Nexus of Economic Liberalization Policy Domains: Export Performance of Ethiopian Privatized Manufacturing Firms

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Abstract

This study focusses on examines range of Ethiopian economic liberalization and its contribution to privatized manufacturing firms in relation to export performance. To achieve these objectives, both primary and secondary data used. Cross-sectional data collected from 114 fully privatized manufacturing firms through key informant approaches. Seven scaled structured questionaries' were use and analyzed by using Structural equation modeling (SEM). The model tells that all the predicting variables in the hypothesized model were significant at p < 0.05 and this shows that all constructs of privatization affects export performances under all competitive priority. The latent variables, law and order (P= 0.000), incentive shames (P= 0.000), trade openness (P= 0.001), significantly affect export performance. The finding shows that economic liberalization stimulates export performance under firm's competitive priority an intervening role. The competitive priority of firms comprises cost, flexibility and quality priority. Those measures confine arouses export performance in terms of both quantitative (market share, profit) and subjective measures (export satisfaction) indicators. The extent of law and order (LaO), commitment towards financial and non-financial incentives (InsS) and the overall trade openness (TraO) use as liberalization indicator. In addition, evidence revealed that a more competitive priority of firms (cost, flexibility, and quality) determine export performance and competitiveness in international market.

Keywords: *Liberalization, Competitive Priority, Export Performance, Ethiopia*

Introduction

There are many indicators suggesting the Ethiopian economy has improved significantly in all areas since the country's economic and political transition in 1991. In 1991, the government implemented macroeconomic reforms, including the privatization of inefficient governmental firms. As different economic scholar's, this period was consider as a turning point for the Ethiopian political economy. After the reform period, the national economy has noted a positive and incremental trend until 2018/19, in his year even if it is lower than the double-digit growth; the economic growth is a 9% (National Bank of Ethiopia (2019/20).

In comparison to previous performance, the sectoral contribution was also gradual and positive in all measures. For example, development was attribute to a 12.6 percent gain in industrial output, an 11% increase in the service sector, and a 3.3 percent increase in agriculture. As a result, industry's share of GDP climbed to 28.1 percent in 2018/19, up from 27 percent in 2017/18. This gradual but continuous transition in the economy reflects the government's objective of growing the industrial sector and encouraging export-led growth while continuing to focus on modernizing the agriculture sector, which has long dominated the country's economic basis (CSA, 2012).

Row no value-added agricultural items with nominal level dominate Ethiopia's export market. Prior to 1991, both the imperial and Derg governments used protectionism as a major concept in their national economic strategies. Fundamentally, it was a nationalism philosophy aimed at raising government money through taxation and providing sufficient protection to the local sector. Apart from these goals, the Derg's goals included controlling the private sector and, most significantly, socializing economic activities (Biramo Allaro, 2012). Both regimes' closed-door policies assist domestic firms and protect social welfare, but they also generate government-dependent national-owned enterprises with significant efficiency issues.

After taking power in 1991, the Ethiopian People's Revolutionary Democratic Front (EPRDF) began to advocate market liberalization in a few select sectors and attempted to create a reasonably conducive manufacturing policy to encourage private sector investment, notably in the manufacturing sector. The private sector is gaining traction, and the changes are attracting significant foreign direct investment. The administration goes even farther in these regard, taking a series of strong policy actions to encourage domestic and international businesses to invest in the economy. According to recent measures in this regard, the construction industry parks in various parts of the country, providing sympathetic infrastructure (transportation, telecommunications, and energy industry), which are the most important enabling environments and have significant economic impact (Bradburd, 1995; Parikh, 2011).

Following a period of reform, the manufacturing sector in all categories became a priority sector, backed by the Grand National policy framework, the so-called Agricultural Development Leads to Industrialization (ADLI) goal. Privatization of state-owned firms, decrease of import tariff rates, elimination of non-tariff barriers, and depreciation of prices and exchange rate restrictions were among the other significant decision areas (Nations, 2010). Economic liberalization, on the other hand, is not a one-time event; it requires a deliberate and methodical approach. The procedures are not straightforward for both the government and domestic enterprises since it has many facets, several retrospectives, and complex dependent elements. The domestic enterprise develops a fear of competition and a mindset of government protection. However, closing the full door and escaping the impact of globalization in the information age is problematic and often difficult. Following an evolutionary movement from the EPRDF to the Prosperity Party (PPP), Ethiopia's new administration has committed to a continual policy and procedural shift in order to accelerate economic growth and increase the efficiency and international competitiveness of the manufacturing sector.

The paradox is that, even if the government made macroeconomic adjustments in this way, however, Domestic policy adjustment is not enough in the age of globalization; rather, the global market arena expressively affects the efficiency and firm’s competitiveness in international market. Parallel to the national policy adjustment, it is important to adapt the changing world business environment as international market actor. Liberalization of world trade led by globalization has created a new and challenging competitive environment for all firms (Nolan & Zhang, 2003). In response to globalization, numerous changes in the global business environment were made to combine dynamic or instances, such as consumer demand convergence, international business expansion, and firm economic integration (Thoumrungroje, 2004), and the growth of overseas markets and capital movements (Samiee & Chirapanda, 2019; Pedró et al., 2016). To this fact, the country is compulsory to integrate the domestic effort and the international business dynamics to compete in international market through export.

Rational of the Study

International marketing has been an attractive and vibrant business arena for third-world countries' long-term economic development. Globalization has brought the world closer together, creating a plethora of business opportunities for both developed and developing countries. It contributes to the creation of an alternative market and a platform for gaining extensive experience from a large number of marketing actors in a variety of situations. Unlike rich countries, developing countries have embraced an outward-looking, export-oriented development strategy aimed at restoring internal and external economic stability and improving resource allocation efficiency(Emagne, 2018).

Domestic economic and political instability in developing nations, on the one hand, and foreign market intense rivalry, on the other, cause exceptionally unfavorable export performance in the international market. The degree of government intervention and economic liberalization are two of the most important macroeconomic drivers influencing manufacturing sector performance in developing countries(Reimer & Hertel, 2010; Emagne, 2017). In the same way, the relation between the performances of trade in the firm level contribute to the cumulative national trade performance. Reimer & Hertel, (2010)state that Prices, changes in external terms of trade, government taxes and transfers, and investment incentives, among other things, all are tie to a firm's performance in the international market. Furthermore, the effects of trade liberalization on a firm's export performance can be influence by favorable export policies, incentive packages, and a variety of market opportunities.

The main driving force behind Ethiopia's liberalization reforms is the government's conviction that they promote economic growth by capturing static and dynamic gains from trade through technological transfer and innovation, proper resource allocation, increased international competition, and increased inflows of investment and capital accumulation(Babatunde, 2009&Emagne,2018). Emagne et al, (2018)are among many who have suggested that industrialized countries have a better chance of grasping and absorbing technological innovation. Trade liberalization and economic growth, according to the author, have a beneficial association. As it is explained by (Emagne, 2017), the Ethiopian government's major goals in implementing a number of policy reforms and liberalizing trade were macroeconomic stability and rapid and sustainable economic growth. Tariffs has been reduce, licensing bureaucracy has been reduce with an online registration system, and quota restrictions has been lift. Others, as described in the works of (Winters et al., 2004),have justified that trade liberalization and economic growth are inversely related in the case of developing countries, specifically in Africa.

Domestic capacity restrictions prevent manufacturing sectors in Ethiopia from using and benefiting from opportunities offered by economic liberalization and export market access. Economic liberalization can usually lead to increased domestic sector efficiency depending on: i) the level and extent of initial protection in a given sector; ii) the degree of openness in a given sector, i.e. whether the sector is export-oriented or not; and iii) the capacity of a given sector to compete against imports and its incentives. Export-oriented industrial sectors are anticipated to benefit the most from trade liberalization measures (Kingu, 2014; Doan, 2019).

However, despite the government's efforts to liberalize the economy for the past 20-25 years, the manufacturing sector remains in its infancy and struggles to compete in the worldwide marketing arena. Even if the sector contributes positively to the Ethiopia, economy and employs approximately 173 thousand people in 2018/2019. The issue is that the majority of the items produced in this industry are consumed by domestic consumers and do not meet the export standard as envisioned. There is an academic discussion about whether trade liberalization can boost the industrial sector's export performance or not. Some research have discovered a link between trade liberalization and manufacturing enterprises' export performance(Babatunde, 2009); Babatunde, 2009). Other research have discovered that there is little empirical evidence to back up the link(Rahimi & Shahabadi, Morphology & Biramo Allaro, 2012). Therefore, this study aims to examine and analyze the extent of economic liberalization under the dimension (Law and order, incentive schemes and the degree of trade openness) as liberalization measures and its contribution to the export performance and competitiveness in international market, with particular emphasis privatized firms (ownership shifted from the government to privet investors as key measure of reform).

1. Research hypothesis

H_1: Law and order from the government is a positive and significant impact on the firm's competitive priority in international market

H_2: Incentive schemes are positive and significant impact on the firm's competitive priority in international market

H$_3$: Trade openness is a positive and significant impact on the firm's competitive priority in international market

H$_4$: Law and order from the government is a positive and significant impact on the firm's export performance

H$_5$: Incentive schemes is a positive and significant impact on the firm's export performance

H$_6$: Trade openness is a positive and significant impact on the firm's export performance

Theoretical foundations

The establishment and maintenance of competitive advantage is defined as a firm's competitiveness in the international market in the fields of international marketing, international business, and strategic management (Sciences, 2014).The performance of international marketing organizations influenced by both micro and macroeconomic factors. The firm's competitive advantage aids in the strengthening and reinforcement of worldwide marketing success criteria. Several theories contribute to our understanding of international marketing competitiveness and business export performance. Patronage theory, contingency theory/market power views, and theory of industrial organization are three theoretical foundations employed in this study to determine export performance in the context of macroeconomic indicators and dynamic characteristics of liberalization changes.

Patronage Theory Vs Economic liberalization

The primary premise of patronage theory is that politicians have a financial interest to pressurize state-owned firms to subsidize basic services. As a result, the impact of full privatization on employment should be far greater than the impact of partial privatization or no privatization. In the absence of government involvement, privatization, defined as the transfer of both control and residual cash flow rights to private owners, should in theory boost workers productivity and improve input allocation. Private businesses, on the other hand, frequently subjected to government involvement. However, private businesses are likely to face less government involvement than public businesses. According to this argument, by Sappington & Stiglitz, (1987)privatization raises the transaction costs of government participation in business decision-making. While privatization does not preclude politicians from increasing employment beyond the profit-maximizing level or subsidizing loss-making businesses, it does make excessive employment and subsidization easier.Politicians' meddling in the functioning of government-owned businesses is said to be one of the main causes of inefficiency in government-owned businesses (Boycko, Shleifer, and Vishny (1996).If politicians obtain private benefits from controlling government-owned firms (Boycko, Shleifer, and Vishny (1996) and Senbet, (2016), then any loss in these benefits following privatization may influence the decision to privatize. Politicians, for example, may sway hiring and procurement choices at government-owned businesses to benefit their allies. If the politician in charge of a corporation is elect from the state where the firm is located, privatization may be resist since the ability to acquire campaign funds and reelection through political patronage is likely to matter more in the politician's home state.

Industrial organization (IO)

The importance of the external environment in business export success is recognize and linked by industrial organizations. This viewpoint's basic thesis is that external pressures, such as an industry's structural characteristics, order the strategies that firms can apply, and hence affect firms' competitiveness Ngala, (2012).The attainment of a good fit between the firm's strategy and the environment, in particular, has a favorable impact on the firm's success (Zeriti et al., 2014). This standpoint is closely allied with(Ngala, 2012)The introduction of new rivals, the danger of substitutes, the bargaining power of customers, the negotiating power of suppliers, and rivalry among existing competitors are five competitive dynamics that jointly influence the intensity of industry competition and profit potential. The concept of industrial organization (IO) has been use to investigate the impact of external influences on a company's strategy and performance in the global market. For example, (Fuerst, 2010)The global marketing strategy is found to be a primary driver of business performance in the global market when it is compatible with the firm's external environment. Other research backs up the ideas of IO theory when it comes to export market endeavors and external conditions in foreign marketplaces(Zeriti et al., 2014). With regard to the scope of liberalization in a particular economic system enlightened as the extent of law and order, the profundity of incentive schemes, trade openness Weinberg et al., (2001).

Law and Order: Law and order has turned into a tool of oppression and repression in the economic world. Laws must be enact to

implement new economic policies and structural adjustment initiatives. Under our national law, the government provides guarantees such as the right to work, the ability to enter and depart the enterprise. While national legal orders are being, demolish in order to accommodate such economic strategies, international business operation standards and environmental standards should be assert to prevent the disintegration process. When corporations have clearly located legal entities to target, using law as a weapon is appealing and practical; but, globalization has increased the variety of decisions being made "by remote control" or even in a never-never land located in cyberspace(Weinberg et al., 2001). Employers and investors now sometimes seem to operate on a plane over and above national frontiers. There is concern that they are acting outside of the law as well. Legislators face a two-fold opposition when drafting new regulations to address this occurrence.
Business law in Ethiopia is a hybrid of inland law and British common law. All business policy documents are spite into two categories: proclamations, which require parliamentary approval, and special regulations, which contain implementation details determined by the Cabinet. They also have ministerial directives attached to them. Investment Proclamation No.769/2012 and its amendment, Proclamation 849/2014, as well as Council of Ministers Regulation No. 270/2012 and its amendment, Regulation No.312/2014, are the most recent legal instruments. Regulations specify the sectors and activities that are eligible for incentives, as well as how industrial sectors are organized. In addition, in 2014, two rules (Regulation No.313/2014 and Regulation No.326/2014) were adopt to establish the EIB, EIC, and IPDC, and in 2015, a new Proclamation on Industrial Parks (Proclamation No.886/2015) was release. The central theme here is that law and order can serve as both an opportunity and an impediment to the smooth running of a business. The value placed on law and order flexibility, as well as its business-enabling performance, is strongly link to the concept of liberalization goals, as well as against it.

Incentive schemes: The constant reduction of trade barriers, combined with the creation of supporting incentives, has reduced the cost and motivation of doing business. Incentives play a crucial role in the exchange of goods and servers. As an intermediate good, goods and services produced in one country will be consume or used in the host countries. Incentive shames entail the removal of tariff barriers (such as tariffs, surcharges, and export subsidies) on the one hand, and non-tariff hurdles on the other (such as licensing regulations, quotas, and arbitrary standards). Most developing countries, like Ethiopia, implemented trade reforms with the primary goal of raising people's living conditions, boosting market efficiency, and promoting the export industry. This would encourage foreign direct investment, which would help factor allocations indirectly. (World Economic and Prospects, 2019).

Beginning in the 1980s, Ethiopia began undertaking structural trade policy adjustment and reform, as well as incentive programs enforced by the International Monetary Fund and the World Bank. The two agencies (World Bank and IMF) openly recommended this structural adjustment program to open foreign trade competition and lower trade barriers as a long-term plan for global economic growth and development. To achieve this, variety of investment incentives have been create and implement, including customs tax exemption on imported equipment, construction materials, and spare parts (not exceeding 15 percent of the value of equipment).Exemption is give during the entire period of operation for manufacturing and agriculture and for five years for other sectors. Note that the number of years of exemption differs according to location and product export ratio (over 60% or over 80%) even for the same sector.

Trade openness: Export and economic growth require open economic policies to trade with the rest of the globe. There has been no countries in recent decades that has achieved economic success in terms of significant increases in living standards for its citizens without liberalizing its economy to the rest of the globe. In most LDCs, trade liberalization has occurred as part of a structural reform program. However, in the related arguments, a wide range of terminology used to define the amount of international economic integration, such as trade openness. When discussing the general growth in economic openness over the recent decades, terms like economic integration, trade liberalization, and globalization are frequently employed(Graebner et al., 2018). A number of economic openness measures have been create, each of which focuses on a particular facet of economic integration. As a result, not only the meaning of openness, but also how it is measured, has changed dramatically during the last three decades.(Iyke, 2017). It is commonly known that there is a lack of consensus on the appropriate way to

quantify economic openness (Yanikkaya, 2003;Graebner et al., 2018; Egger & Walker, 2019).
Ethiopia continues to face challenges in terms of doing business and competitiveness. The World Bank's 2019 ease of doing business report highlighted a number of challenges that are impeding global competitiveness. Stringent customs, administrative procedures, and other hurdles such as high logistics costs, credit availability, and foreign exchange are only a few of them. These issues are mostly affecting the export sector. Ethiopia was also place among the countries with the least favorable business environment in the world, according to the survey. Throughout the years, the process of beginning a business has proven to be difficult. However, the country is working to improve business conditions by speeding up the process of getting construction permits and continuing to implement GTP II. The GTP II, in particular, emphasizes the importance of strengthening global private sector competitiveness and FDI inflows. Ethiopia intends to open further the market by implementing policy reforms such as privatization major state-owned firms.(UNCTAD, 2018).
Economic liberalization policies are difficult to formulate and implement in developing nations, according to the Global Economic Prospects, because the size and distributional implications are significant. Because tax instruments are often insufficient and administrative capacity is often restricted, redistribution of the complete gain would be time consuming. Many academics believe that partial equilibrium exists(Biwott, 2013; Dollar & Kraay, (2004); found that persistent liberalization had momentous and strong impact on growth. Ethiopia's government is updating its commercial code in order to encourage private investment and improve the business environment. This includes an emphasis on making rules easier to understand for potential investors; standardized accounting standards to appropriate calculate operating responsibilities like tax, improving shareholder protection, and modernizing trade and registration procedures and processes. Ethiopia became a full member of the Common Market for Eastern and Southern Africa in 2015 because of this pledge (COMESA). The organization's ultimate goal is to create a common market with unfettered capital and labor migration and no tariffs on goods.

Competitive Priorities of Firms

In most strategic marketing studies, competitiveness is a key factor to consider. Competitiveness can be measure at the national, industry, and firm levels. Nations can compete only if their enterprises can compete; in international markets, firms, not nations, compete (Givens, 2008). Competitive advantage refers to the circumstances or capabilities that allow a corporation to outperform its competition (Sadri & Lees, 2001). Thus, an organization to achieve a competitive advantage, should also consider own external position and internal capability (Appelbaum et al., 2011).The businesses operate in a worldwide market and must contend with international marketing rivalry. According to research, the qualities and actions of the firms account for 36% of the difference in profitability (Sciences, 2014). Other pro-firm views (Harzing, 2014; Barile et al., 2012)focus on individual firm and their strategies for global operations, resource positions, to identify the real sources of their competitiveness. The Porter Five Forces model is the most known model for analyzing industry competitiveness. It emphasizes that understanding competitiveness and its underlying causes reveals the roots of an industry's current profitability while also providing a framework for anticipating and influencing competition over time. Strategists should be as concerned about a healthy industry structure as they are about their own company's position. Understanding industry structure is also critical to good strategic positioning, as is defending against and influencing competitive dynamics in a company's advantage (Samiee & Chirapanda, 2019).

Because of globalization's effects, global corporate competition has become more severe. The number of multinational businesses (MNEs) in the world has doubled since 1990, with companies based in emerging regions accounting for the majority of the growth (Zeriti et al., 2014; Chabowski & Mena, 2017). These new players are introducing entirely new business models that are reflective of their unique home country's business climate, market structure, and management style Carnahan et al., 2010; Oh & Lim, 2012; Wagstyl & Lerch, 2018). In addition, the rise of new technologies has enabled firms to participate in global markets, bringing even more competitors to the scene. These new forms of global competition are continually changing the rules of the game and call for more agile and aggressive competitive moves(Chabowski & Mena, 2017; Mcmanus & Botten, 2019). Accordingly, to compete effectively, companies must develop tactics and strategies that coordinate and integrate internationally dispersed activities, while considering the interdependence of competitive positions across countries (Rua et al., 2017; Samiee & Chirapanda, (2019).

With respect to firm's international competitiveness, Porter argued that the competitiveness of a country is ultimately set by the productivity of its companies. An economy cannotbe competitive unless companies operating there are competitive, whether they aredomestic firms or subsidiaries of foreign companies. However, the sophistication and productivity of firms inseparably scrambled with the quality of the national business environment. Firms in a nation must upgrade their ways of competing if successful economic development is to occur. Broadly, companies must shift from competing on endowments or comparative advantages (low-cost labor or natural resources) to competing on competitive advantages arising from superior or distinctive products and processes (Gonçalves & Quintella, 2006).

Competitiveness and competitive priority in international market is a central point of attention in most of strategic marketing researches in a modern modest market. Competitiveness may be national, industry as well as firm level. Nations can compete only if their firms can compete; it is the firms, not nations, which compete in international markets. Competitive Advantage includes factors or capabilities that enable the company to show better performance than competitors (Sadri & Lees, 2001). Thus, an organization to achieve a competitivead vantage, should also consider own external position and internal capability (Appelbaum et al., 2011). Concerning the dimension of competitive priorities, there is broad agreement that competitive priorities can be expressed in terms of some basic components: Cost, Quality and flexibility are the most common competitive priority measures (Paiva et al., 2008; Ahmad & Schroeder, 2011; Ferdows & De Meyer, 1990; Flynn et al., 2010; Flynn et al., 2010).

Cost Priority: cost is one of the most common competitive priority for international market; it comprises of both production and distribution costs (Dangayach and Deshmukh, 2003). Firms compete on cost, which is an ability to manage production cost effectively, including its related aspects such as overhead, inventory and value-added (Phusavat and Kanchana, 2007).Flynn et al., (2010)further describe as the ability to reduce product cost by reducing overheads, labour, raw materials costs and production cycle time.

Quality priority: Quality in this context defined as the extent to which the manufacturing enterprise is capable of offering product quality that would fulfill customer's expectation (Haleem et al., 2017). Paiva et al., (2008) proposes measurements of quality, i.e.: performance, features, reliability, conformance, durability, serviceability, aesthetics and perceived quality. In this context, low defect rate, product performance, reliability, certification and environmental concerns to represent quality. Krammer, (2018) use items including reliability, durability, performance, conformance, ability to reduce environmental damages and the ability to improve working conditions and safety.

Flexibility: Flexibility is the ability to react to changes in production, changes in product mix, modifications in design, fluctuations in materials, and changes in sequence (Dangayach and Deshmukh, 2003).Measures of flexibility used by (Paiva et al., 2008)include lead time reduction, setup time reduction and the ability to change priorities of jobs on the shop floor. Measures of flexibility used in this study were the ability to handle changes in product delivery schedules, ability to change rapidly product mix and production volumes.
To gain a better understanding of the relationships between liberalization effects on firm's competitiveness in international market, the present study applies two theoretical perspectives transaction cost economics and market power perspective to explain the phenomenon. While transaction cost economics explains why competitiveness among firms provides them with efficiency, the market power perspective focuses on gaining market control through competitive advantage. Thus, combining these two perspectives gives us a more complete explanation of the phenomenon.

The research methodologies used include both descriptive and econometric techniques, and the philosophical emphasis was quantitative dominating pragmatic approach. Primary and secondary data were collect, with the primary data coming from questionnaires and the secondary data coming from credible secondary sources. Closed-ended questions with a seven-point scale The Likert Scale is a rating system that uses a five-point scale Trade liberalization is measure using liberalization indicators (law and order, incentive schemes, and trade openness). Manufacturing firms' competitive priorities in terms of (Cost, Quality, and Flexibility) as a mediating function and export performance (financial and non-financial satisfactions as export performance).

To develop points of inference and draw conclusions from the research, a mixed research methodology was adopt, with both quantitative and qualitative research methodologies being utilised. In a single study, using a mixed research technique is critical since the other approach can compensate for the flaws of the first (Creswell, 2009). Data was obtain from 114 fully privatized manufacturing enterprises chosen at random from 370 privatized manufacturing enterprises in all categories, using proportionate sampling procedures. A multi-stage stratified probability sampling strategy was use in the investigation. Since 1995, around 370 state owned enterprises have been transfer by privatization program (PPSEA, 2017) with a focus on textiles and apparel, food and beverages, tobacco, leather goods and chemicals. The total sample size was determined by using the sampling size determination formula developed by (Cochran, 1963).Th**e** total sample size is calculate at 95% degree of significance as, 114 privatized manufacturing sectors selected proportionally. Both descriptive and inferential methods of analysis were use in the study. Data on all constructions was subject to an exploratory factor analysis to discover the most significant constructs for the variables, and then Principal Components Analysis with the Varimax rotation was use to corroborate the structural models with underlying dimensions of the indicator variables.

Analysis of the Data

Based on the firm level cross-sectional a summary statistic on the variables used and manufacturing categories are as presented in detailed summary statistics are provided in following table.

Table: 1 Descriptive Statistics

From table most of the cases, 50 from the food and beverage industries and the textile and wearing appeals accounts 17 out of the overall samples respondents. These two types of manufacturing firms account around 58.8% of respondents under study. In terms of association and variation among the types of firms in terms of liberalization measures, law and order, incentives schemes and trade openness, firms in all the sub-sectors on the average significant at all level as shown in the table below.

They are a significant association between the law and order, incentive schemes and trade openness as a liberalization measures.

Export performance in manufacturing sector

According to national ministry of trade report, Export performance of the manufacturing sector exceeded the set target in the year 2012/13. In the rest of the periods, the target achievement rate was not good. It was only in two budget years (2010/11 and 2013/14) that it was possible to attain half of the targets. The manufacturing sector had a 43.85% target achievement rate on average during the period between 2009/10-2016/17. The mining sector export performance exceeded expectations during the first two years (2009/10 and 2010/11) of the period. However, the following three consecutive years (2011/12-2013/14) were witnessed for a decline in target achievement rate (Trade & Study, 2004).

In all the cases, the data indicate the export performance of manufacturing sector is always below the target since 2009-2016/17. Again the export performance of manufacturing firms slightly constant along with different period as shown above table 3.

Exploratory factor analysis (EFA)

Before undertaking multivariate data analysis, the assumptions about sample size, scale of variables, normal distribution, multicollinearity, and outliers of the data should be evaluate, according to (Samiee & Chirapanda, 2019). In terms of sample size, (Kock & Hadaya, 2018) stated that between 100 and 200 observations would be sufficient. As a result, the current study's sample size of 114 is appropriate. The study variables' skewness and kurtosis are within acceptable ranges (1), implying distribution symmetry (Akbar et al., 2017). The correlations between the variables were examine and found to be less than 0.9, implying that multicollinearity was not an issue (Kock & Hadaya, 2018).

There are no statistical breaches in the study, which is one of the multivariate model's key assumptions. Due to the study's requirements, EFA with varimax rotation used to test the construct's unidimensionality (Psomas et al., 2014). The interrelationships between the items on the measurement scale were investigate via EFA. Items having a factor loading of less than 0.5 were remove throughout the validation procedure (Ghadi et al., 2012). Cronbach's alpha is the most often used method for determining the scale's internal consistency or homogeneity (Ghadi et al., 2012). The statistics on reliability and validity are show in Table 5.Law and order (LawO) = 0.90, incentive schemes (IncS) = 0.89, trade openness (TradO) = 0.83, competitive priority (ComP) = 0.88, and export performance (ExoP) = 0.83 were the alpha values for each factor. These alpha values were higher than the permitted minimum of 0.70. (Masaki, 2010).

When the final estimated model fit indices are compare to the suggested values, the measurement model is find to be well suited to the data. CFA was also use to determine convergent validity and discriminant validity. Convergent validity was assessed for the CFA model using three criteria: (1) factor loadings (k) of all indicators should be greater than 0.50; (2) composite reliability (CR) should be greater than 0.70; and (3) average variance extracted (AVE) by each construct should be greater than 0.50, as recommended by (Hair et al., 2012). Confirmatory factor analysis (CFA) used to test the measurement model that had been develop during EFA.

The k-values for all items are substantially above 0.50, the CR of each component is greater than 0.7, and the AVE of each factor is greater than 0.5, showing that the model has good convergent validity. According to them (Fornell and Larcker 1981). When real factor loadings are, consider instead of presuming that each item was fairly weighte during composite load assessment, CR is a good predictor of convergent validity. All of the latent constructs have a CR that is not only within acceptable boundaries, but also far exceeds the criterion of 0.7. Overall, the findings demonstrated that the measuring of latent components is internally consistent. The discriminant validity was also assesse based on a method proposed by (Fornell and Larcker 1981). They suggest that ‘the squared correlation between any two constructs should be less than the Variance extracted by either of the individual constructs.

At the standard level of significance, law and order (LawO), incentive schisms (IncS), and trade openness (TradO) are statistically significant contributors to export performance (market share, profit, and export satisfaction) of privatized enterprises in Ethiopia. On the export side, competitive priorities (cost, quality flexibility) is equally important. As a result, export performance was regressed using sales volume, export satisfaction, and export profitability of manufacturing privatized industries as explanatory variables, and trade openness, incentive schemes, and law and order as redressers.

At the conventional level of significance, law and order (LawO), incentive schisms (IncS), and trade openness (TradO) all play a statistically significant role in privatized enterprises' export success (market share, profit, and export satisfaction). On the export side, the competitive focus (cost, quality flexibility) is equally important. As a result, export performance was regressed using sales volume, export satisfaction, and export profitability of manufacturing privatized industries as explanatory variables and trade openness, incentive schemes, and law and order as redressers.
Economic liberalization measures in Ethiopia provide a complex road with a competitive market environment, both theoretically and practically. The majority of empirical studies in this area are merely descriptive, and it is uncommon to quantify the impact of reform on marketing performance at the business level. Since the beginning of the reform period in 1991, the Ethiopian government has attempted to make numerous macro and micro policy modifications in order to drive the export sector, which includes not only manufacturing but also other economic sectors. However, the industrial sector continues to be constrained, with only minor performance improvements; the reform process has been painstakingly slow, and the policy measures put in place so far are insufficient. Despite this, these initiatives fall short of significantly increasing the sector's competitiveness and performance, as measured by both quantitative and qualitative indices. It is not yet competitive and efficient, nor is it capable of accelerating the country's still-slow economic growth.
The government's fear that financial liberalization could lead to a manufacturing sector crisis, which could lead to an economic downturn, is also unfounded. The findings show that the liberalization sphere needs to be adjust, and privatization of the sector and industry, even if only one sector, is critical and requires adjustment. Rather of being general to all economic sectors, liberalization efforts should concentrate on core market-oriented operations.

Implication for future research

The findings of this study shed light on the impact of market liberalization on manufacturing industries' export performance. Manufacturing enterprises forced to prioritize competitiveness in the worldwide market due to the government's emphasis on law and order, the availability of various financial and non-financial incentive packages, and overall trade openness. The study's findings have practical relevance for international marketing managers in export-oriented businesses. Few empirical studies look into the relationship between the influence of liberalization and a firm's degree of export performance within its competitive priority. Other scholars may be interested in the current empirical study since it identifies the conditions that are most conducive to export performance in an international competitive market. Firm size, managerial dedication and direction, and the firm's experiences in international markets all have a role in the microenvironment, but economic liberalization as a macroeconomic economic element has a substantial impact on worldwide marketing. As a result, domestic government commitment to economic liberalization is contingent on the elimination of substantial law and order (extended authoritarianism), the provision of financial and financial incentives to export enterprises, and the facilitation of an open business climate.

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