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SCHOOL OF COMMERCE**

MARKETING MANAGEMENT GRADUATE PROGRAM

Factors Influencing Export Performance of Textile Industry in Ethiopia

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ETHIOPIA**

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DEPARTMENT OF MARKETING MANAGEMENT

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STATEMENT OF DECLARATION

THIS IS TO CERTIFY THAT AMAKELE YIMAM BELAYNEH HAS CARRIED OUT HIS RESEARCH WORK ON THE TOPIC ENTITLED, FACTORS INFLUNCING EXPORT PERFORMANCE OF TEXTILE INDUSTRY IN ETHIOPIA.

THE WORK IS ORIGINAL IN NATURE AND IS SUITABLE FOR SUBMISSION FOR THE AWARD OF MASTER DEGREE IN MARKETING MANAGEMENT(M.A IN MM).

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Contents

Acknowledgement	i
ABSTRACT.....	iv
CHAPTER ONE	1
1.1 Background	1
1.2. Statement of the Problem	2
1.3. Research Questions	3
1.4. Research Objectives	4
1.4.1. General Objective	4
1.4.2. Specific objectives	4
1.5. Research hypothesis	4
1.6. Significance of the study	5
1.7. Scope of the study	5
1.8. Limitations of the Study	6
CHAPTER TWO	7
2. LITERATURE REVIEW	7
2.1 Theoretical Framework	7
2.1.1. External/ environmental given market access & TCB programs of utilizing them/demand side factors.....	8
2.1.1.1. Preferential and Differential Market Access.....	8
2.1.1.2. Trade Capacity building of Utilizing Preferential market access	15
2.1.2 Internal/ supply side Export performance influencing factors	16
2.1.2.1. Foreign direct investment (FDI).....	16
2.1.2.2. Local firms expansion of textile industry.....	18
2.1.2.3. Improvements of low cost labour skills	19
2.1.2.4. Availability of low cost electricity	20
2.2 .Empirical Literature review	22
2.3. Conceptual Framework	26
CHAPTER THREE	30
3. Research Design and Methodology	30
3.1 Research paradigm, approach and method.....	30

3.1.1 Research Paradigm.....	30
3.1.2 Research Approach	30
3.1.3 Research Methods	30
3.2 Research Design	30
3.3 Population and Sampling	30
3.4 Data Collection.....	31
3.4.1. Source of data	31
3.4.2.Data Collection Technique.....	31
3.5 Data Analysis	31
CHAPTER FOUR.....	33
4. PRESENTATION AND ANALYSIS OF DATA	33
4.1 Primary data presentation and analysis	33
4.1.1. Response Rate	33
4.2. Secondary Data Analysis	45
CHAPTER FIVE	48
5. SUMMARY AND CONCLUSIONS	48
5.1 Summary	48
5.1.1.FDI.....	49
5.1.2.Expansion of local firms	49
5.1.3.Improvement of labour skills	49
5.1.4.Availability of low cost electricity	50
5.1.5.Trade capacity building programs.....	50
5.2. Conclusion.....	50
References.....	52
Appendix.....	v

ABSTRACT

The objective of this study examine factors influencing export performance of textile industry in Ethiopia, on average 17.33% growth value in dollars from 2002-2009 E.C. The research design was cross sectional survey and census technique was applied. Primary data was collected using structured questionnaire from the total target population (management group of ETIDI)which accounts 30 and semi structured interview with head and vice heads of the ETIDI were conducted. The multi regression model revealed that FDI, expansion of local firms, improvement of labour skills and availability of low cost electricity were significant to explain export performance of textile industry in Ethiopia at 5% level of significance. But trade capacity building program was insignificant to explain export performance of textile industry in Ethiopia.

Research limitations– *there is a great potential on textile industries that produce for the domestic market in improving the overall textile industry performance as well as other possible control, moderate and exclusive variables impacts on export performance growth of the sector. The study mainly devotes on firms of the sector those engaged in the export market and examine specific factors influencing the performance within considering control, moderate and exclusive variables.*

CHAPTER ONE

1.1 Background

International Trade is an economic exchange or transaction involving the movement of goods, services and capital across borders from one country or territory to another (Jones and Martin, 2012). In most countries international trade now plays a major part in their economies in addition to the importance of foreign trade in general and exporting in particular (Jones and Martin, 2012). Export has great effects onto countries in terms of enhancing economic growth and activity, increasing the internal production, reducing the unemployment rate, supplying foreign currencies for import, becoming growth accelerator (Keane and Velde 2008).

That is why Ethiopian industrial development policy has put the textile industry on the forefront position to accelerate the country's export lead industrialization process that consistent with the dynamic growth of global textile industry development trend (FDRE Government industry policy 2001). The policy promotes Ethiopian industrialization and the competitiveness of the export performance of the country so as to alleviate acute poverty of the nation (ETIDI 2016), and in line with this the government has designed and implemented different supportive programs and incentives like trade capacity building programs including world trade organization accession process, bilateral & multilateral trade negotiations and relations within utilizing preferential and differential market access as well as incentives for FDI those export oriented (MOT 2017). The modern textile sector in Ethiopia was established in 1939 by a foreign capital under the name of Dire Dawa Textile Mills (Ataklti 2015). Ethiopia has potentials and opportunities to develop its textile industries as the country is endowed with conducive climatic conditions for cultivating cotton and as it has abundant and low cost labor force for competitive textile industry (Berihu 2008). The overall export performance indicator has shown that there is an improvement on the export earning of this sector (Yared 2010). Labour cost and trade openness (liberalization) have positive impact on the textile export performance of Ethiopia, whereas cotton export and exchange rate have negative impact (ETIDI 2017). The textile sector is constrained by poorly trained and unmotivated labour, local market orientation, institutional deficiencies and lack of information support system, weak intra and inter sub sector linkages, inadequate supply of accessories and materials, poor infrastructure, inadequate financial services, and competition from illegal imports (Mulat, 2004). Factors that limit the sector's potential include a lack of awareness among international buyers of Ethiopian apparel

producers, manufacturing inefficiency, lack of speed to market, uncompetitive costs, and a shortage of marketing and manufacturing know how in addition Ethiopian producers were unfamiliar with international markets(USITC2009).However, in the past eight years those including from 2009/10-2016/17 the export performance of textile industry in Ethiopia shows significant increase by 17.33%average growth value in dollars (MOT 2017). In general, as above researchers' literatures there are factors those have positive impacts on the export performance of textile industry in Ethiopia and in other hand there are factors those have negative impacts. While export performance of textile industry in Ethiopia being increasing interestingly for the last eight years by 17.33 average growth value in dollars (MOT 2017) that shows the gap or needs to study factors influencing this performance in the last decade.

Thus the main concern of this study examining factors those have positive impacts or factors influencing export performance of textile industry in Ethiopia and by doing so helps to give inputs for Ethiopian textile export industry current policy makers as well as further research of researchers on the textile industry.

1.2. Statement of the Problem

In Ethiopia Mass effort is currently mobilized to focus on expanding foreign trade (exports) in order to ensure the sustainability of this expedited economic growth that is primarily based on agriculture but over the last eight years the government has been determined to diversify the exports with a priority set for strategic sectors like light manufacturing, textile and garment manufacturing (MOT 2017).The Ethiopian government has approved of loans to upgrade the technology of the sector and come on par with international textile industries production standards (Birhanu 2008). Factors that limit the sector's potential include a lack of awareness among international buyers of Ethiopian apparel producers, manufacturing inefficiency, lack of speed to market, uncompetitive costs, and a shortage of marketing and manufacturing know how in addition Ethiopian producers were unfamiliar with international markets(USITC2009).The positive and significant relationship between export performance and FDI has contributed to capital formation(Yared 2010). Similarly;foreign investment has played a critical role in the country's economic success, with the government offering favourable benefit packages to attract clothing and textile companies looking to relocate their manufacturing bases to Africa. The investment is helping Ethiopia develop as a manufacturing hub for the global textile market (RupaGanguli 2017). Furthermore, Ethiopia offers extremely cheap electricity at US\$0.04 cents

per kilowatt hour. It is now the second largest electricity producer in sub-Saharan Africa due to its hydropower dams. Ethiopia is the source of major rivers, such as the Blue Nile(Embassy of Ethiopia Washington, D.C. 2008). Due to the governmental export incentives and opportunity of international trading environment in the past eight years, the export performance of textile industry in Ethiopia shows significant increase by 17.33% average growth value in dollars; Ethiopia being an east Africa huge textile and garment exporter (MOT 2017).

In the case of Ethiopia, export performance of the Textile and Leather and Leather products manufacturing firms during the PASDEP did not mainly correlate with the internal factors such as the management characteristics, firm's characteristics and export marketing **strategy** capabilities of the firms (Kibreab's 2011) and cotton export and exchange rate have negative impact(ETDI 2017) .

The determinants of export performance have been the focus of much debate and research (Sundqvist et al.2000).As a result of the above both researchers agreed by export performance growth of textile industry in Ethiopia but most of them are undermine the export performance growth and not clearly state factors influencing this performance growth of it specially in the last eight years. Therefore to feel those gaps this study is intended to analyze such specific factors influencing export performance of the textile industry in Ethiopia and within these contribute inputs to Ethiopian export performance of textile industry current policy makers and researchers. In general this study focuses on analyzing factors influencing specifically; external environmental market access/demand side factors (Trade capacity building programs of utilizing preferential market access including world trade organization(WTO) accession bilateral& multilateral trade relations) and internal/ supply side factors(FDI, local textile firms expansion, improvements of low cost labor skills and availability of low cost electricity) on the export performance of textile industry in Ethiopia.

1.3. Research Questions

1. How does the trade capacity building program of utilizing preferential market access including WTO accession trade agreements contribute to the export performance of the textile industry in Ethiopia?
2. How does FDI on textile and local textile firm's expansion affect the textile export performance in Ethiopia?

3. How does the improvement of low cost labour skills influence the export performance of the textile industry in Ethiopia?

4. How does the availability of low cost electricity affect the export performance of the textile industry in Ethiopia?

1.4. Research Objectives

1.4.1. General Objective

The objective of this study is analyzing factors influencing specifically; FDI, local textile firms expansion, improvements of skills of labor, availability of low cost electricity and trade capacity building programs of utilizing preferential market access including world trade organization (WTO) accession bilateral & multilateral trade agreements impacts on the export performance of textile industry in Ethiopia.

1.4.2. Specific objectives

1. To analyze the positive impacts of trade capacity building programs of utilizing preferential market access including WTO accession bilateral & multilateral trade relations on the export performance of textile industry in Ethiopia.

2. To examine the effect of FDI on the export of textile industry in Ethiopia.

3. To analyze the influence of local textile firms expansion on the export of textile industry in Ethiopia.

4. To Examine the improvement of labor skills influence on the export performance of the textile industry in Ethiopia.

5. To examine availability of low cost electricity impacts on the export performance of textile industry in Ethiopia.

1.5. Research hypothesis

H1; Trade capacity building of utilizing preferential market access programs including WTO accession trade agreements have positive effect on the export performance of textile industry in Ethiopia

H2; FDI has a positive effect on export performance of textile industry in Ethiopia.

H3; Expansion of local firms of textile industry has a positive effect on the export performance of textile industry in Ethiopia.

H4;The improvement of labor skills within low cost influence the export performance of the textile industry in Ethiopia.

H5; Availability of low cost electricity has positive impact on the export performance of textile industry in Ethiopia.

1.6. Significance of the study

History of industrial revolution of many countries shows that textile and apparel industry has been the beginning for export led industrialization. The textile and apparel industry has been identified as key engine for economic growth as well as increasing the export exchange amount of the country since it has a potential to provide employment and can contribute to gross domestic production as well as poverty reduction scheme of the country. For the last eight years export performance of textile industry in Ethiopia perform with 17.33% average growth. This shows that the export performance of the sectors was influenced by different factors. To examine these factors and to improve sustainable performances growth within utilize potential of the sector as well as doing better to other new emerging industry that determined by these same factors, this study proposal is very important.

So the study has the following significance.

- The study will enhance the capacity and sustainable growth within utilize potential of the sector.
- The study contributes to increase the awareness of the industries and stake holders for further engagements.
- The study helps the industry and the government understanding of the factors influencing the sector's export performance & give the attention to improve sustainable performance growth within utilize potential of the sector as well as doing better to other new emerging industry that determined by these same factors.
- The study will be useful to another researchers to provide information & used as reference material while conducting further study.

1.7. Scope of the study

The scope of this study is limited to mainly devote itself on the export performance growth of textile industries those engaged in the export market. It will not focus on domestic market

oriented industries. The study mainly focuses in analyzing factors influencing export performance growth of the sector as a country level that covers this performance growth influencing factors FDI, Expansion of local firm in the sector, trade capacity building programs (i.e. preparing private sector enterprises to navigate import regulations of U.S. coaching small business on the access of financial services for trade and investment, facilitating investment in trade related infrastructures and organizing annual AGOA forum, in addition bilateral& multilateral trade agreements including WTO accession process tasks and systems of institutions like ETIDI, National quality infrastructures),improvement of labour skills and availability of low cost electricity in deferential and preferential export market access exploit scenario. The export performance growth in this study will be measure in terms of exports value in dollars for the last eight years that covers from 2009/10-2016/17.

1.8. Limitations of the Study

There is a great potential on textile industries that produce for the domestic market in improving the overall textile industry performance as well as other possible control, moderate and exclusive variables impacts on export performance growth of the sector. The study mainly devotes on firms of the sector those engaged in the export market and examine specific factors influencing the performance within considering control, moderate and exclusive variables.

The study is limited as explained the above analyze specific factors influencing on firms in the industry only engaged to export because of:-

- Time schedule that is not enough to cover all firms in the industry examine factors influencing the performance.
- Shortage of financial resource to cover this study.
- Lack of proper recording and arrangement of documents in the industry.
- Due to the poor documentation and data handling system in the sector. Since Ethiopian textile industry development institute (ETIDI) recently established (2010).

CHAPTER TWO

2. LITERATURE REVIEW

Literature review of this study focuses on trade capacity building to overcome barriers of the given preferential market access mainly in U.S., EU and Regional(Africa) markets, FDI with respect to export performance, local textile industry expansion with respect to export performance, improvement of labor skills with respect to export performance and availability of low cost electricity with respect to export performance.

2.1 Theoretical Framework

Concept of export

Exporting means one of the foreign market entry strategy thus exporting good to other country of the world as per the procedure framed by the exporting country as well as by the importing country. Export marketing has a wider economic significance as it offers various advantage to the national economy. Export marketing includes the management of marketing activities for product which cross the national boundaries of a country. Export marketing is dominated by MNCs or large corporations. At present MNCs from USA, Europe and Japan play a dominant role in foreign trade. They are in a position to develop worldwide contacts through their network of branches/offices/ subsidiaries. Export trade is subject to trade barriers tariff and non-tariff barriers. The trade barriers are the restrictions on free movement of goods between countries. Normally, a country in Export trade is subject to trade barriers tariff and non-tariff barriers. The trade barriers are the restrictions on free movement of goods between countries. Normally, countries impose trade barriers on imports, in order to restrict imports (IMS Module 2014).

Response refers to the total delay between placing an order and receiving goods. The seasonality of textile and apparel product consumption in developed countries makes response more sensitive. The two aspects of response are the delay length and the delay length's reliability. In many cases, delivery reliability is more important than delay length. This reliability is considered a factor that is able to meet the promised delivery date. Besides the firm level constraints for response, the country's trade related infrastructure and institutions quantity and quality, mainly transport has a paramount influence on the response (Yared2010).

MNCs: refers to multinational companies with respect to foreign direct investment (FDI).

TCB: refers to trade capacity building programs of utilizing preferential market access (AGOA 2012)

2.1.1. External/ environmental given market access & TCB programs of utilizing them/demand side factors

The world market may provide many promising opportunities, the challenge is to organize exports while solving the major export barriers with classification that provides a comprehensive basis for understanding the export problems and is useful for national export assistance programs in developing countries (Williams 2005).These are mainly preferential market access for textile industry in U.S., EU and regional(Africa) markets that LDCs try to doing Trade capacity building tasks to utilizing them by overcoming those market access barriers or specified requirements.

2.1.1.1. Preferential and Differential Market Access

2.1.1.1.1. Generalized System of Preferences (GSP)

There has been an important evolution in the regimes of preferential and differential market access for developing countries during the past five decades. The initial framework was one of a Generalized System of Preferences (GSP) granting duty free entry for import from the developing countries. A GSP is a system whereby developed countries grant preferential treatment to eligible products imported from developing countries, so that their exports would be competitive in the markets of developed countries. A GSP was first proposed in 1964 by Raul Perish, then by the secretary general of the UN Conference on Trade and Development (UNCTAD).By 1968, the 2nd UNCTAD adopted the principle of a “generalized, non reciprocal, non discriminatory system of preference in favor of developing countries”. In 1971 the General Agreement on Tariffs and Trade (GATT) granted a 10 year weaver (William 2004).The objectives of the GSP program are to increase the export earnings of preference receiving countries, to accelerate their industrialization, to promote sustainable development and good governance. The GSP preferential treatment is in the form of reduced import duty, and it allows the avoidance of reciprocal obligations on the part of the developing countries. The preference giving industrialized countries under the GSP scheme are U.S., EU, Australia, Japan, New Zealand, Norway, Switzerland, Belarus, Bulgaria, the Czech Republic, Hungary, Poland, Russia and the Slovak Republic. The lower tariffs or duty free entry make it attractive for importers to import from the beneficiary countries(Yared2010).

2.1.1.1.2. Special Preferential Market Access of the United States

The African Growth and Opportunity Act (AGOA) is a United States Trade Act that significantly enhances U.S. market access for Sub Saharan African (SSA) countries. The Act was signed by President Clinton into law in the U.S. on May 18, 2000 and originally covered the 8 years period from October 2000 to September 2008 as Title of The Trade and Development Act of 2000. Initially, AGOA was set to expire in 2008, but the United States Congress passed the AGOA Acceleration act of 2004, which extended the legislation to 2015. It has since been extended by 10 years from 2015 to 2025. The Act's apparel special provision, which permits lesser developed countries to use foreign fabric for their garment exports, was to expire in September 2007. However, legislation passed by Congress in December 2006 extended it through 2012, and later to 2025 as part of the general AGOA extension in June 2015.

Every year an AGOA Forum is held, which brings together government leaders and private sector stakeholders from Africa and the United States. The Forum is held in Washington every other year, and in an AGOA eligible African country in the other years. So far, the Forum has been held four times in Washington, and once each in Mauritius, Senegal, Ghana, Kenya (2009), Zambia (2011), Ethiopia (2013), Gabon (2015) and Togo (2017)..,now they are 41 African Countries of Sub Saharan Africa(41SSA) Countries in AGOA.

The African Growth and Opportunity Act (AGOA) was built on existing U.S. trade programs by expanding the duty free benefits previously available only under the Generalized System of Preferences (GSP) program to offer tangible incentives for African countries. This will initiate those countries to continue their efforts so that they can open their economies and build free markets. AGOA supports U.S. businesses by encouraging reform of Africa's economic and commercial regimes, which will build stronger markets and more effective partners for U.S. firms. AGOA extends duty and quota free benefits to imports of a number of textile industry products that are produced in eligible Sub Saharan African (SSA) countries. The U.S. government has set different criterions for AGOA beneficiary countries and for determination of product eligibility. The eligibility criterion requires these countries to have progress or make efforts on the development of political pluralism and rule of law, elimination of barriers on US trade and investment, protection of intellectual property, efforts to combat corruption, policies to reduce poverty, increment on availability of health care and educational opportunities, protection

of human rights and worker rights, elimination of certain practices of child labor, and the eligibility of GSP in these countries in order to receive AGOA benefits. The U.S. Customs Services determines the classification of products whether they meet the specified requirement in the Act or not. Essentially all products are/will be eligible as long as they meet the requirements of AGOA's rule of origin and they are imported directly from a beneficiary Sub Saharan Africa country. Exception has set by the U.S. government for products being considered as import sensitive. A country that exports its products to the U.S. using AGOA privilege should take the general rule of origins in to consideration as: the item/product must be growth, product, or manufacture of a beneficiary developing country and the sum of the cost or value of materials must not be less than 35% of the appraised value of the product when it enters the US market. Out of the 35 %, around 15 % may be derived from U.S. part or from sub Saharan Africa countries that are designated for AGOA beneficiaries and the article/product(s) must be shipped directly from the beneficiary countries to the U.S. without passing through the territory of any other countries. Or if it shipped through the territory of any other countries, the product must not enter the commerce of those countries while in route to the U.S. In all cases, the invoices, bill of lading and other documents connected with the shipment show that the US is the final destination of the imported article. Duty free access to the U.S. market under the combined AGOA/GSP program for Sub Saharan African (SSA) countries stands at approximately altogether 6,421 tariff lines (status November 2016) are granted AGOA duty free preferences. This number can however change from time to time. Notably, these include items such as apparel and footwear, wine and certain motor vehicle components. Ethiopia since August 2001 became one of the Sub Saharan African countries (SSA) privileged by the AGOA in which it is benefited by exporting qualified products to the US market duty and quota free. This Act has given an opportunity to Ethiopia to accelerate the development of the textile industry base. The tariff free access for U.S market of Sub Sahara region countries provides 7.5% competitive advantage when compared with the Most Favored Nations (MFN) status for Asian countries(MOTI 2017).

As the success story of some SSA countries shows, there is a need to open door for foreign investors and professional experts to upgrade the country's textile industry production capacity. There is also a need for organized functional export processing zones with adequate

infrastructure and uninterrupted utilities. Finally the establishment of a one stop support mechanism for a new and operational textile industry is also vital(ETIDI 2016).

AGOA has a unique characteristic when compared with other preferences. It combines Trade Capacity Building (TCB) program for beneficiary countries. Responsible U.S. agencies for this program are Department of Agriculture and USAID. Preparing private sector enterprises to navigate import regulations of U.S., coaching small business on the access of financial services for trade and investment, facilitating investment in trade related infrastructures and organizing annual AGOA forum are some of the activities undertaken by this program (MOT 2014).

2.1.1.1.3. Special Preferential Market Access of the European Union

Similar to U.S. the European Union has also shifted to a special preferential regime for certain developing countries trading partners that go beyond the GSP. At the same time, there has been a shift from the GSP concepts of temporary non reciprocity to preference. Over the last 45 years the European Union has made a series of preferential agreement with poorest countries to enhance their export earnings, to promote their industrialization and to encourage the diversification of their economies. The EU and LDCs in Africa, Caribbean and the Pacific (the ACP states) launched the preferential agreement called the Lomé convention in 1975 with 46 countries. This convention was successively renewed and expanded every five years which results in the embedment of 70 countries by 1995. However, due to incompatibility with GATT Rules, of being non-reciprocal, in 2000 the European Union replaced the above agreement with the ACP-EU partnerships agreements known as the partnership Agreement (CPA). This agreement has shifted the focuses into economic integration agreement that progressively removes the barrier and enhances cooperation in all areas related to trade. The change in name simply showed a new strategy rather than any immediate change in the preferential arrangement(William 2004). In February 2001, the European Union Council adopted a new initiative within the GSP, that was called Everything But Arms (EBA). EBA granted duty free access to imports of all products for LDCs, except arms and ammunitions. It doesn't impose quantitative restrictions (with the exception of bananas, sugar and rice for a limited period). This initiative underlines that the special arrangement for LDCs should be maintained for unlimited period of time and not to be subjected to the periodic renewal.

The special preferential market of EU Rules of Origin (RoO) required the double transformation process in the beneficiary countries, with the yarn being woven in to fabric, which is then cut and

made up into clothing. However, for few types of non-knitted apparel, there is an alternative Value Content (VC) rule, which allowed the use of none originating provided fabric that its value did not exceed 40% of the final product price. EBA allows EU to take the safeguard measure by withdrawing the preference from LDCs when imports rise much above the “usual levels”. In addition, EBA keeps the regulation on sanitary, which could constrain trade increment (Yager, Loren 2008). The RoO of EBAs initiatives and the Continuous Agreement (the requirement of two steps conversion process to all apparel on qualified countries) have limited the beneficiary countries' export. In country the relaxation of the RoO of AGOA by allowing the use of fabric of any origin, increased the exports of apparel by 300 percent for the top seven beneficiaries of AGOA's special regime, and widen the range of apparel exported by these countries. Ethiopia on limited utilization of AGOA in U.S. market is equally destructing the efficient exploitation of EBAs initiatives and the Continuous partnership Agreement in EU market(UNCTAD 2008). Preliminary impact assessment has revealed four important sets of factors that influence the ability of LDCs to make use of market access preferences, these are: The specification of the preferential schemes or the rules of origin associated with the eligibility of preferences, the difficulties of stemming non-tariff barriers, the impact of other policies, such as agricultural policies of developed countries that directly affect production and export interest to LDCs, and the supply capacities of the beneficiary countries(UNCTAD 2003).

The current EU rules granting GSP tariff preferences to certain countries (GSP beneficiary countries) are established in Regulation (EU) 978/2012. The GSP provides for reduced or zero duty rates for products originating in these countries. The regulation distinguishes three categories of beneficiary countries, each category providing increasingly preferential treatment:

- 1) The general arrangement for GSP beneficiary countries
- 2) A special incentive arrangement for sustainable development and good governance, available to GSP beneficiary countries that meet additional criteria (“GSP+” beneficiary countries) and
- 3) A special arrangement for the least-developed countries (“Everything But Arms” (EBA) beneficiary countries). A country will lose its beneficiary status within the GSP upon certain triggering events. A country can lose its status as a GSP beneficiary country when the country has been classified as a high-income or an upper middle-income country by the World Bank for

three consecutive years. In such a case, the country has one year (from the date the decision to repeal the status becomes effective) to adapt to its loss of status. A country also can lose its status as a GSP beneficiary country where the country benefits from another preferential market arrangement that provides the same or better tariff preferences as the GSP. The country then has two years (from the date it applied to benefit from the other preferential market arrangement) to adapt to its loss of status. If a country is a GSP+ beneficiary country in addition to being a GSP beneficiary country, it also automatically ceases to be a GSP+ beneficiary country when it loses its GSP beneficiary country status.

EBA beneficiary country status is granted to a country when it has been identified as a least-developed country by the United Nations (UN). Therefore, an EBA beneficiary country will lose its beneficiary country status when the UN graduates the country from the least-developed country category. If this happens, a country has three years after the (EC) European Commission delegated regulation that confirms the loss of status enters into force to adapt to its loss of status.

The European Commission closely monitors whether any of the events that could lead to countries losing their beneficial status under the GSP have occurred and, if so, the countries are removed from the relevant list through a delegated regulation. Delegated Regulation (EU) 2018/148 repeals GSP beneficiary country status of Ghana, Ivory Coast, Paraguay and Swaziland as from 1 January 2019. The GSP+ beneficiary country status of Paraguay also is repealed. Furthermore, both the GSP beneficiary country status and EBA beneficiary country status of Equatorial Guinea will be repealed as from 1 January 2021.

Paraguay was been classified by the World Bank as an upper-middle income country in 2015, 2016 and 2017, so it no longer qualifies for GSP beneficiary status. Ghana, Ivory Coast and Swaziland have preferential market access arrangements that started to apply in 2016 (10 October, 3 September and 15 December, respectively). Equatorial Guinea was removed from the EBA list because the country no longer qualifies for EBA beneficiary status since it is no longer considered a least-developed country by the UN and the country has been classified by the World Bank as a high income country in 2015 and as an upper-middle income country in 2016 and 2017. Therefore, the country no longer qualifies for GSP beneficiary country status (MOT 2017).

2.1.1.1.4 Regional Market Access

The Africa (Regional) market is one of the greatest potential but not yet appropriately utilized by Ethiopian textile and apparel industries. Like U.S. and EU market, the regional market has special preferential market privilege due to Free Trade Agreement (FTA) among the regional member countries (MOTI 2009).

.Africa (COMESA) was established in December 1994 to replace the Preferential Trade Area for Eastern and Southern Africa (PTA), which was established in Lusaka, Zambia in 1981. COMESA currently has 21 member states. Ethiopia is not only a signatory but also a founding member of COMESA. The main objective of this regional organization is promoting regional integration through trade liberalization and investment. This in turn creates fully integrated internationally competitive regional economic communities, within which there would be free movement of goods, services, capital and labor across member countries(COMESA 2003).

COMESA forms a major market place for both internal and external trading. Member countries of this group enjoy preferential tariff treatment for their imports and exports. Tariff structure within COMESA can broadly be divided into two: General tariff for COMESA and Free Trade Area (FTA). General tariffs adhere to the general terms of trade by COMESA, while the FTA has abolished tariffs for goods originated from their member countries. The FTA has not only gotten rid of customs tariffs but has also applied the relaxation and eventual elimination of quantitative restrictions and other non-tariff barriers. COMESA has launched FTA on October, 2000 and in the next step it is expected to upgrade COMESA in to Custom Union (CU).

Due to weak infrastructure basis weak productivity and trade facilitation when before 2007,the overall Ethiopia with Africa trade including textile export to Africa improved besides the other market access like from China as shown 2016/17 Ethiopian export including textile industry destination ranks Asia with the share of 38.11%, Europe with the share of 28.61%,Africa with share of 20.43%,America with share of 6.57%,Oceania with share of 0.87 and Others with share of 5.42% respectively (MOT 2016/17).While export level of Ethiopia was very small including with Africa participation in intra COMESA trade and it is dominated mainly by few member countries, Such as Kenya, Zambia and Mauritius and Tanzania until 2008/2009 (Yared 2010).

2.1.1.2. Trade Capacity building of Utilizing Preferential market access

Basically, Trade capacity building programs are focused on exploiting the preferential market access opportunities by overcoming barriers of them. Among of those; AGOA has a unique characteristic when compared with other preferences that Trade Capacity Building (TCB) program for beneficiary countries are preparing private sector enterprises to navigate import regulations of U.S, coaching small business on the access of financial services for trade and investment, facilitating investment in trade related infrastructures and organizing annual AGOA forum that Department of Agriculture and USAID Responsible U.S. agencies for this program(ETIDI 2016).

ETIDI is Ethiopian Textile industry Development institute, which is in charge of most responsibilities of the ministry of Industry concerning the textile sub sector and it is accountable to the ministry.(proclamation 180/2010).

On top of providing these opportunities in sector, the Ethiopian textile industry development institute has planned to successes the export target of the sector with the active involvement of industries export product suppliers and owners interacting with international buyers like Hand M, Primark and Tesco Which set on offices in 2016 in capital of the nation and have been buying finished products from Ethiopian textile manufacturers (ETIDI 2016).

At the same time, foreign companies are particularly sensitive about the need for regulated growth and ethically sound practices, so that mistakes made elsewhere in the world are not repeated that clothes are produced in good conditions and everyone involved is treated. The company is engaging closely with the Ethiopian government and local business to ensure the long term development of a well regulated, ethical clothing industry, in addition many suppliers have worker unions which ensure effective dialogue between workers and employers is an advantage for ethical productivity of the sector (Rupa Gangl2017).National Quality infrastructure Systems like, Conformity Assessment enterprise, Accreditation office ,Metrology institute and Standard agency are components of trade capacity building programs in Ethiopia in addition bilateral and multilateral trade agreements including world trade organization(WTO) accusation process tasks helps to improve system of industries that meet market access requirements (MOT 2014).Textile industry on export market do not simply compete on price. Buyers evaluate a supply Offer on five dimensions: Price, Quality, Response, product and Ethics. Price is the cost paid by the buyer to have the goods delivered to his/her door. Quality does not

mean compliance with standards, as it is usually assumed, but it is rather a difficulty of characterizing perception that one product is more desirable than another. The price and quality of the export product are seriously affected by the availability, price and quality of raw materials used to produce that product. In the case of textile industry product, the availability, price and quality of raw cotton have a significant influence on the competitiveness of the final product in international market that is poor quality as well as shortage in its supply. Response that the total delay between placing an order and receiving goods. The seasonality of textile industry product consumption in developed countries makes response more sensitive. The two aspects of response are the delay length and the delay length's reliability. In many cases, delivery reliability is more important than delay length. This reliability is considered a factor that is able to meet the promised delivery date. Besides the firm level constraints for response, the country's trade related infrastructure and institutions quantity and quality, mainly transport has a paramount influence on the response(Yared 2010).

2.1.2 Internal/ supply side Export performance influencing factors

Both demand side (market access) and supply side (export potential of the country) factors have an earnest impact on export performance and on the growth of LDCs. In the first part of the literature review an attempt has been made to address briefly the market access and trade capacity building programs those helps to utilize the market accesses by overcoming such market accesses barriers or requirements as shown above. Then on the next part of review, the focus will be on the main supply side factors influencing export performance of textile industry in Ethiopia. Thus, the supply side factors are essential impacts on export potential of the country, specifically; Foreign Direct Investment (FDI), Expansion of local firms in the sector, improvements of labor skills and availability of low cost electricity.

2.1.2.1. Foreign direct investment (FDI)

The purpose of this section is not to provide a summary of everything that has been written in all area of FDI but to review the most relevant and significant literature written in FDI with respect to enhance the export performance and related definitions as follows.

There is no straightforward and clear cut definition of FDI, as different organizations use somewhat different definitions. For instance, foreign direct investment as an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the

investor, the investor's purpose being to have an effective voice in the management(IMF 1977).FDI as an investment involving a long term relationship and reflecting a lasting interest and control of a resident entity in one economy other than that of a foreign direct investor that, the investment must result in a significant degree of influence and control of the management of the enterprise (UNCTAD 1999).

Theoretically, the export enhancing power of FDI is explained by the existence of multinational corporations (MNCs) and their interaction with domestic firms. The existence of MNCs boosts a country's exports simply by exporting their production while their interaction with domestic firms increases the competitive capacity and provides access to large and new external market. Hence, FDI can enhance the host country export performance and capacity by directly exporting form MNCs themselves and indirectly by stimulating domestic firms export propensity (UNCTAD2002). The role of MNCs in expanding export performance of the host country is derived from the additional capital, technology, managerial expertise, and know how that they bring along with access to international markets. FDI provides ready access to the world markets and acts as a conduit for the host country to participate in the globalization process (Ram and Zhang 2002). Ethiopian economy with respect to foreign investment and different economic sectors impact for economic growth specially foreign investors in manufacturing sector have a positive impacts(Meskerem 2014).Foreign investment has played a critical role in the Ethiopian economic success, with the government offering favourable benefit packages to attract companies of textile industry (RupaGanguli 2017).

FDI likely affects export performance positively in developing countries. The experience in a number of countries suggests that FDI strongly contributes to the transformation of the composition of exports. For example, the FDI inflows into Singapore, China, Lesotho, Madagascar and Mauritius, have contributed on the increment of technological content of their exports by supporting the development of knowledge based industries. This positive and significant relationship between export performance and FDI has contributed to capital formation(Selam 2015).

FDI has a positive impact on economic growth only in countries that have export promoting strategy. This supports the “Bhagwati hypothesis” that the growth impact of FDI is positive for export promoting countries than import substituting countries, emphasizing on the role of trade regime on FDI impact (Balasubramanyamet.al.1996).The possibility of spillovers to local firms using a cross sectional data of 1,243 manufacturing firms in Uruguay in 1998.The study

distinguishes the difference in spillovers effect in different trading regimes. This was defined in terms of the number of years in which the country was under import substitution and export promoting trade policies. They found that exporting tendency of locally owned firms appeared to be positively related to the presence of outward oriented MNCs; however, the case was not the same for MNCs established during the import substituting regimes(Kokko et al. 2001).

Evidence on export spillovers effect from MNCs to local firms in an industrialized economy. The method used a pooled data of 5 years at firm level in UK. The evidence provided by this study was that export enhancing effect of FDI was not only limited to the export performance of MNCs but also related with higher export orientation of domestic firms(Likewise 2004). Similarly, Eastern Europe countries indicate that the impact of FDI on trade depends on whether the sectors are tradable and non-tradable. The paper defined manufacturing, agriculture, mining, retail, hotels, and restaurants as tradable sectors and electricity, transport, communication, real estate and financial intermediation as non-tradable sectors. Their study was conducted by applying both a cross sectional and time series econometrics method. This study found a high positive correlation between export performance of host countries and stock of FDI going to the tradable sectors, in contrast, FDI stock in the non-tradable sectors is positively associated with import (IMF2011).

2.1.2.2. Local firms expansion of textile industry

Firm size has been most associated to firms export activities and interest in exporting. The organization size is a key determinant of the propensity to export. The larger the firm, the greater the size advantage over the smaller firms; and this will usually have a positive impact on the export activity (Cavusgil 1985). The larger firms possess more “slack” in managerial and financial resources as well as production capacity, thus enabling them to direct greater efforts to exporting than smaller firms(Reid 1987). Firm size and high industry concentration as important export competition (Almeida 1988). Foreign companies compete with domestic producers while creating additional demand for domestically produced intermediate goods through linkages with local suppliers. This can lead to domestic firms entering into the intermediate goods sector, which can result in lower costs that, reflected in lower final prices that increase demand, can benefit domestic firms producing final goods (Laura Alfaro 2003).

Ethiopian government attention on the potential crowding out effect on domestic investment. This can be done in a way that to create competitive advantage and benefit from spillover effect

and the countries should have a higher absorptive capability of advanced technology to fully utilize of FDI benefit (Meskerem2014).The country's textile industry is currently undergoing a major expansion programme, and its government is implementing a number of prudent macroeconomic policies designed to support that growth(ETIDI 2014).

2.1.2.3. Improvements of low cost labour skills

Labours are both employees and unemployed of potential level human resource of the country(Selam 2015).Skills are a foundation of decent work and country's prosperity depends on how many of its people are in work and how productive they are, which in turn rests on the skills they have and how effectively those skills are used. The globalization of markets is accelerating the diffusion of technology and the pace of innovation. New occupations are emerging and replacing others within each occupation, required skills and competencies are evolving, as the knowledge content of production processes and services is rising (International labour office 2010). Production Skills may allow an organization's production to have more flexibility, higher quality or shorter lead times, all of which can be used to advantage by the marketing function and productivity audit examines the organization's activities using financial criteria such as profitability and cost effectiveness applied to assess the relative productivity of products, market sectors, distribution channels and geographic markets. Individual Competencies are the abilities and skills that lie with individuals in the organization. These competencies are based not on individuals' skills in isolation, but on whether individuals have the required skills to execute the tasks they face in their area of responsibility, whether at strategic, functional or operational level(IMS Module 2017).The cornerstones of a policy framework for developing a suitably skilled workforce are: broad availability of good quality education as a foundation for future training; a close matching of skills supply to the needs of enterprises and labor markets; enabling workers and enterprises to adjust to changes in technology and markets; and anticipating and preparing for the skills needs of the future. When applied successfully, this approach nurtures a virtuous circle in which more and better education and training fuels innovation, investment, economic diversification and competitiveness, as well as social and occupational mobility and thus the creation of more but also more productive and more rewarding jobs. Good quality primary and secondary education, complemented by relevant vocational training and skills development opportunities, prepare future generations for their productive lives, endowing them with the core skills that enable them to continue learning as education and skills policies are

more effective when well coordinated with employment, social protection, industrial, investment and trade policies(International labor office 2010).Ethiopian education policy considering the improvement of labor skills for manufacturing industry with special attention on light industries becomes as a competitive factors of textile industry export performance (ETIDI 2014).

The textile industry, mainly apparel remains labor intensive globally. Hence its manufacturing is continuing to shift from developed to developing counties due to low labor cost. The labor cost of the textile industry is the most geographically distinct variable and it becomes one of the competitive factors. The spread is enormous; from over \$10 per hour in the U.S. to 22 cents per hour in Vietnam. The Ethiopian population has a high percentage of young people. Since the labor force is young; they can easily be trainable and quickly adopt new technologies. This condition would secure the comparative advantage of the textile industry to be competitive on international market. (Yared 2010).

2.1.2.4. Availability of low cost electricity

Electricity is the flow of electrical power or charge. It is a secondary energy source which means that we get it from the conversion of other sources of energy, like coal, natural gas, oil, nuclear power and other natural sources, which are called primary sources. The energy sources we use to make electricity can be renewable or non-renewable, but electricity itself is neither renewable nor non renewable. Electricity is a basic part of nature and it is one of our most widely used forms of energy. Many cities and towns were built alongside waterfalls (a primary source of mechanical energy) that turned water wheels to perform work. Before electricity generation began over 100 years ago, houses were with kerosene lamps, food was cooled in iceboxes, and rooms were warmed by wood burning or coal burning stoves. Beginning with Benjamin Franklin's experiment with a kite one stormy night in Philadelphia, the principles of electricity gradually became understood. Thomas Edison helped change everyone's life he perfected his invention the electric light bulb. Prior to 1879, direct current (DC) electricity had been used in arc lights for outdoor lighting. In the late 1800s,Nikola Tesla pioneered the generation, transmission, and use of alternating current (AC) electricity, which can be transmitted over much greater distances than direct current. Tesla's inventions used electricity to bring indoor lighting to our homes and to power industrial machines. Manufacturing companies are continually striving to achieve and maintain high level of operational excellence. Operational excellence requires continuous improvement of a company's manufacturing operations. Power supply is considered

as a major determinant of the effective capacity of an organization that production cost and profit highly influencing by energy (Habtamu 2010). The low energy costs of 0.04 per kwh are one of essential ingredients for a competitive textile industry in Ethiopia comparative advantage over other countries and regions(Embassy of Ethiopia Washington, D.C. 20008). These shows that 50liters of petrol oil in standby power generator is equivalent to a kwh electricity as 0.04cents cost for the same amounts of jobs has positive influence of competitive advantage for textile industry in Ethiopia as well as its export performance(Rupa Gangl2017).

Electricity is a controllable and convenient form of energy used in the applications of heat, light and power. An electric utility power station uses a turbine, engine, water wheel, or other similar machine to drive an electric generator or a device that converts mechanical or chemical energy to generate electricity. Steam turbines, internal combustion engines, gas combustion turbines, water turbines, and wind turbines are the most common methods to generate electricity. Electricity is measured in units of power called watts. It was named to honor James Watt, the inventor of the steam engine. One watt is a very small amount of power. It would require nearly 750 watts to equal one horsepower. A kilowatt represents 1,000 watts. A kilowatt hour (kWh) is equal to the energy of 1,000 watts working for one hour. Hydroelectricity is clean energy and then there is its efficiency. Indeed, hydroelectric generation entails fewer energy losses compared to other generating options that use different sources of energy(Hydro Québec 2011).

Ethiopia's Hydro potential (45,000 MW) constitutes 20% of the total technically feasible potential in Africa that is usually referred as the power house of Africa. In Ethiopia the energy policy envisages to met high priority core development and follows climate resilient green economy strategy, considers Hydropower as the backbone of the country's energy generation and maximize its utilization; promoting and enhance other renewable energy sources development such as solar, wind, geothermal and bio mass to increase re mix thereby improving security and reliability of energy supply and be a regional hub for renewable energy, enhancing regional as well as global cooperation in the energy sector to ensure exchange of know how information and transfer of technologies, increasing access to affordable and adequate modern energy, promoting ;efficient, clean, appropriate energy technologies and conservation measure, improving the energy efficiency of systems operations within strengthening energy sector governance that build strong energy institution, ensuring; environmental and social safety, sustainability of energy supply and utilization and capacity building and technology transfer, exploring for natural gas and other hydrocarbon fuels and encourages public private partnership

in energy generation. Based on the energy policy, private sector can participate either in partnership with public or independently without any limitation of generation capacity and enabling environment is created for both public and private investors that is why, many private developers participate for generation from hydro, wind, solar, and geothermal.

In line with the 25 years power sector master plan of the country , the following are planned for implementation in the GTP II: hydro = 11,015 MW, wind = 1,520 MW, geothermal = 1,270 MW, solar = 300 MW, biomass= 420 MW and total = 14,615 MW and the 4228MW(8000-10,000MW in GTP I) Ethiopia's electricity power is generated from hydroelectric dams, which accounts for 98% of its total generation and 36% of it provided to industry sector (UK-Ethiopia trade & investment forum 2015).

2.2 .Empirical Literature review

The empirical macro level literature on export performance of textile industry has been occupied on either examining factors influencing export performance or measuring the determinant factors of export performance. This thesis is closely aligned with the examining factors influencing export performance growth approach. Most of textile export performance empirical literature reviews are explained as follows.

Increasingly, Australian firms are looking beyond their traditional domestic markets and focusing on high growth export markets to not only grow, but also to enhance their competitiveness. Some have gone as far as saying that, in many ways, export market development is becoming more a matter of survival rather than a matter of choice for many Australian firms (Julian1995). For some time in Australia there has been a concerted effort by many industries and governments to improve the export focus and performance of firms (Julian,1995).Trade capacity building programs of utilizing preferential market access are focused on exploiting the preferential market access opportunities by overcoming barriers like AGOA; that has a unique characteristic trade Capacity Building (TCB) program for beneficiary countries such as: preparing private sector enterprises to navigate import regulations of U.S, coaching small business on the access of financial services for trade and investment, facilitating investment in trade related infrastructures and organizing annual AGOA forum leads to impacts on export performance of textile industry in Ethiopia(ETIDI 2016).Ethiopian textile industry Development institute ETIDI, which is in charge of most responsibilities of the ministry of industry concerning the textile sub sector and it is accountable to the ministry.(proclamation

180/2010). On top of providing these opportunities in sector, the Ethiopian textile industry development institute has planned to succeed the export target of the sector with the active involvement of industries export product suppliers and owners interacting with international buyers like Hand M, Primark and Tesco Which set on offices in 2016 in capital of the nation and have been buying finished products from Ethiopian textile manufacturers (ETIDI 2016).

In addition National Quality infrastructure Systems like, Conformity Assessment enterprise, Accreditation office , Metrology institute and Standard agency are components of trade capacity building programs in Ethiopia in addition bilateral and multilateral trade agreements including world trade organization(WTO) accreditation process tasks improve their systems those meet market access requirements (MOT 2014).

Theoretically, the export enhancing power of FDI is explained by the existence of multinational corporations and their interaction with domestic firms. The existence of MNCs boosts a country's exports simply by exporting their production while their interaction with domestic firms increases the competitive capacity and provides access to large and new external market. Hence, FDI can enhance the host country export performance and capacity by directly exporting form MNCs themselves and indirectly by stimulating domestic firms export propensity (UNCTAD, 2002). The role of MNCs in expanding export performance of the host country is derived from the additional capital, technology, managerial expertise, and know how that they bring along with access to international markets. FDI provides ready access to the world markets and acts as a conduit for the host country to participate in the globalization process (Ram and Zhang 2002). Ethiopian economy with respect to foreign investment and different economic sectors impact for economic growth specially foreign investors in manufacturing sector such a textile industries have a positive impacts(Meskerem 2014). Foreign investment has played a critical role in the Ethiopian economic success, with the government offering favourable benefit packages to attract clothing and textile companies (RupaGanguli 2017). FDI likely affects export performance positively in developing countries. The experience in a number of countries suggests that FDI strongly contributes to the transformation of the composition of exports. For example, the FDI inflows into Singapore, China, Lesotho, Madagascar and Mauritius, have contributed on the increment of technological content of their exports by supporting the development of knowledge based industries. This positive and significant relationship between export performance and FDI has contributed to capital formation (Selam 2015). The growth impact of FDI is positive for export promoting countries than import substituting countries (Balasubramanyam et.al.1996).

Firm size has been most associated to firms export activities and interest in exporting. The organization size is a key determinant of the propensity to export. The larger the firm, the greater the size advantage over the smaller firms; and this will usually have a positive impact on the export activity(Bodur and Cavusgil, 1985). The larger firms possess more “slack” in managerial and financial resources as well as production capacity, thus enabling them to direct greater efforts to exporting than smaller firms(Reid 1987).Hong Kong, South Korea, Singapore and Taiwan and the Newly Industrialized Countries (such as Malaysia, Indonesia and Thailand) used to support the argument that carefully managed openness to trade through an ELG is a mechanism for achieving rapid growth(Ataklti2015).Labour cost and trade openness (liberalization) have positive impact on the export performance of textile industry in Ethiopia(Birhanu 2008), whereas cotton export and exchange rate have negative impact (ETIDI 2017).More and better education and training fuels innovation, investment, economic diversification and competitiveness, as well as social and occupational mobility and thus the creation of more but also more productive and more rewarding jobs. Good quality primary and secondary education, complemented by relevant vocational training and skills development opportunities, prepare future generations for their productive lives, endowing them with the core skills that enable them to continue learning as education and skills policies are more effective when well-coordinated with employment, social protection, industrial, investment and trade policies(International labour office 2010).Ethiopian education policy considering the improvement of labour skills as well as experts and management skills for manufacturing industry with special attention on light industries impacts on export performance growth of textile industry(ETIDI 2014).

Power supply is considered as a major determinant of the effective capacity of an organization that production cost and profit highly influencing by energy (Habtamu 2010). The low energy costs of 0.04 per kwh are one of essential ingredients for a competitive textile industry in Ethiopia comparative advantage over other countries and regions(Embassy of Ethiopia Washington D.C.20008).

The Ethiopian government has approved of loans to upgrade the technology of the sector and come on par with international textile industries production standards (Birhanu 2008).

The overall export performance indicator has shown that there is an improvement on the export earning of this sector (Yared2010). The textile and garment sector is constrained by poorly

trained and unmotivated labor, local market orientation, institutional deficiencies and lack of information support system, weak intra and inter sub sector linkages, inadequate supply of accessories and materials, poor infrastructure, inadequate financial services, and competition from illegal imports (Mulat, 2004). Factors that limit the sector's potential include a lack of awareness among international buyers of Ethiopian apparel producers, manufacturing inefficiency, lack of speed to market, uncompetitive costs, and a shortage of marketing and manufacturing know how in addition Ethiopian producers were unfamiliar with international markets(USITC2009).In other side;Foreign investment has played a critical role in the country's economic success, with the government offering favourable benefit packages to attract textile industry companies looking to relocate their manufacturing bases to Africa. The investment is helping Ethiopia develop as a manufacturing hub for the global textile market (RupaGanguli 2017). Furthermore, Ethiopia offers extremely cheap electricity at US\$0.04 cents per kilowatt hour. It is now the second largest electricity producer in sub Saharan Africa due to its hydropower dams. Ethiopia is the source of major rivers, such as the Blue Nile. (<http://www.tidi.gov.et> and agoa.inf 2017).Due to the governmental export incentives and opportunity of international trading environment in the last eight years 2009/10-2016/17, the export performance of textile industry in Ethiopia shows significant increase by 17.33% average growth; Ethiopia being an east Africa huge textile exporter (MOT 2017).The US now accounts for around 40% of Ethiopia's total textile industry sector exports, thanks to the AGOA trading agreement set up in 2000, while the EU takes almost all of the remaining 60% (RupaGanguli 2017). The determinants of export marketing performance have been the focus of much debate and research (Sundqvist et al.2000). However, beyond countries such as the USA, UK, Canada, New Zealand and various European countries, little effort has been expended in examining export performance and the factors that impact on it(Julian 2002). In the case of Ethiopia, export performance of the Textile and Leather and Leather products manufacturing firms during the PASDEP did not mainly correlate with the internal factors such as the management characteristics, firm's characteristics and export marketing strategic capabilities of the firms (Kibreab's 2011) and cotton export and exchange rate have negative impact(ETDI 2017). As a result of the above debates on determinant of textile export performance and those researchers agreed by export performance growth of textile industry in Ethiopia but most of them are undermine the export performance growth and not clearly describe factors influencing this performance growth specially in the last eight years. To make full those gap this study plans to

analyze such specific factors influencing export performance of the textile industry in Ethiopia and within these contribute inputs to Ethiopian export performance of textile industry current policy makers and researchers. Thus focuses on analyzing factors influencing specifically; trade capacity building programs of utilizing preferential market access including world trade organization(WTO) accessions multilateral and bilateral trade agreements, FDI, local textile firms expansion, improvements of low cost labor skills and availability of low cost electricity on the export performance of textile industry in Ethiopia.

2.3. Conceptual Framework

In general, one of the key factors influencing export performance of textile industry identified from previous studies is demand side/preferential market access external environmental factors (Yared 2010).The issue is to be utilizing these preferential market access trade capacity building programs to meet those criteria's setting by each market access(ETIDI 2017).Other factors including supply side internal factors (FDI, expansion of local firms in the industry, improvement of labour skills and availability of low cost electricity) influencing export performance of textile industry. Trade capacity building of utilizing the given preferential market access including AGOA unique Trade Capacity Building (TCB) program such as; preparing private sector enterprises to navigate import regulations of U.S., coaching small business on the access of financial services for trade and investment, facilitating investment in trade related infrastructures and organizing annual AGOA forum within responsible U.S. agencies for this program are Department of Agriculture and USAID(Yared 2010),Procedural barriers improvement systems influencing export performance(Williams 2005).

FDI whether capability of advanced technology stimuli local firms exporter or directly export their products (Meskerem 2014). Expansion of Local textile firms those engage to export are also factors influencing export performance (ETIDI 2017). The improvement of labor skills key issue is that productivity and quality improvement as that meet the requirements of market access(International labour office 2010). The last but not least the availability of low cost electricity Operational excellence requires continuous improvement of a company's manufacturing operations. Power supply is considered as a major determinant of the effective capacity of an organization that production cost and profit highly influencing by energy (Habtamu 2010).

The low energy costs of 0.04 per kwh are one of essential ingredients for a competitive textile industry in Ethiopia comparative advantage over other countries and regions (Embassy of Ethiopia Washington, D.C. 20008).

Demand side preferential market access external environmental factors

These trade capacity building programs helps to of utilizing the given preferential market access including GSP,EBA, AGOA and Africa(regional) COMASA by overcoming their barriers as well as meet needs of them enhancements of the response from supply side .in these case those institution quality(Yared 2010),coaching business on the access of financial services for trade and investment, infrastructure, incentive and supportive legal ground bilateral& multilateral trade agreements including WTO accession(MOT 2013) international exposure within political stability(IMS Module 2014) has positive relation with export performance as such:

H1: Trade capacity building of utilizing preferential market access has positive impacts on export performance of textile industry.

Internal/supply side factors such as:

FDI

Theoretically, the export enhancing power of FDI is explained by the existence of multinational corporations and their interaction with domestic firms. The existence of MNCs boosts a country's exports simply by exporting their production while their interaction with domestic firms increases the competitive capacity and provides access to large and new external market.

Hence, FDI can enhance the host country export performance and capacity by directly exporting form MNCs themselves and indirectly by stimulating domestic firms export propensity(UNCTAD 2002).FDI likely affects export performance positively in developing countries. The experience in a number of countries suggests that FDI strongly contributes to the transformation of the composition of exports. For example, the FDI inflows into Singapore, China, Lesotho, Madagascar and Mauritius, have contributed on the increment of technological content of their exports by supporting the development of knowledge based industries. This positive and significant relationship between export performance and FDI has contributed to capital formation. Around 95% of the Madagascar's textile and apparel industry is owned by FDI. This helped Madagascar to realize early benefits from AGOA and to make remarkable success in apparel export in the U.S. market within AGOA(Yared 2010). As such:

H2: FDI influencing export performance of textile industry.

Expansion of local firms of textile industry

Expansion of local firms means enhancing local investments in textile industry that is increasing production capacity as increasing sales in the export market access. Firms size impacts on the export performance that firm size has been most associated to firms export activities and interest in exporting. The organization size is a key determinant of the propensity to export. The larger the firm, the greater the size advantage over the smaller firms; and this will usually have a positive impact on the export activity (Cavusgil 1985). From these expansion of local firms of textile industry has positive relation on the export performance of textile industry as such:

H3: Expansion of local firms in the industry has a positive effect on the export performance of textile industry.

Improvement of low cost labour skills

The textile industry, mainly apparel remains labor intensive globally. Hence its manufacturing is continuing to shift from developed to developing countries due to low labor cost. The labor cost of the textile and apparel industry is the most geographically distinct variable and it becomes one of the competitive factors. The spread is enormous, from over \$10 per hour in the U.S. to 22 cents per hour in Vietnam. Ethiopia is a densely populated country with more than 74 million people. The Ethiopian population has a high percentage of young people. Since the labor force is young; they can easily be trainable and quickly adopt new technologies. This condition would secure the comparative advantage of the textile and apparel industry to be competitive on international market (Yared 2010). More and better education and training fuels innovation, investment, economic diversification and competitiveness, as well as social and occupational mobility and thus the creation of more but also more productive and more rewarding jobs. Good quality primary and secondary education, complemented by relevant vocational training and skills development opportunities, prepare future generations for their productive lives, endowing them with the core skills that enable them to continue learning as education and skills policies are more effective when well coordinated with employment, social protection, industrial, investment and trade policies (International labor office 2010). Ethiopian education policy considering the improvement of labor skills as well as experts and management skills for manufacturing industry with special attention on light industries impacts on export performance growth of textile industry (ETIDI 2014). The Ethiopian government has approved of loans to upgrade the technology of the sector and come on par with international textile industries production standards (Birhanu 2008). Thus improvement of low cost labor skills influencing

export performance as a competitive factor of export as more sales volumes in the export market access relationship as such:

H4: Improvement of low cost labour skills influence export performance of textile industry.

Availability of low cost electricity

The low energy costs of 0.04 per kwh are one of essential ingredients for a competitive textile industry in Ethiopia comparative advantage over other countries and regions(Embassy of Ethiopia Washington D.C.20008).Power supply is considered as a major determinant of the effective capacity of an organization that production cost and profit highly influencing by energy (Habtamu 2010) and then, it has positive impacts on the export performance as such:

H5: Availability of low cost electricity has positive impacts on export performance of textile industry.

The conceptual framework of factors influencing the export performance of textile industry in Ethiopia as shown below in **figure 1** that identifies relation's of factors influencing (independent variables) on the export performance (dependent variable).

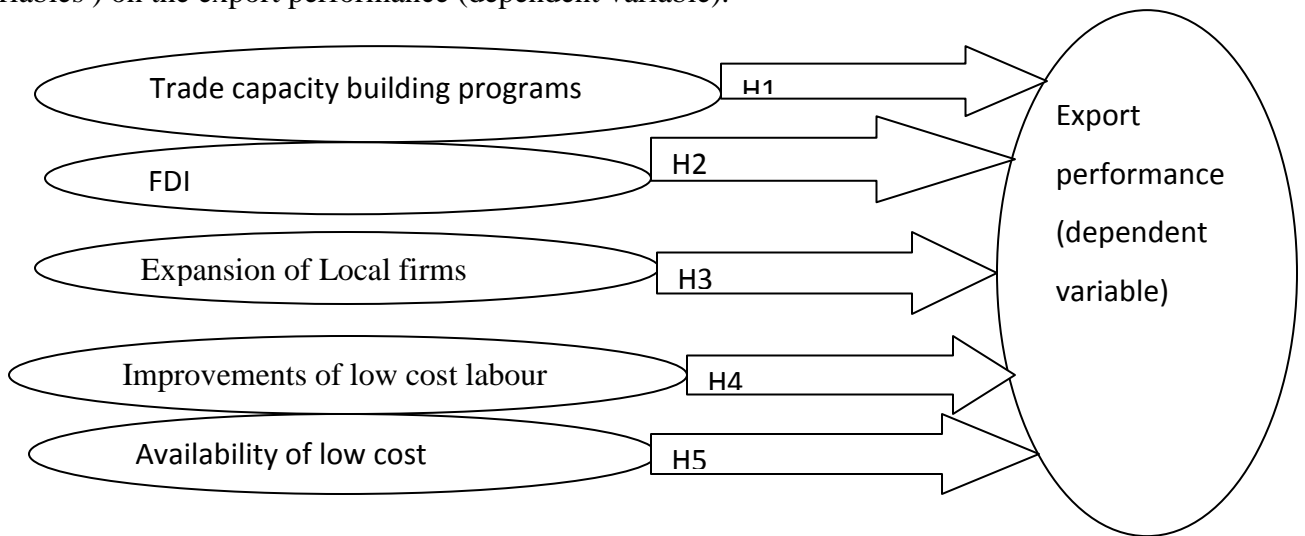


Figure.1-.shows factors/ independent variables influencing on export performance (dependent variable).

Source: From the above logical linkage of previous researches of literature reviews.

CHAPTER THREE

3. Research Design and Methodology

3.1 Research paradigm, approach and method

Paradigms can be conceptualized based on three major elements, which influence the way a researcher thinks about the research process are epistemology (what constitutes acceptable knowledge in a field of study),, ontology /the assumptions researchers make about the way the world operates and methodology/ how attempts to discover knowledge(Module Research Methods 2014) these will focuses on concerns about this study as follows.

3.1.1 Research Paradigm

This study is positivism paradigm framework of research in which It focuses on the facts and formulates hypotheses and tests them against empirical evidence.

3.1.2 Research Approach

For this study follows both approaches in tandem so that the overall strength of a study is greater than either qualitative or quantitative research (Creswell & Plano Clark, 2007).

3.1.3 Research Methods

This study uses mixed research method. In order to gather adequate information which helps to measure the variables both qualitative and quantitative methods of data collection will be used. The collected data will be analyzed and findings will be presented by using the descriptive method of data analysis, percentages, tables and bar chart are used.

3.2 Research Design

The type of research will be used in this study is descriptive & explanatory. It tries to analyze the last eight years factors influencing the export performance of textile industry in Ethiopia.

3.3 Population and Sampling

The population of the study will be management members and core departments' team leaders of the sector (ETIDI) 30 in total. Using census method as a whole, the population management members and core departments' team leaders of the sector (ETIDI) 30 in total are target population as a sample size of this study through purposive non probability sampling technique.

- Respondents will be briefly told about the study before distribution of questionnaires.
- Enumerators (data collecting agents) are to be used to facilitate the process.
- The questionnaires consists of both close ended and open ended for both respondents.
- Questionnaires and interviews are going to be prepared in English & carefully translated in to Amharic language for an easy understanding of the contents.

3.4 Data Collection

Sources, instruments and techniques of data collection to this study will be mentioned as follows.

3.4.1. Source of data

Both primary and secondary data are used for the study. Primary data is obtained from the survey of management members and core departments' team leaders of the sector (ETIDI) 30 in total. Secondary data are gathered from documents, GTP I export performance report of textile industry, 8 years performance reports of the sector (ETIDI), Ethiopian Electric Utility (EEU) and ministry of trade (MOT).

3.4.2. Data Collection Technique

Instruments used in this study for data gathering are questionnaires (Moghaddam 2011) and interviews for primary data, which contains, close ended and open ended questions administered to Core departments' team leaders and managements of the sector (ETIDI) 30 in total. Interviews for head and vice /deputy heads of the sector (ETIDI) those are from managements within the total of 30 population size of this study. Secondary data collected through observation of the all available documents.

3.5 Data Analysis

The collected data analyzed and findings presented by using the descriptive method of data analysis, percentages, summarized tables, bar chart and, inferential data analysis used for qualitative type of data. Descriptive & explanatory research method deployed in this study; this is because the study describes selectively, the specific factors impacts on export performance as a unit of analysis, with respect to export performance of the country. The dependent variable is the export performances of the firms. The independent variables are internal/supply side factors FDI, local firm's expansion of the sector, improvement of labor skills, availability of low cost electricity and trade capacity building programs/external factors of those utilizing market access as well as meet demand side needs. Based on that, multi linear regression models employed to

analyze the relationship among these factors (independent variables) and export performance (dependent variables). SPSS is used to analyze the input data and, the output interpreted as follows. The important output in the model summary is R². This is the proportion of variance in the dependent variable which can be explained by the independent (explanatory) variables. This is an overall measure including ANOVA of the strength of association between dependent and independent variables.

The qualitative data described verbally. Thus, the summary of the responses to the interviews and open ended questions were analyzed separately, but comparisons were made so as to cross check the data gathered through the closed ended questions in the questionnaires.

CHAPTER FOUR

4. PRESENTATION AND ANALYSIS OF DATA

4.1 Primary data presentation and analysis

4.1.1. Response Rate

Achieved a 100% response rate. This means Out of the total 30 respondents all of them were collected. All key informants were interviewed and the results are analyzed using census.

Table-1-Education Level of the Respondents

Educational level	frequency	percent
Diploma	0	0
BA/BSC	9	30
MA/MSC	21	70
Other	0	0
Total	30	100

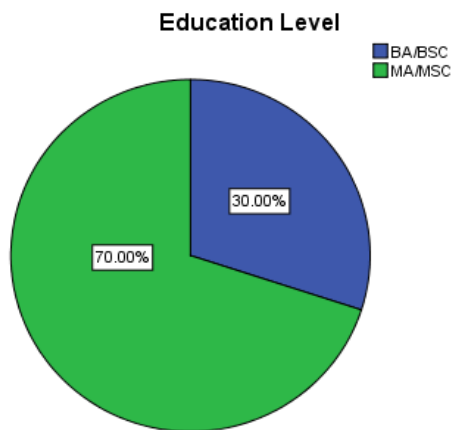


Fig-2-Percent of education level of respondents

As depicted in the above figure nearer to two-third of the total respondents (70%) were degree holders followed by respondents who hold BA/BSC (30%). This implies that most of the respondents can understand and hence provide reasonable answers to the questions related to textile export performance in Ethiopia besides those respondents are members of ETIDI

management thus every days, weeks, months, quarters and annual close follow up and evaluations across each firms as well as the aggregate performance in the country.

The instruments engaged in order to collect primary data closed ended and open ended questionnaires as well as interview. In addition, secondary data were also collected from the monthly and annual report of the textile industry export performance of the country from ETIDI & MOT. Since this study is based on **census** method obviously reliable consistent response observed. In addition to these the reliability Chronbach's alpha coefficient is 0.868 which indicated good reliability (DeVellis, 2003) and then, presentation and data analysis of this study organized as follows.

Table-2-Respondent rates on trade capacity building programs related characteristics

Trade Capacity building programs related (i)		Education Level			
		BA/BSC		MA/MSC	
		Count	Column N %	Count	Column N %
Government policy including incentives of the sector and infrastructures	None	0	0.0%	0	0.0%
	Low	2	6.7%	0	0.0%
	Medium	3	10.0%	6	20.0%
	High	4	13.9%	15	50.0%
	Subtotal	9	30.0%	21	70.0%
Built systems and institutions like ETIDI, NQI & transport related to be reducing barriers to response for export buyers needs.	None	0	0.0%	0	0.0%
	Low	1	3.3%	1	3.3%
	Medium	4	13.9%	2	13.9%
	High	3	10%	18	60.0%
	Subtotal	9	30.0%	21	70.0%
Multilateral including WTO accession and bilateral trade agreements	None	0	0.0%	0	0.0%
	Low	0	0.0%	2	6.7%
	Medium	3	10.0%	4	13.9%
	High	6	20.0%	15	50.0%
	Subtotal	9	30.0%	21	70.0%
Facilitating investment	None		0.0%		0.0%

in trade related infrastructures	Low		10.0%		15.0%
	Medium		20.0%		20.0%
	High		70.0%		65.0%
	Subtotal		100.0%		100.0%
Coaching small business on the access of financial services for trade and investment	None	0	0.0%	0	0.0%
	Low	2	6.7%	1	3.3%
	Medium	4	13.9%	2	6.7%
	High	3	10.0%	18	60.0%
	Subtotal	9	30.0%	21	70.0%
Preparing private sector enterprises to navigate import regulations of U.S.	None	1	3.3%	0	0.0%
	Low	1	3.3%	3	10.0%
	Medium	3	10.0%	3	10.0%
	High	4	13.9%	15	50.0%
	Subtotal	9	30.0%	21	70.0%
Organizing annual AGOA forum	None	0	0.0%	1	3.3%
	Low	0	0.0%	2	13.9%
	Medium	3	10.0%	6	20.0%
	High	6	20.0%	12	40.0%
	Subtotal	9	30.0%	21	70.0%

By considering the responses on the " high" and" medium" as a positively influencing but responses on "low" and "none" also as a none positive impacts from the table above :

- As it can be observed from the above table, 19 (63.3%) of respondents have labeled high on "preparing private sector enterprises to navigate import regulations of market access" influencing positively the export performance of textile industry by overcoming market access barriers/ it helps to met the requirements of market access regulations whereas for 2 (6.7%) of the respondents it has no positive impacts/not helps to met the requirements of market access regulations. The remaining 9 (30%) of the respondents have put it in the medium level category.
- 26 (86.67%) responds on " facilitating investment in trade related infrastructures " influencing positively the export performance of textile industry by overcoming market

access barriers/ it helps to met the requirements of market access regulations whereas 4 (13.33%) responds it has no positive impacts/not helps to met the requirements of market access regulations.

- 27 (90%) responds on " Organizing annual AGOA forum " influencing positively the export performance of textile industry by overcoming market access barriers/ it helps to met the requirements of market access regulations whereas 3 (10%) responds it has no positive impacts/not helps to met the requirements of market access regulations.
- 27 (90%) responds on " Coaching small business on the access of financial services for trade and investment" influencing positively the export performance of textile industry by overcoming market access barriers/ it helps to met the requirements of market access regulations whereas 3 (10%) responds it has no positive impacts/not helps to met the requirements of market access regulations.
- 28 (93.33%) responds on " Multilateral including WTO accession and bilateral trade agreements " influencing positively the export performance of textile industry by overcoming market access barriers/ it helps to met the requirements of market access regulations whereas 2 (6.67%) responds it has no positive impacts/not helps to met the requirements of market access regulations.
- 27 (90%) responds on " Built systems and institutions like TIDI to be reduce barriers " influencing positively the export performance of textile industry by overcoming market access barriers/ it helps to met the requirements of market access regulations whereas 3(10%) responds it has no positive impacts/not helps to met the requirements of market access regulations.
- 28 (93.33%) responds on " Government policy including incentives of the sector " influencing positively the export performance of textile industry by overcoming market access barriers/ it helps to met the requirements of market access regulations whereas 2 (6.67%) responds it has no positive impacts/not helps to met the requirements of market access regulations.

Table-3- Respondent rates on Labour skills related characteristics

Labor skills related (ii)		Education Level			
		BA/BSC		MA/MSC	
		Count	Column N %	Count	Column N %
How to explain costs of labour relative to other countries?	None	0	0%	0	0%
	Low	9	30%	21	70%
	Medium	0	0%	0	0%
	High	0	0%	0	0%
	Subtotal	9	30%	21	70%
How to skills benefitted from training?	None	0	0.0%	0	0.0%
	Low	0	0.0%	1	3.3%
	Medium	6	20.0%	2	6.7%
	High	3	10.0%	18	60.0%
	Subtotal	9	30.0%	21	70.0%
Cultures doing together firms with Universities & other Technical schools	None	0	0.0%	0	0.0%
	Low	1	3.3%	0	0.0%
	Medium	4	13.9%	6	20.0%
	High	4	13.9%	15	50.0%
	Subtotal	9	30%	21	70%
Cultures doing together firms with Universities & other Technical schools	None	0	0.0%	0	0.0%
	Low	2	6.7%	3	10.0%
	Medium	2	6.7%	6	20.0%
	High	5	16.6%	15	50.0%
	Subtotal	9	30.0%	21	100.0%
Exposure to technology	Subtotal	9	30.0%	21	100.0%

By considering the responses on the " high" and" medium" as a positively influencing but responses on "low" and "none" also as a none positive impacts from the table above :

- 30 (100%) all responds on “How to explain costs of labor relative to other countries? ” low labour costs influencing positively the export performance of textile industry.
- 29 (96.67%) responds on “How to skills benefitted from training?” benefitted from training that labour skills influencing positively the export performance of textile industry whereas 1(3.33%) respond on it has no positive impacts.
- 29 (96.67%) responds on “Cultures doing together firms with Universities & other Technical schools “influencing positively the export performance of textile industry whereas 1(3.33%) respond on it has no positive impacts.
- 28 (93.33%) responds on “Exposure to technology ” have exposure to technology those skilled labors influencing positively the export performance of textile industry whereas 2(6.67%) respond on it has no exposure that is no positive impacts.

Table-4- Respondent rates on Expansion of local firms related characteristics

Expansion of local firms related (iii)		Education Level			
		BA/BSC		MA/MSC	
		N of Respondents	N % of Total 30	N of Respondents	N % of Total 30
Expansion of local firms in terms of firm size	None	0	0%	0	0%
	Low	0	0%	2	6.67%
	Medium	6	20%	10	33.33%
	High	3	10%	9	30%
	Subtotal	9	30%	21	70%
Expansion of local firms in terms of number of firms	None	0	0.0%	0	0.0%
	Low	1	3.33%	2	6.67%
	Medium	2	6.67%	10	33.33%
	High	6	20%	9	30%
	Subtotal	9	30%	21	70%
Expansion of local firms number those engaged in export	None	0	0%	0	0%
	Low	1	3.33%	1	3.33%
	Medium	6	20%	10	33.33%
	High	2	2.67%	10	33.33%
	Subtotal	9	30%	21	70%

By considering the responses on the " high" and" medium" as a positively influencing but responses on "low" and "none" also as a none positive impacts from the table above :

- 28 (93.33%) responds on " Expansion of local firms in terms of firm size " local firm expansion in size and those influencing positively the export performance of textile industry whereas 2 (6.67%) responds it has no expand in size and no positive impacts.
- 27 (90%) responds on " Expansion of local firms in terms of number of firms " local firm expansion in number of firm and those influencing positively the export performance of textile industry whereas 3 (10%) responds it has no expand in number and no positive impacts.
- 28 (93.33%) responds on " Expansion of local firms in terms of number of firms those engaged in export " local firms export engagement enhancing and those influencing positively the export performance of textile industry whereas 2 (6.67%) responds it has no increasing number of local firm export engagement those have no positive impacts.

IV.FDI Related

27(90%) respondents respond on "Local firms those engaged in export are benefitted from value chain in FDI" those says "yes",1(3.33%) respondent respond "no" and 2(6.67%) respondents not respond. Among the 27(90%) respondents those respond yes 24 (80%) respondents respond on technology and capital benefitted from FDI ,2(6.67 %)respondents respond on technology only and 1(3.33 %) respondent not respond on those.

V. Availability of low cost electricity related

i. Both of the 30 (100%) respondents respond there is low cost electricity in Ethiopia relative to other Sub Saharan African countries.

ii. 26 (86.67%) respondents respond on from 80% to 100% availability of electricity out of total firms demand, 2(6.67%) respondents respond on from 60% to 80% availability of electricity out of total firms demand , 1(3.33%) respondent respond on from 40% to 60% and 1(3.33%)respondent respond on from 20% to 40% availability of electricity out of total firms demand. These shows from 80% to 100% availability of electricity out of the total demand of firms within low cost relative to African countries.

To analyze the collected data, multi-linear regression models are employed to analyze the relationship among influencing factors and export performance as shown first the linearity, co linearity and multi co linearity concepts relation with multi-linear regression analysis.

Linearity:

Linearity refers to the set of data in a straight line that can be shown by General Linear model (GLM) that is a system of equations used to represent linear patterns of relationships in observed data.

The simplest type of GLM is two variable linear model that examines the relationship one independent variable (the cause or predictor) and the other one is dependent variable (the effect or outcome).

Thus mathematically represented by $Y = MX + C$, where M is the slope of a line and C is the Y intercept pattern. In GLM represented formally:

$Y = \beta_0 + \beta_1 X + \epsilon$ where β_0 is slope and β_1 is intercept term and ϵ is the deviation of actual observations from their estimated value. Since the most observations are close to the line but do not fall exactly on the line for this study of each independent variable (trade capacity building program, FDI, local firm expansion, improvement of labour skills and availability of low cost electricity) with the dependent variable (export performance) GLM are not perfect. A line that describes the relationship two or more variables are called a regression line. For β_0 and β_1 (and other beta value) regression coefficient and the process of estimation regression coefficient is regression analysis.

The GLM regression analysis for n number of predictor variables:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \epsilon$. And for more sophisticated analysis the multi linear regression is best as follows.

Multi Linear Regression Analysis

Using multi linear regression analysis to examine the effect of the independent variables (trade capacity building programs, expansion of local firms, improvements of labour skills within low cost, the availability of low cost electricity and expansion of FDI firms) on the dependent variable which is export performance of textile industry in Ethiopia.

Table-5-Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891 ^a	.793	.750	.364

a. Predictors: (Constant), Availability of low cost electricity, Trade capacity building programs, Improvement of labor skills within low cost, Expansion of FDI and Expansion of local firms

From the table- 5 above, if we take the value of R square to the explanation power of regression model, these 5 independent variables can clearly explain 79.3% of the variation of the export performance of textile industry in Ethiopian. It means that 79.3% variation could be explained by independent variable (expansion of local firms, FDI, improvement of labour skills within low cost and availability of low cost electricity& trade capacity building program) within the model, the remaining 20.7% variations could not be explained by explanatory variables within the model used for the study but by other external quantitative and qualitative determinants.

Considering the beta coefficient of each independent variable and its significant level, we found that four of the independent variables including expansion of local firms, FDI, improvement of labour skills within low cost and availability of low cost electricity show the significant impact on export performance of textile industry in Ethiopian (at the 5% significant level). But trade capacity building program is not statistically significant.

Table-6- Coefficients

Coefficients^a						
Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-.235	.498		-.472	.641
	Trade capacity building programs	-.017	.138	-.020	-.122	.904
	Expansion of local firms	.021	.154	.270	.138	.091
	Expansion of FDI	.577	.136	.549	4.256	.000
	Improvement of labour skills within low cost	.216	.139	.242	1.548	.035
	Availability of low cost electricity	.260	.129	.237	2.024	.045

a. Dependent Variable: Export performance of textile industry in Ethiopia

From the above regression table the following formula can be drawn:

$$(Y) = -.235 - .020 * Capbud. + 0.27 * Locfirm + .549 * FDI + .242 * Labskill. + .237 * Electric. + e$$

Where:

Y: Export performance of textile industry in Ethiopia

Constant a= **-0.235**

Trade capacity building programs Coefficient = **-0.02**

Expansion of local firms Coefficient = **0.27**

Expansion of FDI =**0.549**

Improvement of labor skills within low cost Coefficient = **0.242**

Availability of low cost electricity Coefficient=**0.237**

e- Indicates error terms.

From these independent variables expansion of FDI expresses the strongest impact on export performance of textile industry in Ethiopia with highest coefficient value of 0.549 followed by expansion of local firms' with coefficient value of 0.27. Improvement of labor skills within low cost and availability of low cost electricity represent the relative smaller impacts with coefficient values of 0.242 and 0.237, respectively. However, trade capacity building programs is the only independent variable which has negative but insignificant impact on Trade capacity building programs at the 5% level.

The export performance of textile industry in Ethiopia will be strongly affected by FDI, where an increase in FDI (beta= 0.549, $p < 0.01$) will causes a direct increase in the export performance of textile industry in Ethiopia. The expansion of local firms' coefficient beta and its p value were positive and significant (beta= 0.27, $p < 0.05$) effect on export performance of textile industry in Ethiopia. It means the export performance of textile industry in Ethiopia is directly affected by the expansion of FDI and expansion of local firms where their increase by 0.549 and 0.27, respectively, will cause a direct increase in the export performance of textile industry in Ethiopia. The value of improvement of labour skills within low cost coefficient contribution to the export performance of textile industry in Ethiopia is beta=0.242, and p-value less than 5% sig. level).

The Model summary table and the ANOVA table, include the R Square value, which serves as the proportions of the variation in dependent variable (performance of textile industry) being explained by the variation in independent variables. In other words this means that the R Square depicts how good the regression model is at explaining the variance in export performance of textile industry in Ethiopia.

Table-7 ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.187	5	2.437	18.401	.000 ^b
	Residual	3.179	24	.132		
	Total	15.367	29			
a. Export performance of textile industry in Ethiopia						
b. Predictors: (Constant), Availability of low cost electricity, Trade capacity building programs, Improvement of labour skills within low cost, Expansion of FDI and Expansion of local firms						

This is a good finding, but in order to find out if it is significant one must study the ANOVA table. The ANOVA table shows the results from the analysis of the variance and determines if the R Square value is significant or not. In this case the ANOVA table shows that the finding is significant because the p-value is less than significance level 0.5. This indicates that the overall model was reasonable fit and there was a statistically significant association between the independent variables (trade capacity building programs, expansion of local firms, improvements of labour skills within low cost, the availability of low cost electricity and expansion of FDI firms) and performance of textile industry.

In addition, answering on the open ended question among the major influencing factors of export performance growth of textile industry in Ethiopia for the last eight years are: FDI, local firm expansion, labor skill improvement within low in cost and availability of low cost electricity by the majority of respondents those 18MA/MSB & 6BA/BSC that is 80% of the total 30 respondents. And 12MA/MSB & 6BA/BSC respondents suggest to sustain and enhance export performance of textile industry in Ethiopia improve the interruption of hydroelectric power because of it is one and the most importance element to attract more FDI those helps to us in capital, technology, value chine for local firms expansion and by directly export their products.

The first, head of ETIDI interview answers stressed on FDI, TCB programs, availability of low cost electricity but considering its interruption problems, training for skill improvement and local firm expansion both in size and in numbers influencing positively the last eight years export performance of textile industry in Ethiopia by overcoming/compensating the shortage of cotton supply and discouraged exchange rate until the end of 2017 from 2009/10. Now to solve the problems of the shortage of cotton the expansion of cotton farming by public, private sector and small scale farmers

those currently, the total cotton farm being cultivated has reached 42,000 hectares of land as well as the burgeoning of the textile industries triggers, the institute is providing training cotton growers to maintain the quality of the cotton and thanks to the enabling investment environment currently foreign companies are injecting their money, technology, experience as well as skills on the sector, that is why the government is encouraging foreign investors through the provision of various incentives including tax holidays, tax free capital goods importation, custom services provision on the spot, and easily access to financial credit. As a result the world number one US textile industry known as HDM installed its factory in Hawassa Industrial Park and has so far created 10,000 jobs. It is expected to create many more jobs in the coming years. Most graduates from technical colleges would benefit from these job opportunities he added.

The university textile industry linkage is getting strengthened. Formerly, the only institution integrated with the industry was Bahir Dar University but currently more than six universities is enrolling students in textile and garment technology with first and second degrees. However, the sector is facing challenges including incompetency, lack of industriousness and effective management that should be adequately addressed. The improvements of electric power interruption helps to competitively attract investments to the sector both FDI and Local potential investors as a directors said.

In general, those agreed with power supply is considered as a major determinant of the effective capacity of an organization that production cost and profit highly influencing by energy (Habtamu 2010), positive influence of competitive advantage from hydro power electricity textile industry in Ethiopia as well as its export performance (Rupa Gangl 2017) FDI can enhance the host country export performance and capacity by directly exporting from MNCs themselves and indirectly by stimulating domestic firms export propensity (UNCTAD, 2002), The role of MNCs in expanding export performance of the host country is derived from the additional capital, technology, managerial expertise, and know how that they bring along with access to international markets. FDI provides ready access to the world markets and acts as a conduit for the host country to participate in the globalization process (Ram and Zhang 2002), and Ethiopian government attention on the potential crowding out effect on domestic investment that can be done in a way that to create competitive advantage and benefit from spillover effect and the countries should have a higher absorptive capability of advanced technology to fully utilize of FDI benefit (Meskerem 2014).

4.2. Secondary Data Analysis

The number of **firms** engaged in export of the textile industry is described as shown on the table-8 bellow including their shares of FDI, local and other small firms.

Table-8-Textile industry export performance from 2002-2009 E.C value/revenue in dollars.

Year	2002	2003	2004	2005	2006	2007	2008	2009	Av
Value in \$	23,210	62,219	84,648	97,865.6	110,951.28	97953	77842.4	89007.01	17.33
No. of FDI Firms	7	10	10	11	14	25	21	36	
No. of Local Firms	17	16	15	18	19	19	19	18	
FDI Firm share in%	58.88	68.99	81.26	72.99	77.74	78.06	72.98	71.10	72.75
Local Firm share %	34.57	26.31	13.89	22.66	18.93	18.73	22.1	21.58	22.35
Others share in %	6.55	4.7	4.85	4.35	3.33	3.21	4.92	7.32	4.9

Source: Ethiopian textile industry development institute and ministry of trade

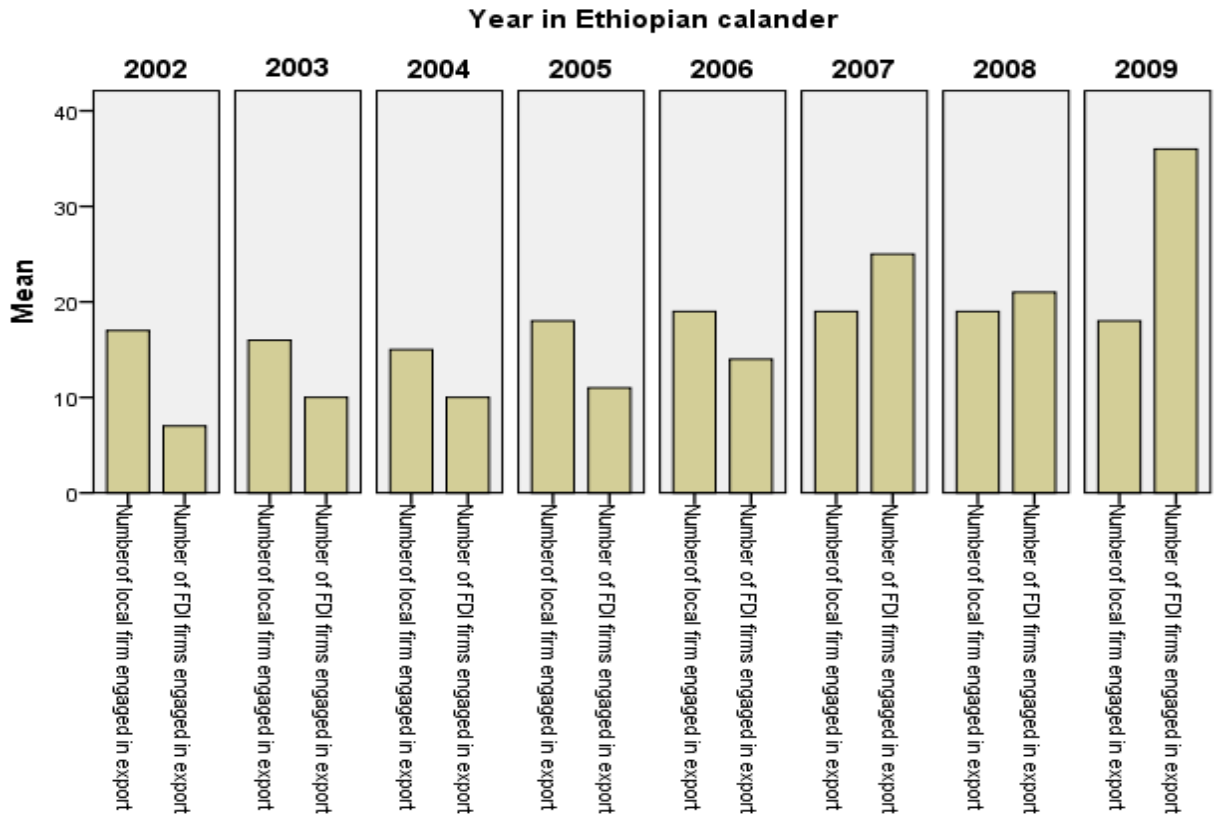


Fig-3 -Number of FDI & local firms those engaged in Ethiopian textile industry export for the last 8 years

From the above table and fig-3 the number of FDI those engaged in export from 2002 to 2009 E.C minimum in 2002 that is 7 and maximum in 2009 that is 36 shows more than five times the minimum be increasing. In addition FDI has 58.88% in 2002 minimum, 81.26% in 2004 maximum and 72.75 % the average share of eight years textile export performance of Ethiopia.

The number of local firms those engaged in export from 2002 to 2009 E.C minimum in 2004 that is 15 and maximum in 2006, 2007 and 2008 that is 19 shows increasing by two excluding the number of local firms those categorized by name of Others. In addition local firms have 13.89% in 2004 minimum, 34.57% in 2002 maximum and 22.35 % the average share of eight years textile export performance of Ethiopia.

The textile export performance share of others 3.33% minimum in 2006, maximum is 7.32% in 2009 and average share of eight years 4.9%.

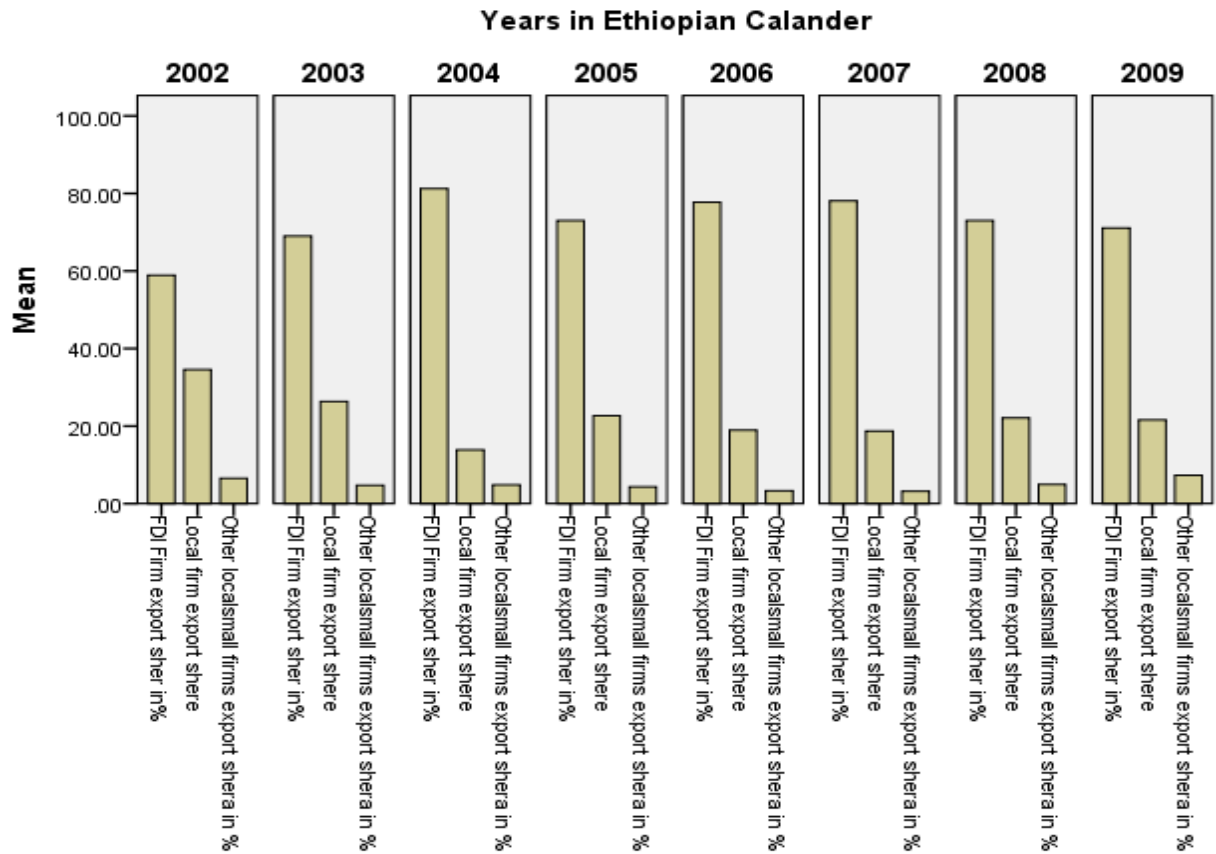


Fig-4 –The share of FDI , local and Other small firms those engaged in Ethiopian textile industry export for the last 8 years

CHAPTER FIVE

5. SUMMARY AND CONCLUSIONS

This chapter puts summary findings and conclusion. The summary section summarizes major findings of the study in relation to the major objective and research questions. And conclusions are also organized in a way in which they can address the four research questions of the current study.

5.1 Summary

The general objective of the study was to analyzing factors influencing specifically; FDI, local textile firms expansion, improvements of skills of labor, availability of low cost electricity and trade capacity building programs of utilizing preferential market access including world trade organization (WTO) accession bilateral & multilateral trade agreements impacts on the export performance of textile industry in Ethiopia. And the specific objectives of the study was:

1. How does the trade capacity building program of utilizing preferential market access including WTO accession trade agreements contribute to the export performance of the textile industry in Ethiopia?
2. How does FDI on textile and local textile firm's expansion affect the textile export performance in Ethiopia?
3. How does the improvement of low cost labour skills influence the export performance of the textile industry in Ethiopia?
4. How does the availability of low cost electricity affect the export performance of the textile industry in Ethiopia?

In order to answer these research questions, questionnaire, semi structured interview and document analysis were used as data collecting tools.

Census purposive sampling technique was used on management members of ETIDI those 30 in total target population. Depending on the data collected and used descriptive statistics and inferential statistics as well as multi-linear regression and ANOVA tools. This study findings' consistencies and in consistencies within literature reviews on the sector are summarized as follows:

5.1.1.FDI

FDI influencing export performance of textile industry positively by 54.9% ,it is consistent with, the export enhancing power of FDI is explained by the existence of multinational corporations and their interaction with domestic firms. The existence of MNCs boosts a country's exports simply by exporting their production while their interaction with domestic firms increases the competitive capacity and provides access to large and new external market. Hence, FDI can enhance the host country export performance and capacity by directly exporting from MNCs themselves and indirectly by stimulating domestic firms export propensity (UNCTAD,2002)

5.1.2.Expansion of local firms

In this study next to FDI has positive impact on export performance of textile industry in Ethiopia by 27%,then it is agree with the literature review of Firm size and high industry concentration as important export competition (Almeida 1988),Foreign companies compete with domestic producers while creating additional demand for domestically produced intermediate goods through linkages with local suppliers. This can lead to domestic firms entering into the intermediate goods sector, which can result in lower costs that, reflected in lower final prices that increase demand, can benefit domestic firms producing final goods (Laura Alfaro 2003).The country's textile industry is currently undergoing a major expansion programme, and its government is implementing a number of prudent macroeconomic policies designed to support that growth (ETIDI 2014).

5.1.3.Improvement of labour skills

It is influencing positively export performance by 24.7% that is matched with among of those Ethiopian education policy considering the improvement of labor skills for manufacturing industry with special attention on light industries becomes as a competitive factors of textile industry export performance (ETIDI 2014), The labor cost of the textile industry is the most geographically distinct variable and it becomes one of the competitive factors. The spread is enormous; from over \$10 per hour in the U.S. to 22 cents per hour in Vietnam. The Ethiopian population has a high percentage of young people. Since the labor force is young; they can easily be trainable and quickly adopt new technologies. This condition would secure the comparative advantage of the textile industry to be competitive on international market. (Yared 2010).But inconsistency with textile industry in Ethiopia is constrained by poorly trained and unmotivated labor (Mulat, 2004).

5.1.4. Availability of low cost electricity

It has positive impact on export performance by 23.9% that is similar to power supply is considered as a major determinant of the effective capacity of an organization that production cost and profit highly influencing by energy (Habtamu 2010) and positive influence of competitive advantage from hydro power electricity textile industry in Ethiopia as well as its export performance (Rupa Gangl2017)

5.1.5. Trade capacity building programs

It has low influencing on the performance that is 2% shows positive relationship but not significantly impacted that slightly agreed with Local market orientation, institutional deficiencies and lack of information support system, weak intra and inter sub sector linkages, inadequate supply of accessories and materials, poor infrastructure, inadequate financial services, and competition from illegal imports (Mulat, 2004)

5.2. Conclusion

This study examined factors influencing export performance of textile industry in Ethiopia specifically trade capacity building programs including trade agreements, FDI, expansion of local firms, improvements of labour skills and availability of low cost electricity variables on textile export performance of Ethiopia. Hence, it can be concluded that:

All the independent variables (trade capacity building programs including trade agreements, FDI, expansion of local firms, improvements of labour skills and availability of low cost electricity) predict export performance of textile industry in Ethiopia. They have also positive relationship with export performance of the sector in the country.

FDI by 54.9 % , expansion of local firms by 27%, improvements of labour skills by 24.2 % and availability of low cost electricity influence export performance of the sector by 23.7 % . However, Trade capacity building programs does not significantly contribute to predict export performance of textile industry in Ethiopia.

The sector did benefit from FDI, expansion of local firms, improvements of labour skills and availability of low cost electricity that the result shows an average 17.33% export revenue growth during the eight years performance conducted during the survey. Trade capacity building program is statistically insignificant. Though it has direct relationship with export performance and the coefficient shows 2% but this has no influence on the export performance of textile industry in the country. But the explanatory variables: Government policy including incentives

of the sector and infrastructures, built systems and institutions like ETIDI, NQI & transport related to be reducing barriers to response for export buyers needs, multilateral including WTO accession and bilateral trade agreements, facilitating investment in trade related infrastructures, coaching small business on the access of financial services for trade and investment, preparing private sector enterprises to navigate import regulations of export market access and organizing annual AGOA forum explain trade capacity building programs of the country with respect to the sector those focused on satisfying external/demand side/given export market accesses' needs. The importance level of trade capacity building program is important which plays a significant role in affecting export performance.

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Appendix
QUESTIONNAIRE
FOR

Research thesis for MA candidate of Marketing management in Addis Ababa University

Dear Respondents, I recognize the value of your time, and sincerely appreciate your efforts.

Thank you for your valuable time!

Sincerely, Amakele Yimam

NB. General Directions:

- Please put your opinion by making a (√) mark, circle and give your short and precise answers for those followed by blank spaces.
- Answer the questions based on its instructions given in each section of the questionnaire
- Please respond to all the questions as accurately as possible, and respond at your earliest possible time.

Section A Personal Information

1. Education Level
a) Diploma b)BA/BSC c)MA/MSC d)Phde) Others (specify)_____
2. Your position/department is -----

3. Which is the best approximate availability of electricity from the total demand of firms those engaged in export?

1) upto 20% 2) from 20% to 40% 3) from 40% to 60% 4) from 60% to 80% 5) from 80% to 100%

4. Local firms those engaged in export are benefitted from value chain in FDI

1) yes 2) no

If you say yes for above question please list among local firms benefits from the value chain

II. Please underline your choice of the following General view Questions

1. How do you evaluate the trade capacity building programs in general?

1. Very high 2. High 3. Medium 4. Low 5. Very low

2. How do you evaluate the expansion of local firms in general?

1. Very high 2. High 3. Medium 4. Low 5. Very low

3. To what level FDI has effect on export performance of textile industry in Ethiopia

1. Very high 2. High 3. Medium 4. Low 5. Very low

4. How do you think about the improvement of labor skills within low cost influence the export performance of the textile industry in Ethiopia?

1. Very high 2. High 3. Medium 4. Low 5. Very low

5. How do you evaluate the effect of the availability of low cost electricity on the export performance of textile industry in Ethiopia

1. Very high 2. High 3. Medium 4. Low 5. Very low

6. What is your general view on the export performance revenue growth rate of textile industry in Ethiopia

1. Very high 2. High 3. Medium 4. Low 5. Very low

Section C: Open Ended Questions related to influencing factors on export performance of textile industry in Ethiopia

1. Among the influencing factors do you think the major influencing factors on export performance growth of textile industry in Ethiopia for the last eight years? please specify them

2. Can you think of suggestions to sustain and enhance export performance of textile industry in Ethiopia? Please write your suggestions.

INTERVIEW QUESTIONS

FOR

Research thesis for MA candidate of Marketing management in Addis Ababa University

Dear Excellency, I recognize the value of your time, and sincerely appreciate your efforts.

Thank you for your time.

Sincerely, Amakele Yimam

PLEASE EXPLAIN THE FOLLOWING QUESTIONS BREFLY

- 1.** How to explain impacts of TCB, FDI, Local firm expansion, improvement of low cost labour skills and availability of low cost electricity on the export performance of textile industry in Ethiopia from 2002-2009 E.C?
- 2.** How was the exchange rate and cotton supply from 2002-2009 E.C
- 3.** If there exist other, in addition to the above factors, please describe those influencing factors and explain their impacts on the export performance of textile industry in Ethiopia from 2002-2009 E.C.