a major role in the economic development of a country. The benefit derived from export is also increases in the globalized world. Ethiopia as one of the emerging economy country faces problems in the export performance of its major export commodities such as coffee, khat, oil seed, leather and textile products, and horticulture sub sector. Factors related to FDI, GDP, real effective exchange rate, export promotion programs, international standard certificates, infrastructural developments, export policies of the government, marketing strategies of firms landlockdness of the country, lack of potential market, lack of skilled marketing personnel's and technological advancement are the major inhibitors of the export performance.

Therefore, Ethiopia needs to concentrate on structural problems and policy issues in order to benefit from FDI and enterprises in these countries also should give priority to human resource and R&D. With respect to its land lockdness the country can improve its export performance by creating a more trade-friendly environment through lowering tariffs and entering into regional trade agreements.

Flexibility in exchange rate fluctuations in keeping with economic fundamentals, improved domestic economic performance, attracting export-oriented investments would also contribute to export growth, and diversification of commodities. In other cases, in order to increase the performance of country's export market, businesses must participate in export promotional activities such as trade exhibits, trade missions, and trade affairs.

Introduction

Ethiopia as one of the emerging economy country and its economy is mostly based on agriculture and hence agricultural products have dominated Ethiopian exports for a long time. As a result, Ethiopia's external trade is marked by high sectoral (agricultural) and commodity (coffee) concentration.

Export item	Contribution in dollar (2016/2017)	Market Destination
Coffee	881	America, Asia and African countries
Vegetables (snow peas, broccoli, asparagus, okra, cabbages)	538	African countries
Oilseed (sesame seeds, mustard, pumpkin, sunflower, rapeseed, castor seed, and groundnuts)	446	European countries
Live trees and flowers (ornamental foliage, bulbs, roots and cut flowers)	221	America, Asia and African countries

(Source: World atlas.com)

Fig 1. Top agricultural export commodities of Ethiopia (million US\$)

However, the export performance of this emerging economic countries faces many challenges. Some of the challenges are FDI, GDP, foreign exchange rate, quality standard certification, export promotion programs, landlockdness, export market strategies, aid for trade (AfT) and firm's internal characteristics, which play a major role.

Ethiopia as a country faces similar problems in the export performance of its major export commodities such as coffee, khat, oil seed, leather and textile products like all Agri based economies. Further factors related to infrastructural developments, export policies of the government, marketing strategies of firms landlockdness of the country, products characteristics, lack of potential market, management commitment and lack of skilled

marketing personnel's and technological advancement are the major inhibitors of the export performance.

Export Items	1996-2000	2001-2005	2006-2010	2011-2015	2016-2018	%
Coffee	2,233,458	1,832,048	4,512,238	14,216,725	24,108,457	29.07
Oilseeds	191,525.80	547,770.90	1,869,299	8,860,028	9,718,973	15.50
Gold	183,724.20	365,970.80	1,381,086	8,723,212	4,467,630	11.33
Chat	262,018.20	610,545.50	1,349,846	4,811,151	6,169,305	9.12
Pulses	89,942.07	205,348.10	979,743.50	3,689,298	6,095,930	7.33
Flower	0	17,539.49	1,073,358	3,510,759	5,208,463	6.56
Leather products	311,832.90	503,441.80	770,864.80	2,181,861	2,812,965	4.64
Live Animals	8,478.87	28,019.09	531,210.20	3,101,145	2,045,384	4.16
Textile	0	27,596.11	157,262	1,660,928	2,111,165	2.64
Meat products	26,007.38	47,479.56	240,954.70	1,404,660	2,301,074	2.63
Total						92.98

(Source: NBE 2018 Annual Report Annex)
Fig 2. Top export commodities (million Birr)

Since export plays a major role in the economic development, emerging economy countries must also compete by maximizing their export performance in the international market to enhance their economy. Exporting is still the most popular way of entry into international markets, as well as a critical commercial activity for a country's economic health, as it contributes considerably to employment, trade balance, economic growth, and a higher standard of life (Wei et al., 2014; Lee and Habte-Giorgis, 2004).

Therefore, the importance of a proactive marketing approach in determining export performance has to be stressed enough which means export marketing strategy should be stressed as a key predictor of export issues.

Export product diversification in Ethiopia

The Ethiopian export market has a high level of product diversification, with the majority of exports containing value adds, indicating that, while conventional commodity exports still account for the majority of export earnings, new export items are fast entering the market. The government's export emphasis, such as constructing industrial zones, a favorable environment to entice foreign investors to invest only for exports (an exporting firm obtains tremendous benefits from the government), and certain supply-side reforms, are driving this dynamism.

Despite the fact that main export commodities have risen output levels as a result of various institutional and structural reforms, there are still capacity challenges to improve exports, i.e., hurdles to lower trade costs and ensure economies of scale benefits. With respect to product diversification and market destination the majority of products are not sent to the former destinations, and the value of exports is quite low. Because the majority of these destinations are African countries, new products such as other vegetables, vegetable mixes, veterinary medicine vaccines, raw hides and skins (of goats or children), carcasses and half-carcasses, vehicle parts and accessories are becoming increasingly popular. This is due to the fact that the

items are new and have stronger comparative advantages, and Ethiopia has a large market for these export products. However, promoting new places necessitates a significant expenditure in advertising.

Export Market Strategy of Ethiopia

Ethiopia's Development Strategy has two main goals. The first is to encourage rapid economic growth in a macroeconomic environment that is stable and to improve Ethiopia's economic integration with the global economy. The promotion of exports has received special attention in this attempt. As a result, a strategy for increasing and diversifying the country's exports has been established.

Ethiopia's long-term development strategy is focused on Agriculture-Led Industrialization (ADLI). Agriculture will drive Ethiopia's economic growth over the next two decades, according to this plan. The consequence is that agriculture will set the pace of economic expansion, both directly through its contribution to GDP growth and indirectly as a market for the rest of the economy. Ethiopia is the second large exporter after Egypt in export performance in Africa which has more similarity in Export of goods and services which mainly base in agricultural products.

Future of Ethiopian Export market

Ethiopia's economy has grown at one of the fastest rates in the world in recent years, and foreign financial institutions and the government expect the economy to continue to expand at a rapid pace. Ethiopia benefits from a variety of preferential trade agreements as a least developed country (LDC), which give its products almost duty-free and quota-free access to markets in many developed and developing countries.

The government is focusing on completing critical infrastructure projects, particularly in energy generation and road and rail transportation, as well as enabling export-oriented foreign direct investment (FDI) in new industrial zones, to improve the country's export market performance. These industrial zones are designed to

stimulate manufacturing and export-processing operations by simplifying regulations, giving tax benefits, and providing preferential financing and foreign exchange access.

Conclusions and Recommendations

A company's marketing performance is influenced by four variables: firm characteristics, product characteristics, industry characteristics, and export market factors. There is also long causal relationship between FDI, GDP, and export therefore Ethiopia needs to concentrate on structural problems and policy issues in order to benefit from FDI. The government must take proactive steps to encourage local businesses to collaborate with FDI in terms of input supply and services. Ethiopia's government must ensure that appropriate knowledge and technology transfer takes place. Enterprises in these countries also should give priority to human resource and R&D.

With respect to land landlocked effect of the country the government trade policies and trade relations agreements play an essential role in maximizing the country's export performance by establishing a shared infrastructure and managing transportation networks.

In other cases, flexibility in the exchange rate movements is in line with the fundamentals of the economy, strengthening the performance of the domestic economy, attracting export-oriented investments which would contribute to export growth, and diversification of both commodities and importing countries.

Finally, to increase the performance of country's export market, businesses must participate in export promotional activities such as trade exhibits, trade missions, and trade affairs. To overcome the export dilemma, government policymakers must also develop export promotion programs based on the needs of export enterprises. Other institutions must also collaborate by strengthening international diplomacy negotiations that can improve exporter tax, trade policy, and financial incentives. Foreign offices' human resource skills and knowledge capacity must also be strengthened in order to increase negotiation abilities and boost export performance. The use of digital information flow in order to address problems related to document processing and search for new market and export promotion also plays an important role.

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