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**The Effects of Imported Cultural Goods /Shema  
Products/ on The Market of Similar Goods of  
Domestically Produced (The case of Addis Ababa)**

By

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Presented in Partial Fulfillment of the Requirements for the Degree of  
Master of Arts in Marketing Management

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# **Addis Ababa University School of Graduate Studies Department of Marketing Management**

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**By Semir Sanni**

This is to certify that the thesis prepared by Semir Sanni entitled: The Effects of Imported Cultural Goods on the Market of Similar Goods of Domestically Produced (The case of Addis Ababa) and submitted in partial fulfillment of the requirement for the degree of master of arts in marketing management complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

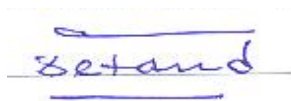
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## Declaration

I, the undersigned, declare that this thesis is my original work and all the sources of materials used for the thesis have been duly acknowledged.

**Name:** Semir Sanni

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**Date of Submission:** June 2020

**Place of Submission:** Addis Ababa University School of graduate studies department of  
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## **Acronyms and Abbreviations**

AAAMSEDA - Addis Ababa Administration Micro & Small Enterprises Development Agency

AGOA - African Growth Opportunity Act

COMESA - Common Market for Eastern and Southern Africa

CSA - Central Statistics Agency

E.C - Ethiopian Calendar

ECX - Ethiopian Commodity Exchange

EPA - Economic Partnership Agreement

ERCA - Ethiopian Revenues and Customs Authority

ESA - Ethiopian Standards Agency

ESLSE - Ethiopian Shipping and Logistics Services Enterprise

FDRE - Federal Democratic Republic of Ethiopia

FGD - Focus Group Discussion

FTA - Free Trade Agreement

GTP I - The first growth and transformation plan

GTP II - The second growth and transformation plan

IPR - Intellectual property rights

IEGQD - Import-Export Goods' Quality Directorate

ITC - International Trade Centre

MoFED - Ministry of finance and economic development

MoT - Ministry of Trade

NBE - National Bank of Ethiopia

NTM - Non-tariff measure

OECD - Organization for Economic Co-operation and Development

PI - parallel imports

rPb - Point-biserial correlation coefficient

SD - Standard Deviation

SDG - Sustainable Development Goals

Sig - Significance

SPSS - Statistical package for the social science, computer software

UNESCO: united Nations educational, scientific, and cultural organization

UK - United Kingdom

USA - United States of America

UN HABITAT - United Nations human settlements programs

UNCTAD- United Nations Conference on Trade and Development

WTO- World Trade Organization

## **Definition of terms**

**Imported cultural goods:** imported Ethiopian cultural goods or fabrics (shema) that are manufactured by foreign countries.

**Cultural goods:** culture as goods and services, which can potentially be traded: such as Netela, Kemis, Kuta, Gabi, Sharp, Curtain, Table cloth, Pillow case and Bed cover

**Parallel goods:** imported cultural goods similar with goods that are domestically produced

**Weaver:** Traditional fabric workers (shema)

## *Abstract*

*This study is conducted to examine the effects of imported cultural goods on the market of similar goods of domestically produced (The case of Addis Ababa). The data used for this study was acquired from primary and secondary sources. The target groups in the study are key informants from three government offices in Addis Ababa, and ten local woven fabrics manufacturing cooperatives and consumers (from Gullele and Kolffe sub-cities).*

*Totally, the primary data gathered from 106 participants who were selected using random sampling technique. The secondary data for this study was obtained from records and reports from selected government offices and websites (Addis Ababa costume and revenue authority, Addis Ababa bureau of trade, Addis Ababa small and micro enterprise agency). The analysis and discussions are presented in accord with the research questions raised in the study. The results are analyzed quantitatively using SPSS version 20 computer software.*

*The results show that (1) imported cultural goods have a negative impact on the market share of local manufactured cultural goods, employment and the existence of local fabric firms, and importation of cultural goods had a great contribution in affecting the study dependent variables, (2) employment is the most affected variable by the importation of cultural goods, (3) there is a positive and significant relationship between imported cultural goods and government revenue, and (4) the study also found that 56.7% of respondents prefer to buy imported foreign cultural fabrics, in which 78.3% of respondents are inclined to buy foreign imported fabrics because of its price. The results are analyzed and interpreted from the viewpoints of previous researches, and conclusions are drawn.*

*This study suggests that local fabric firms can achieve a great success and improve their performance by giving due emphasis for technological advancement, creative works and price of their products. Moreover government should evaluate the market share, liquidity and its impact on labor before importation of any cultural goods.*

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# Chapter one

## 1.1. Background of the study

Cultural goods are goods which carry artistic, aesthetic, symbolic or traditional values of certain society. With speedy globalization, the product scope of international trade has been expanding. Since the past few decades, cultural goods have become a growing source of international trade, emerging as a supporter and contributor of the development of the world economy to be sustainable. In 2013, the value of global exports in cultural goods reached USD212.8 billion, almost doubling from 2004 and accounting for 1.22% of all exports of goods. During the Global Financial Crisis, trade in goods dropped significantly, but trade in cultural goods was less affected. In 2009, overall trade in goods decreased by 22.4% in value, but cultural exports declined by only 13.5%. Both total trades in goods and in cultural goods started to recover in 2010 (World Bank, 2018).

In most countries, the household expenditures spend for recreation and cultural purposes amounted around 5% of GDP. Apart from the increase in income per capita, a frequent and presumably important explanation of this growth of cultural expenditures over the last decades is the emergence of the information society, combined with the development of leisure and of cultural tourism. This growth in consumption is associated with an impressive rise in trade (Anne-Ce'lia, et al, 2009).

In 2005, the UNESCO has suggested a new categorization, which distinguished between core cultural products (such as books, recorded media, visual arts) and related ones (such as blank CDs or television receivers) using the notion of cultural content. Some of core cultural goods are essentially produced by "cultural" industries, while related ones are made by "creative" industries. UNESCO (2016) assort cultural goods and services so that they are belonging to six domains: cultural and natural heritage, performance and celebration, visual arts and crafts, books and press, audio-visual and interactive media, and design and creative services (UNESCO, 2016).

UNESCO (2005) also gives a clear definition of trade in cultural goods. Trade is defined “as the exports and imports of tangibles and intangibles conveying cultural content that might take either the form of a good or a service”. It also includes “the goods and services which are required to produce and disseminate such content as well as ancillary services even if they are only partly cultural in their content”. The aim of such a definition is to take into account the large changes that have occurred over the last decade in the Information and Communication Technologies.

Like other goods and services art is also moved across borders for different purposes. It crosses borders through cultural cooperation projects, the art trade, cultural tourism, restoration and, of course, when people move to live in another country, just to cite some examples. International cultural cooperation is a valuable way for countries, organizations and individuals to overcome barriers of understanding and to learn about one another’s art, culture and heritage. It involves shared communicative action to earn common, similar or different ends through artistic and other means, according to a definition of European cultural cooperation (Judith and Julio, 2007).

As a control on the export and import of cultural goods is an important instrument for the preservation of the cultural heritage of nations, it has been addressed by a number of multilateral agreements. Whereas, there are two international conventions on international trade on cultural goods, that are known as the UNESCO Convention of 1970 and The UNIDROIT Convention of 1995.

As it put under the auspices of UNESCO, the convention on the means of prohibiting and preventing the illicit import, export and transfer of ownership of cultural property was adopted in Paris on 14 November 1970. Many of EU Member States has been participated in the ratification of the Convention. The UNESCO convention carries for the states parties to it the requirement to adopt and implement appropriate legislation and set up the necessary administrative structures. Moreover, the convention establishes a common definition of cultural property, and sets out the categories of cultural property that form part of the cultural heritage of each State. For the protection of such property, the States shall set up in their territories one or more national services with specific functions (The UNESCO Convention of 1970 cited in Judith and Julio, 2007)

The other one is UNIDROIT, the International Institute for the Unification of Private Law. It has also had an important contribution for international trade of cultural goods. While the UNESCO Convention covers both the prevention of illicit traffic and the recovery phase, the UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects (Rome, 24 June 1995), adopted 25 years later, focuses only on the recovery phase. It applies to claims of an international character for the restitution of stolen cultural objects and the return of illegally exported cultural objects (UNESCO, 2013).

Whereas, the world market for cultural goods has grown, the question of conflicts between cultural diversity and trade in cultural goods, also known as the ‘culture and trade quandary’, has been of increasing concern, due to the uneven flow of cultural goods. If cultural trade is dominated by a specific region or nation, then cultural diversity may be threatened by global cultural homogenization (Anne-Cecilia, et al, 2009; UNESCO, 2013).

According to World Bank (2019) Ethiopia has a large domestic market of over 100 million people, making it the second most populous country in Africa after Nigeria. Over the last decade, Ethiopia became one of the fastest growing economies in the world, with average annual growth rates ranging from 7% to 12%. In 2018, Ethiopia’s real Gross Domestic Product (GDP) expanded by 7.7 percent, and is expected to grow by 8.5% in 2019.

Ethiopia is the member of the African Growth & Opportunity Act (AGOA) trade preference program, now extended until 2025, and Ethiopia’s membership in the Africa Continental Free Trade Agreement (AfCFTA). The Ethiopian market has been largely covered with imported goods for decades. In 2017/18, Ethiopia has exported \$2.8 billion worth of goods it was mainly agricultural products, while its import has been \$16.8 billion worth of goods for the same period. Since 2012, the trade deficit has been rising by an average of 12.5 percent. From the total share of import export, Ethiopia imports 6.1 percent of consumer goods and export 3.6 percent. This indicates that, Ethiopian imports of consumer goods from foreign countries are reported to be bigger than the ones exported abroad (World Bank, 2018).

Recently, Ethiopia faces a growing trade deficit with total imports steadily increasing on average by 12.5% per year during the previous 10 years. The rise in imports has exacerbated the trade deficit, which ballooned from \$3.6 billion in 2010 to \$14 billion deficit in 2016/2017. According to the NBE annual report, 34.5 % of total imports (\$5.27 billion) were spent on capital goods and 31% (\$4.7 billion) on consumer goods. In order to calm the trade balance, the Government of Ethiopia works to minimize imports and took other macro-economic measures in recent year, which has decreased the trade deficit to \$12.41 billion in 2017/18. Ethiopia's total merchandise exports were \$2.84 billion in 2017/2018, while imports for the same period were \$15.28 billion, a 3% decrease from the previous year (NBE 2018; World Bank, 2019).

Moreover, the vast majority of Ethiopia's imports come from Asia (64.2%) followed by Europe (19.3%), the United States (9.4%) followed by Africa (7%). Imports from China accounted for 39.3 (a drop of over 10% from the same period last year) followed by Kuwait (12.6%), India (10.1.8%), USA (9.4%) UAE (5.4%) Japan (5.3%) and Saudi Arabia (3.6%) (World Bank, 2019).

Whereas, this poor export performance and weak trade balance reflect the lack of external competitiveness and the vulnerability to terms of- trade shocks. The rising risk of external debt distress may affect Ethiopia's access to external finance. In addition to this, according to NBE report on the parallel market rate, the parallel market premium range is almost from 10 to 17 percent in FY2017. This indicates the appreciation of the real effective exchange rate and shows that domestic inflation is still higher than foreign inflation and the rate of nominal depreciation. These developments require continued policy adjustment to crowd-in the private sector and strengthen Ethiopia's competitiveness (World Bank, 2017).

Moreover, in Ethiopia, most importers are not committed to certain line of items they import and fail to specialize or understand the details of what they import. They import whatever is profitable now. However, the import-oriented market is silently destroying whatever is left from domestic work culture, especially when it comes to importing cultural goods that are already owned here at home.

When one tries to see major cause for Ethiopia's high trade deficit, often cited are the closed nature of the financial sector, systematic incentives for imports, and the absence of sound economic policy on the part of the government. According to economists, there are two possible options for Ethiopia if it wishes to narrow the prevailing trade deficit: Increasing exports of value-added manufactured products and substituting imports by increasing the competitiveness of locally-produced products. Moreover, import substitution requires the government to essentially incentivize and encourage local production and discourage import of goods that can be made in Ethiopia with strong quality control, tariffs and consumer education standards. That will obviously save Ethiopia billions of dollars every year.

Studies also found that the existence of parallel goods imports raises a number of interesting policy and strategic questions. For example, parallel trade is essentially arbitrage within policy-integrated markets of IPR-protected goods, which may have different prices across countries. Moreover importing parallel cultural goods have a direct effect on the market share of similar goods that are locally produced (Mattias and Keith; Anne-Ce'lia, et al, 2009; UNESCO, 2013).

The liberalization trade on cultural goods is also one of the most sensitive issues of recent and current multilateral negotiation rounds. Discussions set the partisans of free trade in cultural goods against the advocates of a "cultural exception". This is because cultural goods and services reflect countries' identities and individuals' diversity. Cultural goods trade is an empirically important phenomenon, and politically sensitive topic. In addition, there has been a recent surge of academic interest in "cultural economics", understood as the quest for cultural origins of various economic outcomes such as bilateral trade of cultural goods (Anne-Ce'lia, et al, 2009), regional development (Tabellini, 2008), diffusion of innovations (Spolaore and Wacziarg, 2009) or labor market performance especially on the parallel goods (Algan and Cahuc, 2007).

The incidence of import of cultural commodities is reported to be rising in recent years. Many developing countries see this phenomenon as a source of serious concern for them in view of the often disruptive effects on local markets, with negative effects on production, employment and so on. In contrast to these widespread concerns and reporting, the documentation of the

phenomena of import surges, based on sound statistics and analyses, is generally weak. Indeed, there are very few analytical studies available on the impact of import surges.

This study, therefore, specifically aimed at: i) Analyzing the effects of imported cultural goods on domestic manufacturers of similar goods and employment; ii) on a countries revenue and consumers preference, and iii) Finally, it will establish economist's views about the challenges of importing cultural goods on domestic manufacturers of similar goods and country revenue in general and consumers preference in particular. The present study also discuss the complex economic relationships between Parallel cultural goods and other forms of competition policy, or attempts to limit the abuse of market power offered by patents and copyrights. Finally, the study will review the emerging literature on how policies governing parallel cultural goods import may affect international trade agreements.

## **1.2. Statement of the problem**

According to UNESCO (2016) when the world market for cultural goods is growing time to time, it causes the question of conflicts of unbalanced cultural goods trade. It has been stayed with increasing concern, due to the uneven flow of cultural goods. If cultural trade is dominated by a specific region or nation, then cultural diversity may be threatened by global cultural homogenization. Naturally, the larger regions dominate world cultural trade, and the existence of imbalances in the trade of cultural goods is clear when we consider the ratio of cultural good exports (or imports) to the exports (or imports) of all goods (UNESCO, 2016)

The Ethiopian market has been dominated with imported goods for many decades. The country still imports almost everything, from construction materials, fuel, medicine, and commodities like clothing and cultural goods. Most things processed or value-added are likely to be made outside the country. Even those who manufacture things inside the country, they import many inputs or ingredients, and even as small as packaging labels. This has made foreign exchange needs for the country extremely high (ibid, 2016).

Basic challenges relate to poor export performance and weak trade balance, which show the lack of external competitiveness, the vulnerability to terms of trade shocks and trade deficit. The rising risk of external debt tribulation may affect Ethiopia's access to external finance.

According to NBE report on the parallel market rate that the parallel market premium ranged from 10 to 17 percent in FY2017. This indicates that these developments require continued policy adjustment to crowd-in the private sector and strengthen Ethiopia's competitiveness (World Bank, 2017).

In this condition of rapid growth of international trade in cultural goods, the threat of global cultural homogenization has risen due to uneven flows of cultural goods. It is important to suggest that various aspects of national culture can possibly be identified as part of the reason for this imbalance in cultural trade. However, policies to target any of the stated variables, if these dimensions do indeed capture the essence of culture, risk altering the economy in general and local parallel production in particular.

Moreover, it also alters the culture itself and even threatens to add to the cultural homogenization. To avoid this, and to maintain cultural diversity, cultural policies need to be re-shaped in such a way as to enable a cultural environment that encourages individuals and social groups to enhance creativity in cultural goods at the organizational and national levels, but without damaging the very culture from which those goods emerge (Zhaobin, et al, 2017).

The effects of imported cultural goods on the local trade patterns have been recently analyzed in details in several studies (e.g., Guiso et al. (2009) on bilateral trade and Felbermayr & Toubal (2017) on cultural proximity trade. Also related to this literature are the issues of unbalanced trade (Judith, and Julio, 2007), and its effect on domestic manufacturing sectors (Rose 2000; Eichengreen and Irwin 1998; Mattias and Keith). Studies also found that importing parallel cultural goods have a direct effect on the market share of similar goods that are locally produced (Mattias and Keith 2010; Anne-Ce'lia, et al, 2009; UNESCO, 2013).

In addition, there has been a recent academic interest in "cultural economics", understood as the quest for cultural origins of various economic outcomes such as bilateral trade of cultural goods (Anne-Ce'lia, et al, 2009), regional development (Tabellini 2008), diffusion of innovations (Spolaore and Wacziarg 2009) or labor market performance especially on the parallel goods (Algan and Cahuc 2007).

It is therefore somehow surprising that despite this wide interest in the topic, this type of exchanges has not been much studied in Ethiopia. In addition, there are a number of issues raised by the local manufacturers that the importing culturally owned products might affect the performance of domestic producers. This is because previous studies (Mattias and Keith 2010; Anne-Ce'lia, et al, 2009; UNESCO, 2013) concluded that the import-oriented market have a negative effect domestic work culture, especially when it comes to importing cultural goods that are already owned here at home.

When we look at the preliminary local researches, a number of studies have been conducted to examine the effects of imported goods from several perspectives. However, most of the researches conducted on the area are primarily focused on general consumer's goods at a country level. On the other hand, other researchers also focused on the exchange rates (Samuel, 2019) and determinants and potentials of foreign trade in Ethiopia (Yeshineh, 2016) and determinants of foreign products' preference over local products (Siraw 2014) which are too broad to identify the effects of imported cultural goods.

Whereas, conducting this type of study will be crucial because studies suggest that socio-economic developments are a subject of several domestic producers. Moreover, no empirical research was available on the critical effects of importing cultural goods. *Thus*, the present study assesses the determinants of trade in cultural goods specifically, the effects of imported cultural goods on the market share of domestic production of parallel goods, government revenue collected from the parallel goods, consumer preference and domestic production.

### **1.3. Research questions**

This research answered the following questions

1. How the imported cultural goods do affect the market share of domestic cultural goods production?
2. How the imported cultural goods do affect the employment rate of domestic parallel sectors?
3. How the imported cultural goods do affect the existence of domestic parallel sectors?
4. Are there any effects that imported cultural goods have on the government revenue?

5. How the imported cultural goods do influence the loss of consumer's interest on domestic manufactured cultural goods?

#### **1.4. Research hypotheses**

**HO1.** Imported cultural goods negatively affect the market share of domestic production of cultural goods.

**HO2.** Imported cultural goods have a direct effect on unemployment rate of domestic parallel sectors.

**HO3.** Imported cultural goods have a direct negative effect on the existence of domestic parallel sectors?

**HO4.** Imported cultural goods have a positive effect on the government revenue.

**HO5.** Majority of the population prefer to use foreign products than local products.

#### **1.5. General and specific objective of the study**

The general objective of the study is to examine the effects of imported cultural goods on the market of similar goods of domestically manufactured.

##### **1.5.1. Specific objectives**

**Specifically, the study focuses on the following relevant aspects.**

- To examine if the imported cultural goods affect the market share of domestic production of cultural goods.
- To examine if the imported cultural goods affect the rate of employment in local manufacturing sectors.
- To analyze if the imported cultural goods affect the existence of local cultural goods manufacturing sectors.
- To analyze if the imported cultural goods affect government revenue.
- To assess the imported cultural goods influences the increasing of demand for foreign cultural goods.

## 1.6. Significance of the study

***From government perspective:*** This study is significant especially to government organization as it will help them to understand the effects of imported cultural goods on the domestic manufacturing sectors. The study also provides important inputs that help to boost professional standards in the bilateral trade of cultural goods. The finding of this research will help to inform the most feasible and appropriate intervention targeted on the countries import export policy.

***From producer perspective:*** This study will serve as a source of data and reference for domestic producers of cultural good so that it enables them to make profitable proper decision accordingly with the result of the research that related with their concern.

***From beneficiary's perspective:*** this study will have significance that it will be as source of awareness on the market that it leads them to make essential choice preference.

## 1.7. Scope of the study

**Geographical and time scope:** Out of several ministry offices in the country, the present study focuses only on the selected three ministries and five local producers. Moreover, the time horizon is constrained by the availability of data on cultural trade, measured by a consistent statistical standard. Therefore, this study assesses cultural goods trade based on 3 (China, Thailand and USA) countries (major exporters of cultural goods to Ethiopia) over the period 20016 to 2019.

**Methodological scope:** the study uses mixed method of data analysis. The limitation of the studied data is that they contain only bilateral trade information between Ethiopia and foreign countries lacking the information of transactions among other foreign trading partners.

**Conceptual scope:** This study focuses on the effects of imported cultural goods on the locally produced similar goods and government revenue. Therefore, this research will focus only on the selected economic development elements (government revenue, local production and consumer preference).

# Chapter Two

## Review of related literature

### 2.1 Introduction

Cultural goods are defined as goods conveying ideas, symbols, and ways of life, some of which may be subject to copyrights. They include books, magazines, multimedia products, software, recordings, films, videos, audio-visual programs, crafts, and fashion. The unique characteristics of cultural goods are dependent on human creativity at both the individual and group level. Creativity is a phenomenon whereby something new and somehow valuable is formed. Successful new cultural products can help society to develop new markets, as well as to cater to the emerging needs of existing markets. The relationship between national culture and comparative advantage in cultural goods mainly relies on how national culture influences creativity, at both the individual and group level (UNESCO, 2009; UN, 2013; Mumford, D. 2003; Sternberg, 2012).

The manifestations of culture, which may be either tangible or intangible are, what are commonly perceived as culture in everyday terms; that is, the past and present output of what is often referred to as the arts. It is only these measurable manifestations of culture as goods and services, which can potentially be traded, that we deal with in the empirical work which follows. UNESCO (2016) classifies cultural goods and services as belonging to six domains: cultural and natural heritage, performance and celebration, visual arts and crafts, books and press, audio-visual and interactive media, and design and creative services (UNESCO, 2016).

The aim of the study is to analyze the Effects of Imported Cultural Goods on The Market of Similar Goods of Domestically Produced (The case of Addis Ababa). This chapter presents a review of related literature on the imported cultural goods on the market of similar goods of domestically produced. The first section of this chapter sketches out the background of the study that is the traditional weaving fabrics sectors in Ethiopia. Then, theoretical frame work and empirical literature review presented; then, the conceptual framework of the study is presented.

## **2.2. The traditional weaving fabrics sector in Ethiopia**

The handloom weaving sub-sector in Ethiopia is emerged from the cotton subsector. It is an example of a traditional-based and home grown activity. Handloom weaving is a simple activity and is pivotal in the cotton sector as it binds both the rural and urban households together and is grown from the home-based traditional handcraft industry. Handloom weaving was started to meet household need and demand for clothing. Gradually it grew to be an important source of income as an off-farm activity. In fact, handlooms (informal operators) are the major demanders of raw cotton, and who are engaged in weaving and preparation of traditional fibers, especially woven cloths that are popular both at the rural and urban centers, exported to Ethiopians living in foreign countries and other foreigners (Getu, et al, 2018).

Weaving production in Ethiopia has been a key home industry activity in both rural and urban areas. Shiro Meda, an area located in the northern part of Addis Ababa at the foot of the Entoto Hills is the center where some of Ethiopia's most respected weavers are live. Over the last 60 years, several weavers have migrated from the southern part of Ethiopia to Shiro Meda and Addisu Gebeya being the center of traditional weaving in Addis Ababa (Worku, 2006).

Hand weaving is a traditional technology to produce special as well as ordinary fabrics in the rural and semi-urban areas. Weaving is traditionally found throughout Ethiopia. There are clustered hand weaving activities in some villages of Addis, for instance, Shiro Meda, Adisu-Gebeya, Kechene-Medhane Alem and Guellele. In the rural areas, Dorze and Konso in Southern part of Ethiopia are well known for their weaving activities. Gondar, Gojjam and Wollo in Amhara as well known in this activity to some extent next to the southeren areas mentioned above. . It is also very common to find people engaged in this activity in Oromia (UNESCO, 2013).

According to Central Statistical Authorities (CSA) as Cottage /Handicraft Manufacturing Industry, Cottage Handicraft Industries are defined as manufacturing establishments: where goods are produced for sale which predominantly does not use power driven machines during the manufacturing process and where employment is limited to the owner and in some cases may extend to family members.

Usually the Cottage/ Handicraft establishments are located in households or small workshops. Such establishments are mainly household type enterprises. As per the Federal Democratic Republic of Ethiopia Central Statistical Authority (CSA) survey on Cottage /Handicraft Manufacturing Industries (CSA Report 2018), the number of Cottage/Handicraft businesses in Ethiopia was estimated as 994,987 of which 63.27% were in rural areas and the rest (36.73%) in urban areas in 2019. The same year CSA report figured out Cottage Industries in Ethiopia as follows.

**Table 1. No. of traditional fabric weavers in Addis Ababa and nation wide**

No	Years	No. of Weavers	
		Nation wide	Addis Ababa
1	2010	330341	66068
2	2011	430367	66213
3	2012	502383	66347
4	2013	530361	66734
5	2014	665346	66897
6	2015	764347	66899
7	2016	891443	66765
8	2017	994342	66345
9	2018	994321	66243
10	2019	994,987	66212

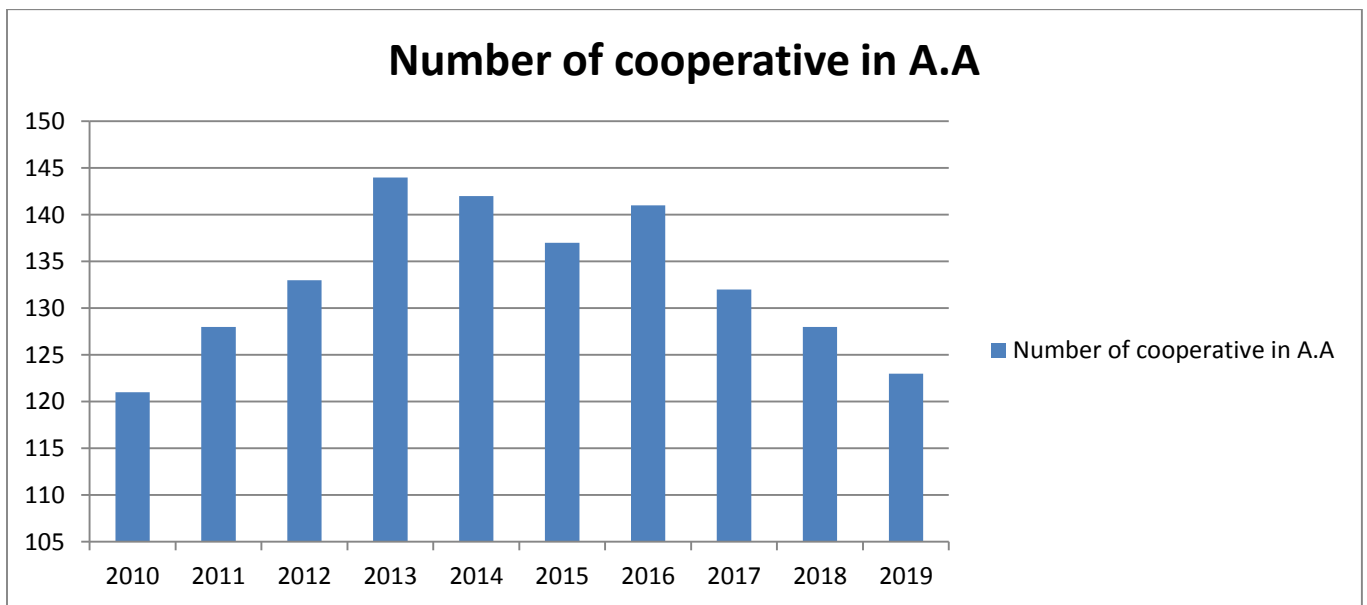
*Source: Central Statistical Authorities and Addis Ababa Administration Micro & Small Enterprises Development Agency*

The above table shows that currently there are around one million weavers nationwide and 66212 are found in Addis Ababa. In general, most traditional weavers are within the in-formal sector. They are almost all self-employed and operate from homes, have no formal training, do not pay taxes and have almost no access to modern finance in whatever form. Moreover, according to Cottage/Handicraft Manufacturing Industries Survey, the textiles industry has the second highest number of establishments in the cottage and handicraft manufacturing industry in Ethiopia. It represents 23% of the total number of cottage and handicraft enterprises, with almost 55% of these located in rural areas of the country. Next to food products and beverages, the textile

industries absorb the highest number of labor force in the country. Weaving enterprises make up 73.2% of the textile industry in number of establishments and 42.8% in total number of workers (CSA, Report on Cottage /Handicraft Industries, 2017).

On the other hand, weaving cooperative associations (Unions) are supposed to advocate for their members and facilitate/provide services like bulk purchase of Raw materials, receive and distribute bulk orders among members (cooperatives), assist members in sourcing inputs and available markets for their products, and provide other services to members as the need may be. According to the data obtained from Addis Ababa Administration Micro & Small Enterprises Development Agency (2019), there are 124 weavers' cooperatives in Addis Ababa City. 71 of them, which constitute more than 75%, are found in the Gulele Sub City. The following figure shows the details of these cooperatives (AAAMSEDA, 2019).

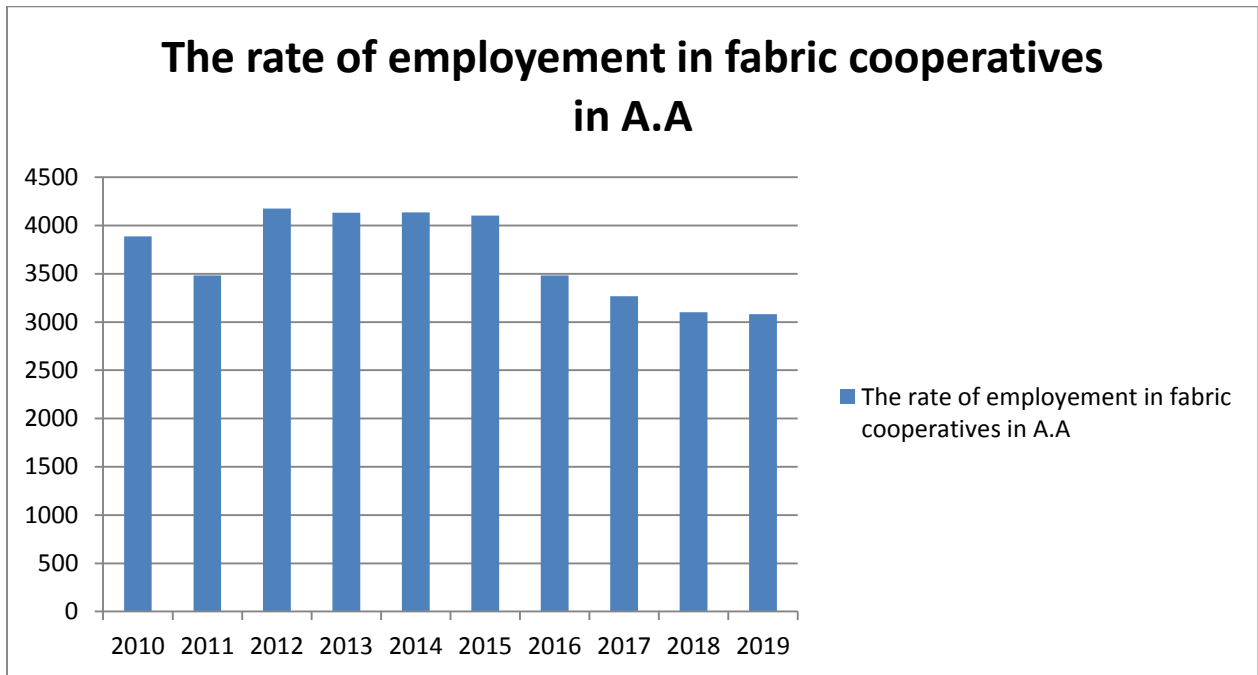
**Figure 1. Traditional fabric Weavers' Cooperatives in Addis Ababa**



*Source: Addis Ababa Administration Micro & Small Enterprises Development Agency*

Here it can be observed that not sufficient number of weavers is organized in cooperatives and recently the number of cooperatives started decreasing as compared to the previous five years. Even the existing weavers' cooperatives are not as such active in serving their members as they are supposed to do so.

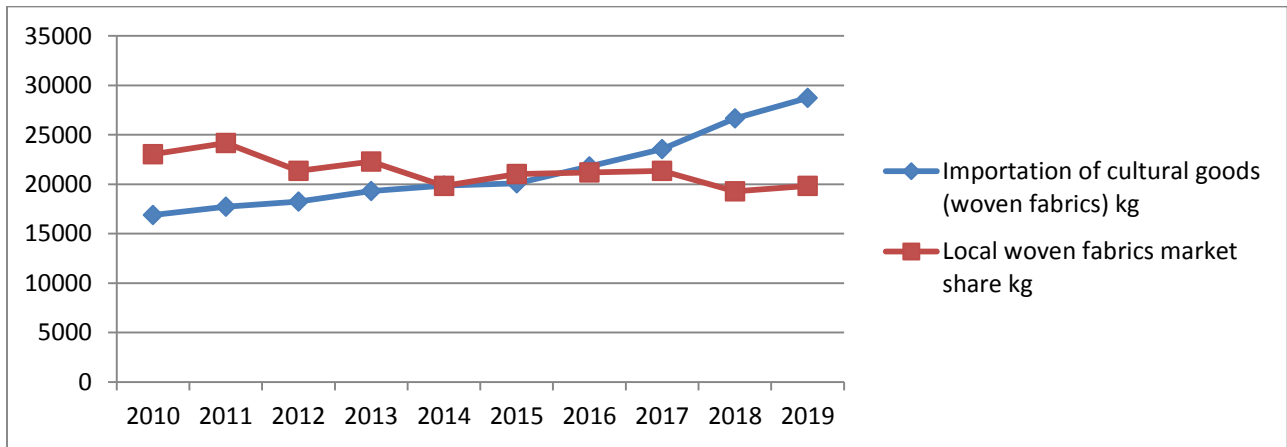
**Figure 2. The rate of employment in traditional fabric weavers' cooperatives in Addis Ababa**



Source: Addis Ababa Administration Micro & Small Enterprises Development Agency

Moreover, recently the rate of employment started decreasing as compared to the previous five years. Even the existing weavers' cooperatives are not as such active in serving their members and creating job opportunities like before.

**Figure 3. The relationship of imported cultural goods with the market share of local woven fabrics in Addis Ababa City**



Source: Addis Ababa Administration Micro & Small Enterprises Development Agency

In terms of measuring the relationship of imported cultural goods with the market share of local woven fabrics. As displayed in Figure 1, while importation of cultural goods increase the rate of local market share decreases. This suggests that, on one hand, the increasing integration of Ethiopian economy leads to dependence of its economic growth on international trade. On the other hand, the economy can be more vulnerable to external shocks. The figure also shows that the import ratio has increased, especially in the periods 2015 - 2019 onwards.

Recently, there are many emerged factors that discourage weaving firms. Currently, from traditional small producers who sell their products in shops to international fashion designers, the traditions and patterns associated with Ethiopian traditional garments are making their mark all over the world. However, between fluctuating foreign exchange rates, and the unstable cotton market, some producers and sellers are finding themselves crowded out of the market. The age-old techniques of weaving traditional clothing are competing with modern machine woven textiles, cheaper imported fabrics, and a shrinking number of people willing to learn the craft. Moreover, the prices of traditionally produced cultural clothing are becoming expensive, due to the rise in price of raw materials.

Another emerging trend is the imported cultural fabrics (shema) that are printed with designs and look like Ethiopian traditional costume. These products are not traditionally made from dir and mag that are being threatened with replacement by manufactured textiles and imported fabrics. Moreover, according to the information obtained from the Ethiopian Customs and Revenue Authority (ERCA) thread manufactured using only cotton is one of the 22 types of threads imported in Ethiopia. In 2016, Ethiopia imported 21,814 kilograms of colored cotton thread at a cost of USD 21, 677, and the main source of this type of thread is China, which was responsible for 99 percent of the imported volume in 2016. Currently, there are around 170 importers currently engaged in bringing colored threads into the country at the end of the 2016/17, according to ERCA, up from 155 the previous year. (ERCA, 2016).

However, due to growing imports of raw materials and finished fabrics from South-East Asia, especially from china, locally manufactured traditional fabrics are being crowded and forced to exit from there business. Currently, inexpensive, imported clothes bearing the patent designs, logos, and earmarks of local cottage industries dominate the Ethiopian market. The Central

Statistical Agency (CSA) in Ethiopia categorizes the traditional weaving industry as a cottage manufacturing industry (CSA, 2015).

## **2.3. Theoretical review**

### **2.3.1. Theoretical frameworks**

This theoretical framework is aimed at summarizing the existing literature from different disciplines related to marketing and economics. Its objective is thus to find out the concept of cultural goods and what marketing approaches better to be implemented in promoting cultural goods. The framework starts from the explanation of a concept culture, definition of cultural goods based on literature from different disciplines. Then three well developed theories will be presented: the theory of overlapping demand trade, new trade theory and Ricardian trade theory. In addition, the framework describes marketing approaches which are relevant to assess the relationship between bilateral trade and cultural goods. Finally, empirical findings and policy supportiveness also presented.

### **2.3.2. Elements of culture**

The UNESCO framework for cultural statistics (FCS) divides core cultural goods into five categories: (i) cultural heritage, (ii) printed matter, (iii) music and the performing arts, (iv) visual arts, and (v) audio and audiovisual media (UNESCO 2005). As a broad definition, culture can include different elements and have various layers. Culture would become as daily life guidance for certain people as far as it is a combination of components that are interrelated organically and work as a coherent set (Usunier et al., 2005).

Terpstra and Sacathy (2000) proposed that the concept of cultural framework that was helpful in analysis of various stages of cultural formation and interaction cultural elements with each other's. They developed this model by providing structure for the analysis. Their concept includes eight elements: values and attitudes, education, social organizations, technology and material culture, law and politics, aesthetics, language and religion.

However, this framework does not distinguish between individual and societal levels of culture (Yeganeh et al, 2009). According to Endrass, (2015), culture a derivative value that it is derived from one's social environment and not inherited from one's genes. It should be differentiated from human nature on one hand and from an individual's personality on the other hand. In addition to these, culture cannot be taken as a single layer that impacts on human's behavior, it should rather be divided into several layers itself (Endrass, 2013).

### **2.3.3. The concept and consumption of cultural goods**

One of the earliest definitions of culture, that is relevant till today, was suggested by Tylor (1871). He claimed that “culture or civilization, taken in its wide ethnographic sense, is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired my man as a member of society”. Looking the definition of cultural goods, it is more than just a description of cultural values that includes varieties of ideas (Klamer, 2004).

According to Eagleton (2000) a cultural good in general can be taken as any good when it fund different from others due to reason that people consider it. It can be as a symbol of something whether it is national, communal, traditional, religious or cultural appurtenance. In other words, a cultural good endows with broad meaning and purposes and be valuable over its own usefulness.

On the other hand Throsby,( 2011) noted that consumption of cultural goods as exceptional goods gives a positive value for society that it draw exceptional sense on mindsets of consumers and stimulates them for the further cultural development, it brings variety of choices for consumers and involves culture into peoples' life. Similar to the above statement, Castro, (2012) stated that repeated consumption of cultural goods will be transformed over time into cultural capital and enjoyed by all members of society. Therefore, as many cultural goods are consumed as more cultural capital is accumulated and as greater the society will benefit from its consumption.

Relating to the concept of consumption and production of cultural goods Keat (1999) cited in Stepina (2017), debated as “cultural goods tend to be transformative rather than simply a demand value and they create a possibility to analyze aspects of people experience and human well-

being.” Therefore, in its notion as the ‘meta-good’ it reduces the ‘specialness’ of cultural production as long as it stimulates people to reflect on their values and its evocation of the particularity and consumption of cultural goods (Stepina, 2017).

According to Katz-Gerro, (2004) the overall value of culture emanates from a process of creating cultural goods as symbol of values starting from individuals who are involved in its production. Moreover, people tend to represent themselves and act according to what cultural goods they consume based on their values. This initiates individuals to be a part of a social group that influences on cultural consumption and participation and allows consumers to reinforce social connection with culture.

In addition to the above statement, Sao-Wen Cheng (2006) cited in Stepina (2017) also noted that a cultural capital accumulated by consumption of cultural goods is assumed to benefit to all members of society. He also claims that continuous consumption of cultural goods leads to the growth of cultural atmosphere and enlarges the flow of new cultural goods. It entirely creates new experiences and thus increases the stock of cultural goods which stimulates cultural values. This means that by generating experience from consuming cultural goods individuals become its producers and they positively impact on the cultural goods they create (Stepina (2017).

Nevertheless, there are a number of issues raised by the local manufacturers that the importing culturally owned products might affect the performance of domestic producers and government revenue. Some researchers (Zhou Hongyan (2017; Qu Ruxiao and Yang Xiu (2015, Mattias and Keith 2010; Anne-Ce'lia, et al, 2009; UNESCO, 2013) also found that importing culturally owned products have a direct effect on the performance of domestic producers and government revenue.

#### **2.3.4. Trade in cultural goods**

Some trade economists have investigated trade in cultural goods. Schulze (1999) cited in Anne-Ce'lia (2009) asks whether new trade theory can be applied to trade in art. His analysis recommends this theory as it is a good candidate to explain exchanges in reproducible art (e.g., recorded music, books, movies), which are characterized by scale economies and product differentiation. However, it seems to be a less likely explanation for unique art (like paintings

and sculptures), which is dominated by exchanges between consumers. Schulze (1999) cited in Anne-Celia (2009) emphasizes that trade patterns are influenced by a second characteristic of art products, namely the addictive character of their consumption (Anne-Celia, 2009).

As a first consequence, Trade between very dissimilar countries will be limited. The limitation occurs as a first consequence since there is lack of accumulation of “cultural consumption capital” to raise reciprocal appreciation in terms of art. Second, trade in cultural goods should exhibit a strong hysteresis effect, reinforcing the position of countries that currently have domination in exports of cultural goods. According to Anne-Celia, (2009) Schulze’s (1999) empirical application focuses only on non-reproducible art products. His data come from the DOTS database and are averaged over the 1990–1994 period. He estimates a naive gravity equation with a sample of the largest importing countries.

Marvasti and Canterbury (2005) investigate the determinants of US motion pictures exports to 33 countries. The estimation of a gravity equation over the period 1991–1995 brought a positive impact of language, education and religion on exports. Their analysis, interestingly, proves that the protection and trade barriers applied by importing countries are endogenous and grow up as US exports rise. Recent studies on cultural goods have also conceded the welfare impact of trade policy.

Francois and van Ypersele (2002) show that barriers to trade could favorers the welfare of both countries in the situation of cultural goods are characterized by fixed costs in production and heterogeneity in consumers’ tastes. In the same way, Janeba (2007) models cultural identity as the result of the interaction of individual consumption decisions suggests that under certain conditions free trade does not Pareto-dominate autarky. Olivier et al. (2008) build up a simple model where micro founded dynamics of cultural identity are endogenous and interact with international trade equilibrium. They show that social integration causes cultural convergence and can counterbalance the effects of goods market integration.

### 2.3.5. The Theory of Overlapping Demand Trade

The theory of overlapping demand trade was first adopted to explain the model of trade within the manufacturing industry. There is a deviation as long as the trade of cultural goods is different from the trade of ordinary goods. As Linder proposition a country will export products where there is a large and active domestic market. This is in a notion of ‘production for the domestic market must be large enough for firms to realize scale economies. However, some scholars that the explanatory power of overlapping demand trade theory has great limitations. For example, it cannot illustrate a large amount of trade between developed and developing countries.

Linder (1961) suggested that domestic demand conditions were primary determinant for trade in manufactured goods. This demand oriented explanation was in contrary line that contrasts to the supply-oriented factor-endowment theory which focuses on factor endowments and the degree of being as sources of comparative advantage and international trade patterns. As Linder proposition a country will export products where there is a large and active domestic market. This is in a notion of ‘production for the domestic market must be large enough for firms to realize scale economies’.

Countries whose income levels and tastes are generally comparable to those of the exporting country have most promising and open market for exports. As long as consumer tastes depend on income levels, the types of products produced in a country are a function of the level of *per capita* income in the country. In other words, countries produce goods that respond primarily to the demands and tastes of their consumers but part of the output will be exported to other countries where receptive markets exist. This is based on the trade circumstance that international trade will occur in products that have *overlapping demands*, in which consumers in different countries with similar *per capita* incomes will consume similar types of goods.

However, Linder’s theory have no implication that whether there will be no trade in manufactured goods between rich and poor countries. Since wealthy and poor people reside in rich and poor countries alike, there is bound to be some overlap in demand structures. However, the potential for trade in manufactured goods is small when the extent of demand overlap is small. Thus, an important implication of the Linder hypothesis is that international trade in

manufactured goods will take place largely between countries with similar income levels and demand patterns.

That is, a stronger trade will be exists between countries with similar per capita income levels than between countries with dissimilar per capita income levels. It is remarkably accepted that countries with large amounts of capital per worker tend to be more productive and richer than countries with lower amounts of capital per worker. Therefore, there should be a considerable volume of trade between countries with similar characteristics, that is rich countries will tend to trade with other rich countries and poor countries with other poor countries. This implication of Linder's hypothesis presents a sharp contrast to the predictions of the Heckscher-Ohlin theory in which countries with dissimilar factor endowments would appear to have the greatest incentives to trade with one another because they would exhibit the greatest disproportion self-sufficiency prices.

In addition, a country's exports will deviate comparing with its imports because different factor proportions will be required for the production of the two categories of products. Linder's theory in addition implies that the products traded will be similar but differentiated in some ways. These implications seem to have considerable support when it observe the great majority of international trade in manufactured products takes place among the relatively high-income countries. Furthermore, it is also true that the most rapid growth in international trade in manufactured goods in the post-World War II period was between industrialized countries, particularly in Western Europe (Krugman and Obstfeld, 2006).

Linder's model also introduced an explanation for *intra-industry trade*, an important phenomenon in international trade, which depends on economies of scale and implies imperfectly competitive markets. This type of trade occurs when countries both export and import the same types of products. Simple models of comparative advantage would seem to rule out this type of trade pattern. However, if trade takes place to satisfy the need for variety in consumption, as Linder suggests, intra-industry trade is not surprising.

However, some researchers argue that the explanatory power of overlapping demand trade theory has great limitations. For example, it cannot explain a large amount of trade between

developed and developing countries, so it is not suitable for explaining the trade situation of Chinese cultural goods. Other empirical studies, however, unable to support Linder's proposition; for instance, Kennedy and McHugh (1980) test the Linder hypothesis for 14 industrialized countries using data for the 1960-1975 periods. Their results do not support the Linder hypothesis. Qureshi *et al.* (1980) test Linder's theory for 10 regions in the United States with each region comprised of states with geographic and *per capita* income similarities.

### **2.3.6. The new Trade Theory**

Today, this theory is recognized as the standard theory of international trade, which goes back to the years between 1776 and 1826, that mark the publications of Adam Smith's (1776) *Wealth of Nations* and David Ricardo's *Principles of Economics* (1817). The two publications had a great contribution for the formulation of a theory of free trade. For Smith, the division of labor, in the nascent large-scale industries of his homeland England, provided the base for lowering labor costs, which ensured effective competition across countries (Sunanda, 2010).

However, there are a number of theories or models but the Paul Krugman's one is the latest or the newest theory. The question is whether Krugman trade theory would conform to the developing economies like that of Ethiopia, as it is struggling hard front on the foreign trade that characterizes Ethiopia of a perpetual trade disequilibrium or imbalance. Whereas, commencing with Adam Smith's (1776) *Wealth of Nations* of Laissez faire and trade based on different strengths of nations to produce different goods (Gouher, 2012).

The new trade theory developed on the syntax of competition, freedom of trade, homogeneity, constant returns to scale, etc., and it is a perfect explanation of North-South trade, trading between two "distinct" trading regions, one abundant in labor and other in capital. A question may arise, what of South-South and North-North trade? : even if some scholars criticize the theory that it is inconvenient for monopolies or any other market aberrations, and of market props of subsidies or restrictions of tariffs and quotas, dumping, etc. whereas, after a free trade model, countries have realized that opening up their economies to the global trading system is the most secure road to prosperity (Samuelson & Nordhaus, 2002, p. 291).

To Samuelson, (1980, p. 627) cited in Gouher (2012) “The first link in the comparative cost chain of reasoning is the diversity in conditions of production between different countries”. Thus, different countries are endowed with different factor proportions like labor and Capital. There is a win-win situation in trade for every trading nation, whether poor or rich. The basic concept presumed in the pre-new trade theory is dissimilar situation, from which trade arises and moves to the right production frontier or possibility curve, indicating the enrichment of the nation concerned. The “divine” hand of markets or price-mechanism or Adam Smith’s “invisible hand” appears to operate the external economy as well as it operated the internal economy.

However, undeveloped countries, like Ethiopia, are vulnerable of free trade in the initial stages of their development steps and for quite some time, that moved by the theories of unequal exchange and unfavorable terms of trade by Myrdal and others. Hence, the trade policy prescription was import substitution and building up the economic muscle of the country through productivity growth in consumer goods and industrialization behind the tariff walls. Ethiopia opened its economy in the 1997; even then, some firms and industries may call for nursing full health growth (UNESCO, 2016).

Thus, for about three centuries, international trade theory of Smith’s vintage with its framework of “comparative cost” or advantage, with its assumptions of perfect competition of multiplicity of traders and homogeneity of goods and policy of prescription of free trade and economic one world view had ruled the field of international trade. However, apart from this, there are also doubts regarding free trade and trade liberalization in the home land of free trade. In any case, the gains from trade for developing economies are noted to be far smaller than held up by the World Bank in relentless pursuit of an orderly world economic and trade order. It may not be free trade for all (Stiglitz & Chariton, 2005; James & Van Rudiger, 2008).

### **2.3.7. The Ricardian trade Theory**

In relation to other scholars trade theories, Ricardian Trade Theory offers a simple and yet powerful framework within which to address many positive and normative issues of international trade. It is particularly well-equipped to examine the effects of country sizes, of technology changes and transfers, and income distributions. Furthermore, its simple production structure makes it relatively easy to allow for many tradable goods and many countries, hence capable of

generating valuable insights, which are lost in the standard two-country, two-goods model of international trade (Matsuyama, 2000).

According to the Ricardian trade theory, units of a “representative bale” of goods offered by the respective nations in the two-country model bore the mark of demand as well as supply. Factors as above settled the terms of trade at a stable equilibrium, as long as goods exchanged were of a normal category, with elastic demand and production was not subject to increasing returns. Possibilities of multiple equilibria, as arose when the above conditions were not fulfilled, were carefully avoided by Marshall by assuming that all costs are irreversible, even when subject to increasing returns (Sunanda, 2010).

However, the Ricardian doctrine missed out the role of demand as an explanation of the terms of trade in exchange. A few years later Alfred Marshall further advanced the role of demand in terms of the “offer curve” construct, which completed the Ricardian trade theory by determining the terms of trade. However, the supply side embedded in these theories had in the meantime changed drastically from the Ricardian notion of fixed labor time inputs to real costs. These costs, for Marshall, were measured by the subjective disutility or sacrifices of labor at the job (Sunanda, 2010).

Whereas, in several circumstances, Ricardian trade theory found to be suitable for the present study, because, it takes cross-country technology differences as the basis of trade; moreover, by abstracting from the roles of factor endowment and factor intensity differences, which are the primary concerns of Factor Proportions Theory; however, Ricardian Trade Theory offers a simple and yet powerful framework within which to examine the effects of trade at country sizes, of technology changes and transfers, and of income distributions.

### **2.3.8. Cultural goods and marketing approaches**

Several scholars tried to analyze the market of cultural goods from the perspectives of Cross-cultural marketing and experiential marketing. According to Guang, 2012 and De-Mooij (2015) cross-cultural marketing is a practice of marketing when the targeting consumers have different culture from marketer's own culture. Moreover, cross-cultural marketing operates with varieties

in perception, intention and beliefs of consumers with diverse cultural backgrounds in order to expand exposure of product by exhibiting interest and acknowledgment of different cultures.

Similarly, Demangeot et al., (2015) noted that the role of cross-cultural marketing strategy is to adapt business value propositions to particular groups focusing on a multicultural target. Therefore, since cultural goods represent symbols and values, this marketing approach is critical in promoting cultural goods. Whereas, related to that above statement Kotler (2013), for establishing strategy for cross-cultural marketing, such instruments of traditional marketing as the marketing mix and the 4Ps (product, price, promotion and place) plays a significant role. He defines the marketing mix as “the set of marketing tools that the firm uses to pursue its marketing objectives in the target market” that helps in establishing channels of communications.

Moreover, from the perspective of experiential marketing Pine and Gilmore, (2011) and Nierenberg, (2007) noted that experiential marketing is a growing trend which combines marketing a product or service itself by promoting it through emotional attachment to the product or service. The aim of this market strategy is to directly involve consumers into a brand experience. On the other hand producers have chosen experiential marketing over traditional marketing model in order to stimulate business development.

In contrast with basic principal of traditional marketing, experiential marketing engages consumer experience. This is because, as a different marketing approach, consumer experience takes place when a company attracts consumers by creating a memorable event. The aim of this strategy for experimental marketers is to evoke a strong emotional response by implementing sensory technique (Shukla, 2007). Moreover, experiential marketing can be used when the marketers want to attract consumers’ attention by bringing enthusiasm into everyday day life shopping experience (Pine and Gilmore, 2011; Nierenberg, 2007).

## **2.4. The relationship of international trade with unemployment**

There are a number of theoretical models that analyses the effect of trade on aggregate unemployment. One of the earliest theoretical studies that analyses how the interaction between trade and labor market institutions can affect unemployment is Davis (1998). He argues that the

opening of international trade can raise unemployment significantly. However, there is no consensus on whether an increase in trade will lead to a higher or lower aggregate unemployment rate.

The general intuition for the negative association between trade and unemployment is that trade improves the economy-wide value of the marginal product of labor. Whereas, Dutt et al, (2009) argue that trade openness, which improves aggregate labor productivity, will reduce unemployment as it leads to more job creation and job search.

In relation to the above statement, Felbermayr et al, (2011) and Matusz (1996) also argue that trade liberalization reduces unemployment as long as it improves aggregate productivity. Moreover, trade may improve economy-wide productivity and thereby reduce the unemployment rate. The reason is that trade results in a greater division of labour due to an increase in the variety of available intermediates. In contrast, Helpman and Itskhoki (2010) stated that lower trade barriers can lead to an increase in unemployment. This follows as reduced trade barriers improve the probability of exporting products, thus leading to an expansion of the trading sector.

On the other hand, Janiak (2006) also shows that higher trade exposure is associated with a higher level of equilibrium unemployment. The reason is that job destruction by the exit of small low-productivity firms exceeds job creation by large high-productivity firms as large firms will extract higher rents by limiting the amount of job creation. In other words, unemployment will increase when workers reallocate towards the exporting sector, if this sector is to a larger extent characterized by labor market frictions.

There are also theoretical studies that conclude that the effect of trade on aggregate unemployment is ambiguous. In such regard, Moore and Ranjan (2005) argue that trade liberalization leads to an increase in the unemployment of unskilled workers, but has theoretically ambiguous effects on aggregate unemployment. On the other hand, the higher frequency of innovations increases the turnover rate of unskilled workers by speeding up the creative destruction process, and increases the frictional unemployment rate of unskilled workers. Hence, the effect of trade liberalization on the aggregate unemployment rate is ambiguous. For instance, Moore and Ranjan (2005) argue that aggregate unemployment is likely

to decrease in a skilled-labour abundant country and increase in an unskilled-labour abundant country.

On the other hand, imports from low-income economies are potentially expected to be more likely to lead to higher unemployment. Moore and Ranjan (2005) argue that an economy with a greater degree of labour market rigidity will experience a greater quantitative effect of globalization on unemployment. Thus, these studies argue that labor market institutions may amplify the increase in unemployment as a consequence of more trade.

In contrast, Helpman and Itskhoki (2010) show that lower trade barriers can increase unemployment in the country with the relatively more flexible labor market, but potentially reduce unemployment in the country with the relatively more rigid labor market. Unemployment increases in the more flexible country as workers are reallocated towards the expanding sector where labor market frictions are assumed to be higher.

Moore and Ranjan (2005) also described labor market rigidity as any factor that tends to increase the reservation utility of workers. However, if a country has a very rigid labor market, the trading sector in this country will start to contract, instead of expand, as trade increases. This leads to a lower unemployment rate in the country with the rigid labor market as workers are reallocated towards the non-trading sector which is assumed to have no labor market frictions.

The empirical evidence that depicts how the interaction between trade and labor market institutions affects aggregate unemployment is limited. However, Boulhol (2008) conducted empirical investigation and the evidence for the interactions between increases in bilateral trade and relative labor market institutions having raised aggregate unemployment rates. Therefore, he concluded that, where labor market institutions are fairly flexible in absolute terms can be negatively affected because its main trading partners. Moreover, It's is highly regulated in absolute terms, tends to be moderately affected by trade, since its major trading partners, i.e. other European countries, are even more regulated.

## **2.5. Policy on imported cultural goods in Ethiopia**

Designing and implementing appropriate economic policies, strategies, and legal and regulatory framework are prerequisites for creating an enabling environment to promote local manufacturing sectors. In Ethiopia it could be argued that deliberate effort to promote MSEs is relatively recent. In line with its ideology, policies and regulations of the Derg regime aimed at curtailing (if not eliminating) the private sector. Restrictive policies such as fixing a ceiling on industrial capital, introducing one man–one license rule, favoring state/parasternal organizations in availing foreign exchange and bank loans, limits on single borrower loans<sup>3</sup>, restrictions on license and investments, absolute priority given to the public sector in access to trained qualified manpower (Gebrehiwot, 1997)

Following the regime change in 1992, drastic measures, intended to transform the command economy to a market-led one, many of which are bound to affect local manufacturing sectors, were taken. The main macro-economic reforms and restructuring that, directly or indirectly, affect the development of MSEs include: adoption of market economic policy; deregulation of domestic prices; devaluation of the local currency; privatization of public enterprises; decentralization and devolution of power and the formation of regional states; formulation of a new labor law; financial sector reforms including the opening of private banks, insurance companies and microfinance institutions (Gebrehiwot and Wolday, 2006).

The reforms also included fiscal policy reform including tax reform, budgetary restructuring and reduction of government deficits; introduction of investment laws to encourage private (both domestic and foreign) investment; liberalization and promotion of foreign trade; and promotion of favorable economic environment and bilateral, regional and multilateral international trade relations. It thus primarily aims at creating enabling legal, institutional and other supportive environments for the development of local manufacturing sectors. The specific objectives of the strategy include: facilitating economic growth and bring about equitable development; creating long-term jobs; strengthening cooperation between local manufacturing sectors; providing the promoting exports; and balancing preferential treatment between small local manufacturing sectors and bigger enterprises (World Bank, 2003; Gebrehiwot and Wolday, 2006).

However, some studies found that Ethiopia have shown that the policy environment in which local manufacturing sectors proves to be a major handicap for their expansion and growth. Moreover, the complexity of the customs system and the many forms and declarations required have had a negative impact on the general business climate, diverting entrepreneurs' efforts from more productive tasks. The tax levied on imported raw materials is often higher than that on imported finished products that use the same raw materials. The result is a substantial increase in the production cost of local manufacturing sectors that require highly taxed imported inputs, thereby limiting their competitiveness.

Moreover, according to the data found from (AASMEA report, 2018) government offices provided very limited financial and technical (vocational and technical training) support to the MSE sector and the availability of such services is far from satisfactory. And the Regional Trade, Industry, and Tourism Bureaus, in addition to their regulatory role, are involved in the provision of business development services: they provided limited training on business based training packages, and delivered some marketing services by organizing trade fair and providing market price information for local fabric manufacturing firms.

In spite of the attempts to liberalize and improve the policy and regulatory environment, there is divergence between policies and directives issued and the actual practice on the ground. Moreover, policy reform and liberalization are expected to have a positive impact on competition, production and productivity of local manufacturing sectors. However, putting an enabling policy environment in place by itself may not be sufficient to ensure optimal results. Moreover, the response to the new opportunities opened-up by the reform is likely to depend on, among other things, the degree to which local manufacturing sectors can access resources such as skill, technologies, finance, infrastructure, markets. However, the recent change in policy on imported goods had relatively higher positive impact on some local manufacturing sectors.

## **2.6. Empirical review**

Concentration in cultural trade is a sensitive topic due to the fear of the dominance of a few countries, or cultural models, that might threaten cultural identities and create trade imbalance of the importing countries. This section therefor discuss the empirical review of literature, by generated knowledge in several areas, but most importantly, it provided insight on the bilateral

trade of cultural goods and its effects. It analyzes the bilateral trade of cultural goods and its influence of each one of them on labor productivity, creativity, consumer preference, the market share of local production and government revenue.

In this condition of rapid growth of international trade in cultural goods, the threat of global cultural homogenization has risen due to uneven flows of cultural goods. It is important to suggest that various aspects of national culture can possibly be identified as part of the reason for this imbalance in cultural trade. However, policies to target any of the stated variables, if these dimensions do indeed capture the essence of culture, risk altering the economy in general and local parallel production in particular.

The effects of imported cultural goods on the local trade patterns have been recently analyzed in details in several studies (e.g., Guiso et al. (2009) on bilateral trade and Felbermayr & Toubal (2017) on cultural proximity trade and (Zhaobin, et al, 2017) on cultural homogenization. Also related to this literature are the issues of unbalanced trade (Judith, and Julio, 2007), and its effect on domestic manufacturing sectors (Rose 2000; Eichengreen and Irwin 1998; Mattias and Keith). Studies also found that importing parallel cultural goods have a direct effect on the market share of similar goods that are locally produced (Mattias and Keith 2010; Anne-Ce'lia, et al, 2009; UNESCO, 2013).

In addition, there has been a recent academic interest in ‘‘cultural economics’’, understood as the quest for cultural origins of various economic outcomes such as bilateral trade of cultural goods (Anne-Ce'lia, et al, 2009), regional development (Tabellini 2008), diffusion of innovations (Spolaore and Wacziarg 2009) or labor market performance especially on the parallel goods (Algan and Cahuc 2007).

Studies also found that the existence of parallel goods imports raises a number of interesting policy and strategic questions. For example, parallel trade is essentially arbitrage within policy-integrated markets of IPR-protected goods, which may have different prices across countries. Moreover importing parallel cultural goods have a direct effect on the market share of similar goods that are locally produced (Mattias and Keith; Anne-Ce'lia, et al, 2009; UNESCO, 2013).

The liberalization trade on cultural goods is also one of the most sensitive issues of recent and current multilateral negotiation rounds. Discussions set the partisans of free trade in cultural goods against the advocates of a “cultural exception”. This is because cultural goods and services reflect countries’ identities and individuals’ diversity. Cultural goods trade is an empirically important phenomenon, and politically sensitive topic. In addition, there has been a recent surge of academic interest in “cultural economics”, understood as the quest for cultural origins of various economic outcomes such as bilateral trade of cultural goods (Anne-Ce’lia, et al, 2009), regional development (Tabellini, 2008), diffusion of innovations (Spolaore and Wacziarg, 2009) or labor market performance especially on the parallel goods (Algan and Cahuc, 2007).

On the other hand, Qu Ruxiao and Yang Xiu (2015) collect the cultural goods trade data of China from 2000 to 2010 and select 8 major trading countries to verify the factor endowment effect or the local market effect, which is the main factor influencing trade size of Chinese cultural goods. The article revises the gravitational model in Schumacher and Silkistovs (2006), uses the capital-labor ratio to represent the factor endowment advantage, and presents the local market effect by the third industry added value. The regression results show that the local market effect has an increasing impact on trade. This result is supported by Zhou Hongyan (2017) finding that the local market affects the Chinese cultural goods trade.

It is therefore somehow surprising that despite this wide interest in the topic, this type of exchanges has not been much studied in Ethiopia. In addition, there are a number of issues raised by the local manufacturers that the importing culturally owned products might affect the performance of domestic producers. Some researchers (Zhou Hongyan (2017; Qu Ruxiao and Yang Xiu (2015, Mattias and Keith 2010; Anne-Ce’lia, et al, 2009; UNESCO, 2013) also found that importing culturally owned products have a direct effect on the performance of domestic producers and government revenue. Moreover, from the survey it is safe to conclude that all consumers have a common perception of low quality and cheaper price for Chinese made goods available in Ethiopia. In relation to this research findings show that Chinese products are going to dominate the local market in the time to come (Alemayehu and Atenafu 2009).

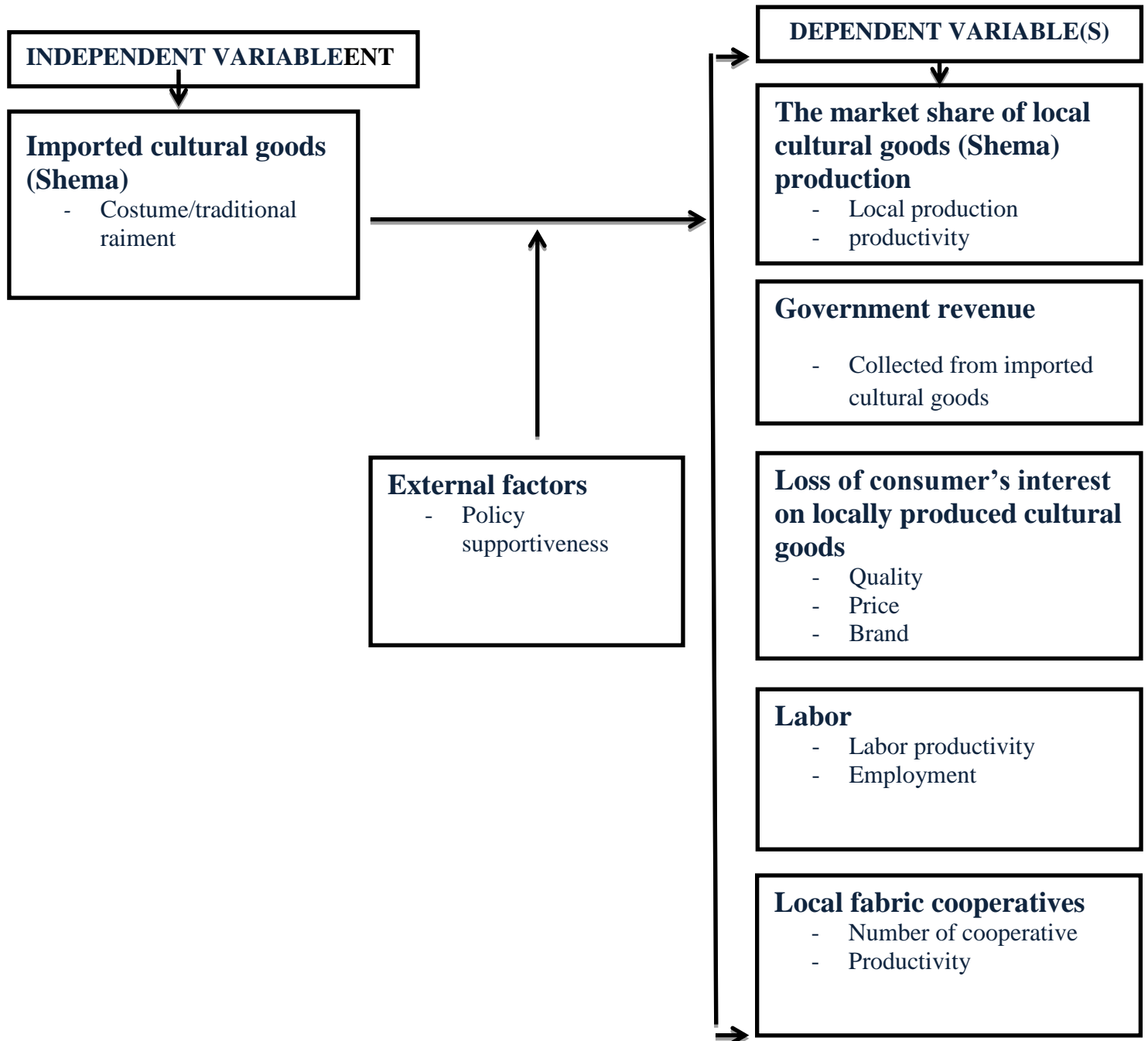
When we look at the preliminary local researches, a number of studies have been conducted to examine the effects of imported goods from several perspectives. However, most of the researches conducted on the area are primarily focused on general consumer's goods at a country level. On the other hand, other researchers also focused on the exchange rates (Samuel, 2019) and determinants and potentials of foreign trade in Ethiopia: (Yeshineh, 2016) which are too broad to identify the effects of imported cultural goods.

In relation to consumer preference Siraw (2014) also found that respondents preferring foreign imported clothes concurrently stated that imported cloths and shoes are qualified, considered the current fashion and fulfilled the demand of different group and purpose as well. Moreover, traditional cloths have also specific attachment with certain traditions and values and only allowed to be used in certain religious or national ceremonies. He also found that traditional dresses lack variety and fail to meet the varied interests of individuals unlike imported cloths and shoes do. In addition traditional cloths are in most cases prepared only in a style appropriate for celebrating national or religious ceremonies. They are not prepared with styles that fit to routine.

This work draws on the essence of other methods used to study manufacturing trade drivers to verify the drivers of cultural goods trade. However, the problem lies in the fact that there is no in-depth local study of the characteristics of cultural goods that are distinct from ordinary commodities. Secondly, there is no structural consideration of cultural goods, that is, the analysis is not delicate enough.

## 2.7. Conceptual framework

Figure 4: Conceptual framework



The conceptual framework depicts the relationship between dependent variables; and imported cultural goods. A review of the past literature shows that the selected independent variables (imported cultural goods) have an important factor on the market share of local production, employment, and government revenue, consumer's preference and the overall existence of traditional fabric cooperatives. It also identifies the some selected moderating factors like policy supportiveness and economic stability. Moreover, the literature review is also used to validate the relationships between these variables in order to develop the research model and to define the hypotheses for this study.

The conceptual framework above shows how variables interact and affect each other indicating that independent variable imported cultural goods have a direct influence on the market share of local production, employment, and government revenue, consumer's preference and the overall existence of traditional fabric cooperatives.

Therefore, in the present study, the dependent variable, consisting of five constructs (the market share of local production, employment, and government revenue, consumer's preference and the overall existence of traditional fabric cooperatives) is considered to have a direct influence on project performance. In other words, imported cultural goods have a negative effect on the market share of local production, employment, and government revenue, consumer's preference and the overall existence of local traditional fabric cooperatives. The conceptual framework also suggests that the selected dependent variable could be affected by other factors outside the control of the study area. Finally, it is important to note that while other numerous variables influence the selected dependent variables; this study will address itself to the factor already listed above.

# **Chapter three**

## **Research design and methodology**

This study used descriptive and explanatory research design. The data for this study was obtained from primary (closed-ended questions) and secondary sources (data obtained from selected responsible government offices and firms). The study employed quantitative methods of data analysis. The study area was in Addis Ababa. All participants of the study were selected from Addis Ababa. Initially 106 participants were selected for the study by using random sampling method. SPSS version 20 computer software was used to enter, clean, and analyze the quantitative data.

### **3.1. Description of the study area**

The study was carried out in Addis Ababa; therefore, this study was conducted based on purposively selected three government offices (Addis Ababa costume and revenue authority, Addis Ababa bureau of trade, Addis Ababa small and micro enterprise office) and ten cultural goods manufacturing sectors that are randomly selected from purposively selected two sub-cities from Addis Ababa.

### **3.2. Population of the study**

The population of this study consisted of officials and senior experts from Addis Ababa costume and revenue authority, Addis Ababa bureau of trade, Addis Ababa small and micro enterprise office, selected local manufacturers and cultural product consumers. The study was focused only on the stated three government offices; because, they are the responsible offices on the study area. It is also decided to include only top officials and senior experts because they have chosen for their direct exposure and the awareness they have on the area of the study.

### **3.3. Participants of the research**

Initially out of 312 consumers coming to the woven fabric shops per day 67 participants were selected in the study and from the selected government offices and woven fabric firms 39 participants were selected. The participants were selected by using purposive and simple random sampling method. So that, officials and senior experts from Addis Ababa costume

and revenue authority, Addis Ababa bureau of trade, Addis Ababa small and micro enterprise office were selected using purposive sampling method. Moreover, ten cultural good manufacturing sectors were selected randomly from purposively selected two sub-cities from Addis Ababa. Besides, cultural good consumer also selected randomly from purposively selected two sub-cities from Addis Ababa.

### 3.4. Sampling techniques

Purposive and simple random sampling method was used in the study. Out of 28 government offices in Addis Ababa three offices (Addis Ababa costume and revenue authority, Addis Ababa bureau of trade, Addis Ababa small and micro enterprise) only one directorate from each were selected purposively. From the selected offices only directors and senior expert were selected through purposive sampling method. Moreover, ten cultural good manufacturing sectors were selected randomly from purposively selected two sub-cities (Gullele and Kolffe) from Addis Ababa and from the selected manufacturing sectors only owners/directors and staffs selected using purposive sampling method. Besides, cultural good consumer also selected randomly from purposively selected two sub-cities (Gullele and Kolffe) from Addis Ababa.

**Table 2. Participants of the study**

Sample Frame	Population size	Sample Frame
Addis Ababa costume and revenue authority	15	3
Addis Ababa bureau of trade	12	3
Addis Ababa small and micro enterprise	14	3
Woven fabric consumers coming to 12 shops per day	312	67
Six woven fabrics cooperatives from Gullele sub-city	64	18
Four woven fabrics cooperatives from Kolffe sub-city	43	12
<b>Total</b>	460	106

### 3.5. Data source

The data for this study was obtained from primary sources that are key informants from the government offices (key informants from Addis Ababa costume and revenue authority, Addis Ababa bureau of trade, Addis Ababa small and micro enterprise and local cultural

goods manufacturers) as well as the data that were collected from consumers using structured questionnaire. The study was conducted to acquire key information on imported cultural goods, domestic producers, employment and consumers. Therefore; the questionnaire are administered to limited but key informants and participants that are managed to carry with limited resource and time.

### **3.6. Data collection methods**

The questionnaire have four major parts: (A) demographic questions (B) consumer preference questionnaire (C) primary data (from key informants) (D)secondary data (from reports/archive). Then the data was analyzed with SPSS version 20. Therefore a multi-method process of measurement was used to collect data specifically: questionnaires/surveys, and document analysis.

### **3.7. Method of Data Analysis**

Data analysis consists of quantitative techniques. As a part of the qualitative analysis, a research question related with the effects of imported cultural goods on the market share of similar goods, was analyzed quantitatively (Correlation and Regression and cross tabs, including descriptive statistics) using SPSS version 20, but consumers preference was analyzed using percent.

### **3.8. Validity and Reliability**

In order to check the validity and reliability of the study and adequacy of the questionnaire, pilot study was conducted. To reduce the effects of language barrier the questionnaire part was translated into Amharic language by the researcher; then the resulting version was translated back into the English with the help of one English language expert from the department of Teaching English as a Foreign Language (TEFL). Then the quality of the translation was checked and the necessary modification was made. Finally, the English version of the instrument was pilot tested in which reliability and validity test was utilized on a randomly selected 15 participants selected from purposively selected three government offices, to indicate how well an instrument measures the variables of the study.

## **Validity**

As stated in the above statement, validity test was utilized to make sure the accuracy of measures that were used in the study. This is because, according to Fiona, M. (2019) validity is whether the research is actually measuring what it claims to be measuring. Therefore it is a good idea to know how the research was undertaken and if the instruments are really measuring what the present study wanted it to measure.

## **Reliability**

On the other hand, reliability test was also utilized to make sure the consistency of measures that was used in the study. This is because; it is important analyzing whether research results can be applied to a wider group than those who took part in a study, also called generalization.

### **3.9. Ethical issues**

The consent of participants to participate in the study was obtained before the questionnaire was distributed. The participants were told that their answers will remain anonymous and confidential. A copy of the whole document presenting the results will be given to the responsible government and private organizations, so that they can make use of the findings for future plans.

# Chapter four

## Results and discussions

The data used for this study was acquired from primary and secondary sources. The analysis and discussions are presented in accord with the research questions raised in the study. The target groups in the study are key informants from three government offices in Addis Ababa, and ten local woven fabrics manufacturing cooperatives and consumers (from Gullele and Kolffe sub-cities). Totally, the primary data gathered from 106 participants as follows: 67 to consumers, 30 to local woven fabric manufacturing cooperatives and 9 to key informants from three government offices found in Addis Ababa. The secondary data for this study was obtained from records and reports from selected government offices and websites (Addis Ababa costume and revenue authority, Addis Ababa bureau of trade, Addis Ababa small and micro enterprise agency).

### 4.1. Demographic characteristics of participants

**Table 3: Demographic information**

Demographic characteristics	Categories/Position	Frequency	Percent	Cumulative Percent
Six woven fabrics cooperatives from Gullele sub-city	Manager/director	6	5.66	5.66
	Staff	12	10.37	10.37
Four woven fabrics cooperatives from Kolffe sub-city	Manager/director	4	3.77	3.77
	Staff	8	7.54	7.54
Addis Ababa costume and revenue authority	Manager/director	1	0.94	0.94
	Senior staff	2	1.88	1.88
Addis Ababa micro and small enterprise agency	Manager/director	1	0.94	0.94
	Senior staff	2	1.88	1.88
Addis Ababa bureau of trade	Manager/director	1	0.94	0.94
	Senior staff	2	1.88	1.88
Traditional fabrics consumers	Kolffe sub-city	Male	7	6.6
		Female	12	11.32
	Gullele sub-city	Male	15	14.15
		Female	33	31.13

Totally, 106 participants were participated in the study. The total number of participants who responded the questions was 106. In terms of organization type, from six traditional fabrics cooperatives from Gullele sub-city, 5.66 % were manager/directors, 10.37% are staffs and from four traditional fabrics cooperatives from Kolffe sub-city, 3.77 % were manager/directors and 7.54 % are staffs.

Moreover, from government offices: from Addis Ababa costume and revenue authority 0.94 % were manager/director and 1.88 % were senior staff; from Addis Ababa micro and small enterprise office 0.94 % were Manager/director and 1.88 % were senior staff; moreover, from Addis Ababa bureau of trade 0.94 % were Manager/director and 1.88 % were senior staff. Finally in terms of consumer’s preference, from Kolfe Keraniyo sub-city 6.6 % were males and 11.32 % were females and from Gullele sub-city 14.15 % were males and 31.13 % were females.

## 4.2. Descriptive statistics analysis

**Table 4: Summary of the descriptive statistics of variables, mean and standard deviation score of outcome variables**

<b>Criterion</b>	<b>M</b>	<b>SD</b>	<b>Skewness</b>	<b>Kurtosis</b>
The market share of local cultural goods	21335	1516	.523	.118
Employment	3684	449.7	-.193	- 1.92
The existence of local fabrics cooperatives	102	3	0.9	-.23
Government revenue	15360	1923.6	-.955	.359

As demonstrated in Table 6, the findings of the descriptive statistics showed that the most important impact of importation of cultural goods on/among the study dependent variables is the market share of local cultural goods with the highest mean score (21335), followed by employment with the mean scores (3684), and Government revenue with the mean scores (15360); while the existence of local fabrics cooperatives relatively had the lowest mean (102) in contrast.

The standard deviations (SD) are between 3 and 1923. The normality of the variables, measured using skewness and kurtosis levels to determine normality, is between - 2.00 and +2.00. In this study, the skewness and kurtosis levels were in satisfactory range. Consequently, there are no outliers, and extreme values that might jeopardize and violate the validity of the analysis, and data was suitably distributed.

### 4.3. Inferential statistics analysis

#### 4.3.1. Correlations among potential predictors and project performance

In this study multiple correlations are utilized to see the relationship between the predictor variables (importation of cultural goods) and outcome variables. The data are as follows.

##### 4.3.1.1. The relationship between predictor variables and outcome variable

The primary question of the research was to see the relationship between the predictor variables and outcome variable, the co-relational analyses revealed several significant associations between the variables.

**Table 5: Correlation matrix between the potential predictor (imported cultural goods) and outcome variables**

No. Variables	1	2	3	4	5
Imported cultural goods (Independent) (1)	1	-.733*	-.780**	-.605	.766*
Market share of local cultural goods(2)		1	.719*	.725*	-.769**
Employment (3)			1	.836**	-.284
The existence of local fabric firms (4)				1	-.484
Government revenue (5)					1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

As the above table shows, the imported cultural goods had a negative and significant relationship with the market share of local cultural goods ( $r = -.733$ ,  $p < .05$ ), employment ( $r = -.780$ ,  $p <$

.05) and the existence of local fabric firms ( $r = -.605$ ,  $p < .05$ ). However there is a positive and significant relationship between imported cultural goods and government revenue ( $r = .766$ ,  $p < .05$ ).

On the other hand, the present study also found that there is a positive and significant relationship between dependent variables. Thus, it mean that the market share of local cultural goods has a positive and significant relationship with employment ( $r = .719$ ,  $p < .05$ ) and the existence of local fabric firms ( $r = .725$ ,  $p < .05$ ). Employment also has a positive and significant relationship with the existence of local fabric firms ( $r = .836$ ,  $p < .05$ ).

Therefore, the findings presented above shows, imported cultural goods have a negative impact on the market share of local cultural goods, employment and the existence of local fabric firms. These findings were also consistent with the studies: Amir, et, al (2012), Ragnhild, et al, (2014), Qu Ruxiao and Yang Xiu (2015), Yang Xiu (2015) and Anne-Ce'lia, et al, (2009) labor productivity and employment.Zhou (2017), Algan and Cahuc (2007) and Mattias and Keith (2010) market share of local production and the collapse of local fabric firms; and Judith, and Julio, (2007), Rose (2000), and Felbermayr & Toubal (2017) on government revenue; in which these (dependent) variables have a significant relationship with the importation of cultural goods (cotton fabrics).

#### **4.4. Regression analysis**

The relationships among the variables are also investigated using simple linear regression analysis. Predictions of the study were based on the literature that has been reviewed previously. Simple linear regression was adopted as most appropriate statistical technique to test hypothesized correlations between independent variable and four dependent variables. Thus, this study developed four regression equations (Models), which examined the effect of independent variable (imported cultural goods) on dependent variables of the study, at 5% significance level.

The regression equations are as follows:

$$\text{Model I} = \beta_0 + \beta_1 * X_1 + \varepsilon \quad (1)$$

$$\text{Model II} = \beta_0 + \beta_2 * X_2 + \varepsilon \quad (2)$$

$$\text{Model III} = \beta_0 + \beta_3 * X_3 + \varepsilon \quad (3)$$

$$\text{Model IV} = \beta_0 + \beta_4 * X_4 + \varepsilon \quad (4)$$

Where,

**Model I** = Impact of imported cultural goods on the market share of locally produced cultural goods (Shema) production

**Model II** = Impact of imported cultural goods on the employment of local fabric manufacturing sectors

**Model III** = Impact of imported cultural goods on the existence of local fabric manufacturing firms

**Model IV** = Impact of imported cultural goods on Government revenue

$\beta_0$  = Constant of proportionality

**X** = Imported cultural goods (Traditional fabrics/Shema)

**Y** = the market share of locally produced cultural goods, employment, the existence of local fabric manufacturing firms and Government revenue

$\epsilon$  = Error term

$\beta_1, \beta_2, \beta_3,$  and  $\beta_4$  = Unstandardized regression coefficients.

#### 4.4.1. Regression results of the influence of independent variables on the dependent variables

As presented in table 8, linear regression technique has accomplished in SPSS version 20 to investigate the causality between dependent and independent variable (importation of cultural goods).

**Table 6: Summary of the models**

Models	R	R-Square	Adj. R-Square	Std. Error
Model I =	0.733 <sup>a</sup>	0.538	0.480	0.09
Model II =	0.780 <sup>b</sup>	0.608	0.559	0.25
Model III =	0.605 <sup>c</sup>	0.366	0.287	0.01
Model IV =	0.766 <sup>d</sup>	0.586	0.535	0.1

Notes: Predictor: (Constant): imported cultural goods; dependent variables: the market shares of locally produced cultural goods <sup>a</sup>, employment <sup>b</sup>, existence of local fabric manufacturing firm <sup>c</sup>, government revenue <sup>d</sup>,  $p < 0.05$ .

The first relationship of interest is basically to check whether imported cultural goods is a factor that has an impact on the market share of local production and would significantly predict the

productivity of similar local producers. Whereas, the regression analysis revealed that importation of cultural goods statistically affected the local producer's market share and their productivity. The coefficient of adjusted R square from table 8, indicating local market share explained 48 % of the variance. Likewise,  $\beta$  value ( $\beta_1 = -.733$ ) and T (13.62) values proved that there is significant correlation between imported cultural goods and market share of locally produced cultural goods at 5% level of significance ( $p = 0.016 < 0.05$ ). Thus, H1 is strongly supported.

The present finding shows that importation of cultural goods has a negative impact on the market share of local production and significantly predicts 48 % of the productivity of similar local producers. This finding is also consistent with the study conducted by Zhou (2017), Algan and Cahuc (2007), Mattias and Keith (2010), Anne-Ce'lia, et al, (2009), UNESCO, (2013) and Alemayehu and Atenafu (2009) who concluded that imported cultural goods has a negative relationship with the market share of local production.

The second relationship of interest was whether importation of cultural goods is a factor that has an impact on the employment of local firms and as it could significantly predict the rate and productivity labor. Regression analysis revealed importation of cultural goods has statistically affected the employment of local firms. The coefficient of adjusted R square from table 8, indicating the importation of cultural goods explained 55.9 % of the variance in local firm's employment rate. Likewise,  $\beta$  value ( $\beta_2 = -.780$ ) and T (10.1) values proved that there is significant correlation between importation of cultural goods and the employment of local firms at 5% level of significance ( $p = 0.008 < 0.05$ ). Thus, H2 was strongly supported.

The present finding also shows that importation of cultural goods had a negative impact on the employment of local firms and predicts 55.9 % of the rate of unemployment in the sector. This finding was also supported by several studies; for instance, Amir and Masoud (2012), Ragnhild, et al, (2014), Judith and Julio (2007), Qu Ruxiao and Yang (2015), Yang (2015), Mattias and Keith (2010), Algan and Cahuc (2007) and Felbermayr & Toubal (2017) concluded that importation of cultural goods had a negative impact on the employment rate of local firms.

The third relationship of interest was whether importation of cultural goods has is an impact on the existence of local firms and it could significantly predict the rate of un productivity and the

shut down of the local firms from the industry. Regression analysis show that importation of cultural goods has statistically affected and caused the shut down of local firms, even if it is not statistically significant. The coefficient of adjusted R square from table 8, indicating the importation of cultural goods explained 28.7 % of the variance in exiting of local firms. Likewise,  $\beta$  value ( $\beta_3 = - .605$ ) and T (23.8) values proved that there is a negative correlation between importation of cultural goods and the shut down of local producers at 5% level of significance ( $p = 0.064 < 0.05$ ) but it was not statistically significant; Thus, H3 was rejected.

The present finding also shows that importation of cultural goods has a negative impact on the existence of local firms and predicts 28.7 % of the rate of exiting of local firms from the sector; even if it was not statistically significant. This finding was also supported by several studies; for instance, Qu Ruxiao and Yang Xiu (2015), Yang Xiu (2015), Mattias and Keith (2010) and Felbermayr & Toubal (2017) who concluded that importation of cultural goods had a negative impact on the existence of local firms.

The fourth relationship of interest was concerned with whether importation of cultural goods is a factor that has an impact on the government revenue and could significantly predict the rate of revenue collected from the sector. So the regression analysis illustrated above revealed that importation of cultural goods had an impact on government revenue. The coefficient of adjusted R square shown on table 8 indicates government revenue 53.5 % of the variance in projects performance. Likewise,  $\beta$  value ( $\beta_4 = 0.766$ ) and T (3.36) values proved that there is significant correlation between importation of cultural goods and government revenue at 5% level of significance ( $p = 0.01 < 0.05$ ). Thus, H4 was strongly supported.

The present finding, therefore, shows that importation of cultural goods has a positive impact on the government revenue and can significantly predicts 53.5 % of the increment of government revenue. This finding is also consistent with the studies like Judith and Julio (2007), Rose (2000), Eichengreen and Irwin (1998), Mattias and Keith (2016) and Felbermayr & Toubal (2017) who concluded that importation of cultural goods and government revenue have a positive and significant relationship.

#### **4.5. Product preferences of consumers/ local vs foreign**

The last research question of the study was to investigate product preferences of customers. The study found that (38) 56.7% of respondents prefer to buy imported foreign fabrics, in which 78.3% of respondents are inclined to buy foreign imported fabrics because of price, 14.8% of respondents because of quality and 6.9% of respondents because of brand. Small proportion (29) (43.3%) respondents were intended to buy locally produced woven fabrics. This empirical finding supports the findings of Opoku, (2009) and Siraw, (2014) that revealed the weak local product preferences of economically underdeveloped countries.

# **Chapter five**

## **Summary, conclusions and recommendations**

The first part of this section presents a summary of the research. Some ideas will then be forwarded by way of conclusions and recommendations.

### **5.1. Summary**

This study is undertaken to examine the effects of imported cultural goods on the market of similar goods of domestically produced (the case of Addis Ababa). The data used for this study was acquired from primary and secondary sources. The analysis and discussions are presented in accord with the research questions raised in the study. The target groups in the study are key informants from three government offices, ten local fabrics cooperative and consumers selected from two sub-cities. Totally 106 participants were selected by using multistage sampling method. The results are analyzed quantitatively using SPSS version 20 computer software.

The survey has involved questions targeted on the effects of imported cultural goods on the market of similar goods that are domestically produced. Based on pilot study item analysis was carried on and the instruments were improved. The check list was completed based on primary and secondary sources. Finally, the collected information was used for the final analysis. Inferential statistics has utilized to check the statistical significance of the quantitative results. Thus, correlation matrix (based on Pearson  $r$ ) was used to calculate the relationship between the predictor and outcome variables. Then linear regression was used to investigate the group difference and predict the most affected variable from the selected variables.

#### **The major findings are:**

- Importation of cultural goods has showed negative relationship and affected the market share of cultural goods.
- Importation of cultural goods has showed negative relationship and affected the employment rate.
- Importation of cultural goods has showed negative relationship and affected the existence of local fabric firm cooperatives.

- Importation of cultural goods has showed positive relationship and contributed for the increment of government revenue.
- The study also found that 56.7% of respondents prefer to buy imported foreign cultural fabrics, in which 78.3% of respondents are inclined to buy foreign imported fabrics because of its price.

## **5.2. Conclusions**

This study finds a result that imported cultural goods have a negative impact on the market share of local cultural goods, employment and the existence of local fabric firms. However, imported cultural goods have a positive impact on government revenue.

Therefore, the present finding shows that importation of cultural goods had a negative impact on the employment of local firms and predicts 55.9 % of the rate of unemployment in the sector. The present finding also shows that importation of cultural goods has a negative impact on the market share of local production and significantly predicts 48 % of the productivity of similar local producers. Moreover, importation of cultural goods has a negative impact on the existence of local firms and predicts 28.7 % of the rate of exiting of local firms from the sector; even if it was not statistically significant.

The fourth relationship of interest was concerned with whether importation of cultural goods is a factor that has an impact on the government revenue and could significantly predict the rate of revenue collected from the sector. The present finding, therefore, shows that importation of cultural goods have a positive impact on the government revenue and can significantly predicts 53.5 % of the increment of government revenue.

Finally, the last research question of the study was to investigate product preferences of customers. The study found that (38) 56.7% of respondents prefer to buy imported foreign fabrics, in which 78.3% of respondents are inclined to buy foreign imported fabrics because of price,

The study concluded that local fabric firms can achieve a great success and improve their performance by giving due emphasis for technological advancement, creative works and price of their products. Moreover government should evaluate the market share, liquidity and its impact

on labor before importation of any cultural goods. Having regular and effective meeting among local firms and with the responsible sector, this is because, implementing effective measures can also enhance the local firm's performance. Local fabric cooperative firms should also implement different mechanisms and creativity in order to improve overall performance. They should also work on promotional and advertisement activities and start direct communication with the customers or end users to sale their products with fair price.

### **5.3. Recommendations**

This section presents recommendations drawn from the findings of the study. The recommendations focus on strategies that may be considered by the Government, local fabric firms and future studies.

#### **I. Recommendations for Government**

- The government should consider the decreasing rate of the local market share of the cultural goods for the consecutive ten years (five to seven percent), and should improve policies that can raise the market share of the locally produced cultural goods.
- Government need to evaluate the availability of resource, market share and liquidity before importing goods based on the economic situation and resource in the city.
- Government should increase tax rate on imported cultural goods to encourage local firms.
- An effective trade surveillance system is the necessary step towards strengthening the capability of the affected sectors in responding to trade shocks.
- Governments need to strengthen their capability to investigate the effects of import surges, once these are detected from the trade data.
- The governments may take advantage of various compatible trade policy instruments to offset the effects of import surges.

#### **II. Recommendations for local firms**

- Local firms need to be more active on promotional and advertisement activities and start direct communication with the customers or end users to sale their products with fair price.

- Local firms should be more interested with technological advancement and improve resource management techniques in order to improve their performance and to increase customer's satisfaction.
- Local firms need to try possible way of expansion of new technology, without incurring high costs, for bringing about structural transformation and increased level of productivity.
- They need to establish different associations of their area of operation for lobbying and networking to overcome the different challenges and problems facing the weaving sector.
- They need to development of quality control mechanism for hand woven products

### **III. Recommendations for future research**

- Studies should examine other cultural goods by considering other variables such as the size, time and type of imported cultural goods.
- Investigation is also needed with particular emphasis on the imported cultural goods using longitudinal study designs that are useful for evidence-based interventions.
- More in-depth analysis of the degree of inter-market integration is needed for assessing impacts in urban and rural areas.
- There is a need for clarifying the linkages between export subsidies and import surges at the country level.
- Studies should assess the overall economic impact of rising or surging imports, notably on consumer welfare gains and changes in government revenue.
- Studies should examine a construction project performance from the perspective of external environment.

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## APPENDICES

### Survey questionnaire

I am a final year postgraduate student at Addis Ababa University at school of graduate studies department of marketing management. I am doing my thesis on *The Effects of Imported Cultural Goods on The Market of Similar Goods of Domestically Produced (The case of Addis Ababa)*. This questionnaire aims to get your exact feeling for each question, which makes my study sound and complete. Hence, I kindly request you to fill this questionnaire honestly. Personal details are not needed. I thank you very much for your time and consideration in advance.

#### I. Demographics:

**Appendix I:** - the following questions are developed to assess the demographic information of participants. Please put a sign (✓) on the following alternatives that represent your information.

1. Sex

Male  Female

2. What is your organization/enterprise type? (Only for enterprises)

Micro  Small

Medium  Large

3. What is your organization/ enterprise type? (Only for government offices)

Addis Ababa costume and revenue authority

Addis Ababa micro and small enterprise agency Medium

Addis Ababa bureau of trade

4. Level of position

Manager/director  Expert

Senior expert  Officer/staff

### 1.1. Which product you mostly prefer to buy and how?

NO	Types of products?		Price, quality, brand, others				
			Price	Quality	Brand	Other	
1	Traditional fabrics (shema)	Foreign products					
		Local products					
2	Traditional Consumer goods	Foreign products					
		Local products					
3	Traditional Antiquities	Foreign products					
		Local products					
4	Other	Foreign products					
		Local products					

**Appendix-2: - A survey/check list to collect primary data on the Effects of Imported Cultural Goods on the Market of Similar Goods of Domestically Produced (The case of Addis Ababa)**

**II. Primary Data**

**2. Types of commodities under investigation:**

**2.1. Imported cultural products**

<b>NO</b>	<b>What are the primary cultural goods imported from abroad</b>	<b>Production type, volumes and values</b>				<b>Remarks</b>
		<b>Type</b>	<b>Volumes</b>	<b>Values/price</b>	<b>Percent</b>	
1	Traditional fabrics (shema)					
2	Traditional Consumer goods					
3	Traditional Antiquities					
4	Others					

**2.2. Competing domestic products**

<b>NO</b>	<b>What are the primary domestically processed cultural goods that are similar with imported goods</b>	<b>Production type, volumes and values</b>				<b>Remarks</b>
		<b>Type</b>	<b>Volumes</b>	<b>Values/Price</b>	<b>percent</b>	
1	Traditional fabrics (shema)					
2	Traditional Consumer goods					
3	Traditional Antiquities					
4	Others					

### 2.3. Type of importers: who import the products?

NO	Types of products	Who import the products?			
		wholesalers	industries	retailers	others
1	Traditional fabrics (shema)				
2	Traditional Consumer goods				
3	Traditional Antiquities				
4	Others				

### 2.4. Where the products do mostly been sold or used?

NO	Types of products?	The place the products being sold or used			
		Capital cities	Smaller cities	Rural areas	Others
1	Traditional fabrics (shema)				
2	Traditional Consumer goods				
3	Traditional Antiquities				
4	Others				

## 2.5. What makes the domestic products competitive with the imported products?

NO	Types of products		Price, quality, brand, others			
			Price	quality	brand	others
1	Traditional fabrics (shema)					
2	Traditional Consumer goods					
3	Traditional Antiquities					
4	Others					

### Appendix -3: - A survey/check list to collect secondary data on the Effects of Imported Cultural Goods on the Market of Similar Goods of Domestically Produced (The case of Addis Ababa)

#### III. Secondary data

### 3. Statistics on import trends, sources of imports and the market share of local manufacturers

#### 3.1. Imported cultural goods annually

NO	Imported cultural goods/ annually	Import volumes and values annually			
		Type	Volumes	Values	Percent
1	Imported cultural goods in 2010				
2	Imported cultural goods in 2011				
3	Imported cultural goods in 2012				
4	Imported cultural goods in 2013				
5	Imported cultural goods in 2004				
6	Imported cultural goods in 2015				
7	Imported cultural goods in 2016				
8	Imported cultural goods in 2017				

9	Imported cultural goods in 2018					
10	Imported cultural goods in 2019					

### 3.2. The sources of imported cultural goods

NO	The sources of the imported cultural goods		Imported product type, volumes and respective values /yearly			
			Type	Volumes	Values	Percent
1	China					
2	Kuwait					
3	USA					
4	India					
5	UAE					
6	Japan					
7	Others					

### 3.3. Domestic cultural products production volumes and values (yearly, from 2010 up to 2019)

NO	Domestic cultural goods production volumes and values yearly		Production type, volumes and values			
			Type	Volumes	Values	Percent
1	Locally produced cultural goods in 2010					
2	Locally produced cultural goods in 2011					
3	Locally produced cultural goods in 2012					

4	Locally produced cultural goods in 2013					
5	Locally produced cultural goods in 2014					
6	Locally produced cultural goods in 2015					
7	Locally produced cultural goods in 2016					
8	Locally produced cultural goods in 2017					
9	Locally produced cultural goods in 2018					
10	Locally produced cultural goods in 2019					

**3.4. The number of firms that produce domestic cultural goods and number of employment created in the sector (yearly, from 2010 up to 2019).**

NO	Local manufacturing sectors and number of employees /yearly	Area of the study					
		Gulele sub-city			Kolfe keraniyo sub-city		
		Product type	No of sectors	No of employees	Type	No sectors	No of employees
1	In 2010						
2	In 2011						
3	In 2012						

4	In 2013							
5	In 2014							
6	In 2015							
7	In 2016							
8	In 2017							
9	In 2018							
10	In 2019							

**Thank you very much**