EXPORT PROMOTION OF SMALL AND MEDIUM Sized ENTERPRISES IN DEVELOPING COUNTRIES: THE PERCEIVED USEFULNESS OF INTERNATIONAL TRADE POINTS BY SMEs IN EGYPT

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SCHOOL OF ENVIRONMENT AND DEVELOPMENT

Institute for Development Policy and Management
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<td>Trade Promotion Organization</td>
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<td>ITP</td>
<td>International Trade Point</td>
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<td>EITP</td>
<td>Egyptian International Trade Point</td>
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<td>GTPN</td>
<td>Global Trade Point Network</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
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<td>EPO</td>
<td>Export Promotion Organization</td>
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<td>SME</td>
<td>Small and Medium sized Enterprise</td>
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<td>GAFI</td>
<td>General Authority for Free Zones and Investment</td>
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<td>MFTI</td>
<td>Ministry of Foreign Trade and Industry</td>
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<td>Multinational Corporations</td>
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<td>Multinational Enterprises</td>
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<td>SFD</td>
<td>Social Fund for Development</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>ITC</td>
<td>International Trade Centre</td>
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<td>Electronic Trading Opportunity</td>
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<td>World Trade Organization</td>
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<td>UNCTAD</td>
<td>United Nations Commission on Trade and Development</td>
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<td>E-commerce</td>
<td>Electronic commerce</td>
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<td>GOE</td>
<td>Government of Egypt</td>
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<td>VIF</td>
<td>Variance Inflation Factor</td>
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Abstract

The University of Manchester
Name: Hanan Khazragui
Phd
Thesis Title: Export Promotion of SMEs in developing Countries: The Perceived Usefulness of International trade points by SMEs in Egypt
Year: 2011

With the advent of the internet and the development of Information and Communication technology, new reinvented forms of Trade Promotion Organizations have emerged. The globalization of today’s trading environment has forced economies to prioritize the development of the export competitiveness of their SMEs sector, as to be able to survive amidst the fierce global competition. The digital economy has created new means and channels of overcoming barriers of trade faced by SMEs due to their size and limited resources. To this end the International trade center has launched the Global Trade Point Network in 1993. The objective of this new electronic form of TPO is to assist firms in developing countries to explore business opportunities effectively by providing them with targeted market information and facilitating exporting procedures at a relatively low cost. With the expanding number of interconnected Trade Points, The GTPNet is rising to be the main global network for trade-related information streams.

This study explored the extent of usefulness of these trade points in providing SMEs with real export opportunities as well as boosting their export competitiveness in Egypt, due to it being the one country with the highest number of operating trade points. The study used a mixed sequential methodology, combining both a semi structured interview based qualitative analysis followed by a questionnaire based large scale survey. This study was built around the theory of stages of internationalization, to reflect the fact that SMEs in the new evolving digital environment, are still in need of acquiring export market knowledge throughout the different stages of the internationalization process through secondary sources. Export market-knowledge as a firm resource boosts its competitive position and in turn to increased commitment to the export operation. On a theoretical level, a perceived usefulness construct for International trade points has been developed using exploratory factor analysis that paves the way to empirical tests of the different recommendations in the export promotion literature. The domain incorporates a new factor pertinent to the unique nature of International trade points, as being dependent on an electronic matching system supported by a global network, the proposed definition and usefulness of International trade points provides a conceptual framework in an area where little prior research has been conducted. Based on the findings, Egyptian Small and Medium Enterprises did not appreciate this new developed service due to their lack of e-readiness and resilience to engage in this process. From a practical perspective, the study has supported the findings of previous empirical studies, that pointed out that Export promotion Organizations are not targeting the real potential disadvantaged firms as committed exporters with high export intensity were the main recipients of successful trading opportunities through International Trade Points, as well as the ones that perceived these governmental sponsored organizations to be more useful. Moreover, the study revealed the shortcomings in the performance of International trade points, which are to a great extent attributable to their inefficient governmental organizational and managerial structure.
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Chapter one

Introduction

1.1 Introduction to the study

The growing liberalization and immense integration of different world economies since the 1950s were the driving force behind persistence of firms to engage in exporting all over the globe.

Over the past two decades, exporting was considered to be fastest one of the main mounting economic activities that have surpassed growth rates of economic output. (IMF, 1995)

Ever since the 90s exports accounted for almost 20% of world GDP. (World Bank, 1995). Ever since, exporting played a crucial role in global economic interaction and its magnitude was expected to develop further with the integration of international markets.

Export development is very critical to different economies, due to its substantial effect on both the macroeconomic as well as the microeconomic level. On the macroeconomic level, exporting provides a source of foreign exchange and thus economies can boost their foreign exchange reserves, reduce their balance of payment deficit and provide employment which would result in improved standards of living to all of the society. From a microeconomic perspective, exporting gives firms a competitive lead, while improving their financial position, their resource utilization levels as well as raising technological standards. (Katsikeas, 1996)

The globalization of today’s trading environment has forced economies to prioritize the development of the export competitiveness of their SMEs sector, as to be able to survive amidst the fierce global competition and challenges. The digital economy has created new means and channels of overcoming barriers of trade faced by SMEs due to their size and limited resources.
The international trade regime is changing very rapidly in wake of the development of information and communication technology. The globalization and integration of international economy got a fillip with the advent of Internet. Internet gives a new concept of wired and inter-linked world and now physical distances are no more a major barrier. Today world has shrunk into a cyber village connected digitally, accessible just by a click of mouse. (JETRO, 2000)

The digital economy is, moreover, forcing the national trade promotion organization to recreate, itself. All trade promotion organizations must explore potentials of the international market place and support their customers to exploit the internet as a communication and business device.

To this end the International trade center has launched the Global Trade Point Network in 1993. The objective of this new electronic form of TPO is termed by International Trade Center (ITC), as

“To assist the country’s businesses to explore business opportunities effectively by the provision of targeted market information which results in high levels of customer satisfaction” (ITC, 2001)

With the expanding number of interconnected Trade Points, The GTPN is rising to be the main global network for trade-related information streams. This global network was set to give assistance to SMEs especially those located in developing countries.

The main objective of this research thus is to explore the extent of usefulness of these trade points in providing SMEs with real export opportunities as well as boosting the export competitiveness of SMEs in developing countries. To what extent are they different than traditional TPOs and if SMEs really appreciate this uniqueness in today’s competitive trade environment.
1.2 Background of study

Export promotion has been identified as a priority policy for the Egyptian government; accordingly its focus is on developing the necessary set of policies and measures to improve enterprise competitiveness which will eventually lead to expansion of exports.

Egypt has a projected growing export potential in different sectors because of the competitive advantage it has in many manufacturing industries and its unique and strategic geographical location. The services sector has also a promising export prospective including tourism, transportation and business services.

Thus it the government’s main to focus on boosting the competitive advantages of different sectors, in order to subsequently enhance it export records. The “Egyptian Exports Development Strategy” document gives clear insight into this clearly set objective of the Egyptian exports over the next years. Obstacles hindering exports were clearly and objectively addressed and practical measures to alleviate such hurdles have been identified.

In this context different new laws have been issued. The law no.55 for the year 2002 was set to encourage competition of Egyptian exports while removing barriers to trade. This law dealt with issues of funding the development of research, marketing and training centers as well as assisting in the communication between Egyptian exporters and their trading partners worldwide. It preserves cost efficiency for exporters to guarantee fair competitiveness in global markets.

In the year 2005, different laws were issued by the Prime Minister to unify different customs system like Tax Rebate and facilitate for exporters to retrieve their formerly paid customs on inputs used for the production of their exported goods.

Small and medium sized enterprises comprise the highest share of the manufacturing sector in Egypt. Yet, this sector, despite the efforts of different governmental bodies to enhance its competitiveness, is still suffering from major obstacles and limitations
to achieve the targeted level of exports that would boost the economic growth in Egypt.

New tools of doing Business have emerged and the entire terminology of International business is being re-phrased. The e-business (web-enabled businesses), e-commerce, e-marketing, out-sourcing and 'e-industrial clustering' and host of similar vocabulary is emerging. It has been established to a great extent that e-commerce will be the kingpin of the future business-to-business relationships. It has opened new vistas and avenues for growth and development around the world. With much less capital expenditure compared to industrial infrastructure development, information technology around the world, for developed as well as developing countries, offers new opportunities to avail

The international Trade arena needs to be re-designed and re-engineered in wake of digital economic environment suggesting a basic re-structuring in the methodologies of Trade Promotion Institutions. The traditional trade promotion services are no longer sufficient to operate in this Economic framework. The e-commerce and strategies are to be evolved not only by the Business organizations but also by the Trade Promotion Institutions too. The e-businesses processes have to be streamlined and standardized under the Multilateral-trading regime of World Trade Organization's Agreement on E-commerce and Information technology. The legislative and regulatory frameworks are the prerequisites to give predictability and the confidence in the international business processes.

Electronic commerce not only offers opportunities for increasing trade efficiencies by expanding the market size, but also creates a whole cyber market with 24 hours, 7 days a week online trading and thus eliminates communication distortions and delays. It also reduces the costs of documentation, better inventory control management and supply chain management. In addition, E-commerce holds the key to unlock the protectionism and Non Trade Barriers mechanism adopted by the host of the major international trading countries and regional trade arrangements by virtually connecting the marketplace. The growth of e-commerce would also usher in the stability and peace in the world devoid of traditional boundaries and barriers whether political, cultural or economic.
The developing countries are finding it difficult to switch over to the requirements and realities of digitalized global economy. The technological barrier notwithstanding, the cultural practices are major hurdles to induce the Business-people to integrate themselves in the digitized economy.

The global trade point network, developed by the UNCTAD in 1992, is a way of facilitating access for SMEs to international markets, while benefiting from innovative technologies in electronic commerce. SMEs can get access to the latest ICT, promote their products to potential customers and engage in exporting opportunities with partners worldwide, through this connected network. This service is offered at a reasonable cost with SMEs from developing countries can benefit from it. (UNCTAD, 2000)

1.2.1. Importance of exports growth to economic development

A remarkable change has been witnessed in the standpoint of development policy throughout the last decades. Up till the mid-1970s development policy was confined to the import-substitution model that urged countries to focus only on their domestic markets and substitute domestically produced goods for imports.

However, economic troubles emerged in the 1970s, leading different countries to suffer from slower growth and accelerating inflation. The import-substitution model was no more advocated as the means to prosperity as countries following it where no longer in an advantaged position. An alternative approach had to be searched for. Economists thus started to think in favor of market directed economic activity. This shift led to the extensive interest of researchers to examine the relationship between trade and growth.

Ever since there has been a tremendous redirection of policy towards an export-led growth model which urged countries to concentrate and aim for producing for exporting rather than focus on production for domestic markets, countries were advised. (Palley, 2003)

By the early 1980s, the export-led strategy has gained agreement among researchers and policy makers and was considered to be the conventional wisdom in the developing world. (Tyler, 1981; Balassa, 1985; Balassa, 1980; Heitger, 1987)
Over the last decades, numerous researchers have modeled exports as an engine for growth, with the presumption that higher exports can lead to greater capacity utilization, economies to scale, adoption of more efficient technology or higher foreign exchange earnings.

Most of the empirical researchers over the last decades have shown a close link between economic growth and export growth. (Chudson 1964, Balassa 1987 Sprout and Weaver 1993, Summers and Peter 2001, Soderborn and Teal 2003)

It is widely perceived that no country with closed and inward oriented policies has been able to achieve high growth rates. As Baldwin demonstrated export expansion often plays a key role in initiating development in its two aspects, growth and change. (Baldwin 1966)

Exports are good for growth and poverty alleviation but they are not easy to develop. Most of the developing countries consider export promotion and development precedence for economic development. Persistent export promotion efforts will assist in earning foreign exchange necessary to finance imports. This will consequently lead to reduced balance of payments problems and lower foreign debts. In addition and create further employment for people. East Asian economies are mere example that developing countries can compete effectively in international markets. They present a blueprint for economic growth valid to many developing countries. The focus of East Asia’s exports on manufactured products is the outcome of its meticulous mixture of land scarceness and a somewhat educated and skilled labor force.

Export promotion is needed in some developing countries, to reach their goal of broadening the scope of exported products. It is rather risky to rely on a limited number of export products as a source of foreign exchange earnings. This is especially uncertain if the prices of these products drop in the international market, which will automatically reduce the amount of foreign exchange generated as the demand for these traditional products is relatively price and income inelastic.
1.2.2 The role of Trade Promotion Organizations

A vital constituent of all countries foreign trade policies is the national export strategy that focuses on the promotion of products and markets that gives the country its competitive edge in exporting. In this context, Trade Point Organizations (TPOs) are founded to implement the export promotion and development programs. These have two main roles to play, to offer specialized assistance to potential exporters, and act as a catalyst for other trade related services providers that lead to the facilitation of the exporting process.

In many occasions, TPOs have an advisory role to governments on foreign trade issues. Furthermore, they might link between the government and the exporters, as these are having close connection with the export community. Of course, the export community is able to create direct contacts with the government through alternative contacts; however, this should not undermine the role of TPOs who act in favor of exporters. Specialized institutions devoted to this task should carry out export promotion and development activities. In this context, TPOs are key actors that offer support and guidance to enterprises.

The role of TPOs depends on the stage of development of a country. In developing countries, where SMEs play a major role, a TPO has to make efforts to expose them to the international market place. SMEs with export potential should be selected and the TPO should work closely and intensively with them in order to turn them finally into successful exporters. (ATPF, 2000) However, for countries to succeed in penetrating foreign markets depends heavily on the competitiveness of its export products. Therefore the main task of a TPO should be promoting the competitiveness of the export sector. In the context of the present global economic environment, it has been more challenging for TPOs to achieve this objective. The globalization process, the WTO as well as regional groupings have not only created opportunities but have also posed challenges to TPOs. For that reason, they have to play a dynamic role in the present context to make exporters more competitive in the international market. (ATPF, 2000)
1.2.3 The evolving role of Trade Promotion Organizations (TPOs)

The digital economy has formed a new world for the trade promotion organizations. In many aspects, the TPO is no different than its clients in respect to being forced to respond to changes of the business rules and scheme. These must respond with rapidity and efficiency as well as flexibility. Trade promotion organizations should alter the content of their help through offering guidance on e-trade, e-markets and Internet marketing while expanding their own e-awareness, e-competency and e-promotion programs. The needs of their clients in this aspect should be catered for and continuous feedback sought for development and improvement. *(ITC, 2000)*

In addition, the means of communication between TPOs and their clients should be achieved through e-mail and the Internet, as well as to establish online networks to raise and expand response aptitude. Providing tailor-made guidance and information to enterprises is a key feature to distinguish TPOs from services offered through other Internet sources. TPOs in the new digital era must become fully e-competent and proactive as well as responsive institution. The internal culture and behavior of staff must be altered to keep in line with the new developments. Not only this, but a systematic upgrading of the used technology through installing business systems to detain, store and easily regain information on different customers, markets as well as integrate these into the organization's website would be an advantage.

1.3 Importance of topic

Developing countries still do not capture the driving forces for trade development and export promotion in today’s global economy. E-commerce is considered to be a catalyst for exports. It is expected that e-commerce flows will grow at an increasing rate over the next decade. This holds an opportunity for the economic development of developing countries, providing them with new means for venturing global markets.

Egypt is no exception in this context; it needs to learn how to ride the e-commerce wave, instead of being crushed underneath it. It needs to capture a piece of the cake, to capitalize on this new emerging opportunity to boost its exports worldwide, which
is the main concern of the Egyptian government. The Egyptian government is very much dedicated to export promotion. It was stated on different occasions that,

”Exporting is a matter of life or death for the Egyptian economy”. (ECES, 2001)

For the past decade the Egyptian business environment has witnessed continuous reform efforts to remove barriers against exports using measures such as trade liberalization, the adoption of duty drawback and the simplification of customs procedures. However, Egypt is still lagging behind when analyzing its export records. E-commerce moreover, as a medium for foreign trade, offers potentials for augmenting Egyptian exports and improving its balance of trade. This in turn will positively influence the Egyptian economy as it will help towards curtailing national debt and inflation rates and increasing the GNP. Moreover, Egypt will be able to experience a more open economy and enhance its comparative advantage globally. (Hashem, Ismail, 1998)

The advent of the Internet and e-commerce has contributed to reducing costs, as well as reducing time and space requirements to perform transactions. Electronic trade points all over the world are being launched to encourage greater involvement in world trade through the reduction of transaction costs, the facilitation of trade procedures and providing traders with the access to superior technologies and communication networks. These bring collectively all suppliers of services required to make business transactions.

1.4. Research objectives

The constraints facing the Egyptian SMES that hinder them from having a global reach to their products for exporting them are significant; one of these barriers is their inability to access global markets. With the aid of the international trade points, SMEs should be able to overcome such an obstacle and have an international presence at a low cost.

Despite the burgeoning literature on the SMEs, their role in the economy, the problems and barriers they face, the studies concerning the ways of providing means of facilitating their participation in the global economy are still rare.
With the advent of technology and the emergence of the knowledge economy it becomes detrimental not to have a global reach. Therefore, it is important to assess the usefulness of ITP to act as a gate for the disadvantaged SMEs to the international economy, thus allowing them to participate in the world international market while reaping all the advantages and opportunities of the emerging new technologies of the digital economy.

The study aims to assess the ITPs ability to provide SMEs with successful export opportunities. Moreover the study aims to evaluate the perceived usefulness of International trade points in Egypt in enhancing the export competitiveness and performance of SMEs by means of a mixed methodology through interviews with important stakeholders and subsequently a questionnaire based survey to be able to generalize findings.

This study attempts to explore and develop a more comprehensive construct of perceptual usefulness to contribute to the Export promotion literature. The domain will incorporate a new factor pertinent to the unique nature of International trade points, as being dependent on an electronic matching system supported by a global network.

The study builds upon the internationalisation process theory advocated by Johanson and Vahlne, which focuses on the firm’s continuing gaining, assimilation and usage of knowledge about foreign markets and exporting, which will consecutively increase commitment to foreign operations. It further indicates that the lack of export knowledge coupled with lack of firm resources are the most significant impediments to internationalisation which firms can overcome through extensive acquisition of information on learning foreign markets and operations. We thus aim to investigate the ability of ITPs, as a reinvented form of TPOs to help SMEs accumulate export knowledge throughout the stages of the internationalization process.
The aim of this research is to:

1. Review the theoretical literature explaining the major obstacles faced by SMEs while trying to access global markets as well as the opportunities and the challenges offered by the digital economy

2. Assess the usefulness of International trade points in Egypt in providing the main services to SMEs to help them participate in world trade as well as to quantify the export opportunities generated by SMEs through this network

3. Assess the extent to which SMEs perceive ITPs to be unique and different than other traditional TPOs in the context of the provision of electronic and wired trading opportunities.

4. Identify and analyze the factors behind the variance in perceptual usefulness of ITPs based on the SMEs point of view to be able to develop an appropriate model of the most effective performance

1.5. Research Questions

1. How important are Trade Promotion Organizations in the process of export promotion of developing countries? What are the main differences between public and private Trade Promotion Organizations?

2. To what extent are International trade points perceived to be unique in their services mix? Are ITPs able to provide SMEs with real export opportunities?

3. What are the main constraints faced by Egyptian SMEs to enhance their export competitiveness? To what extent is the government policy attributing to enhancing SMEs exports? Is a governmental public or private sector based export promotion system better suited to enhance export competence of SMEs?

4. To what extent are International trade points as a unique form of trade support, contributing to knowledge development with the internationalisation process and in particular with export development? Are these capable of supporting firms during the different stages of their internationalisation process? Are they targeting the different needs of SMEs along their different stages of export development?
5. Are ITPs capable of providing SMEs with real export opportunities? What are the factors that affect the amount of exporting opportunities firms engage in through ITPs?

6. How do SMEs perceive Egyptian ITPs to be useful and effective in enhancing their export competitiveness? Are there any firm related factors that affect the ability of SMEs to benefit from services of Egyptian ITPs?

1.6 Research Methodology

To accomplish the objectives of this study, a mixed method research design merging both qualitative and quantitative research methods has been applied. As Creswell (1995) has recently illustrated, mixed method approaches now provide rationale ahead of triangulation.

“The relationship between qualitative and quantitative research should not be considered in terms of mutually exclusive dichotomy but rather as a continuum of complementary paradigms within systematic inquiry, that when used in concept, produce complete or useful knowledge”. (Howard and Borland, 2001)

Greene et al. (1989) have listed 5 purposes of the mixed methods study:

“Triangulation, or seeking convergence of results; complementarities, or examining overlapping and different facets of a phenomenon; initiation, or discovering paradoxes, contradictions and fresh perspectives; development or using the methods sequentially, such that results from the first method inform the use of the second method; and expansion, or mixed methods adding breadth and scope to the project.”

Furthermore, there is so much value in mixing qualitative research with quantitative. Quantitative research stands out at summarizing large sets of data to be able to make generalizations supported by statistical projection. However, the main strength of qualitative research lies in decisive presentation of the story from the participants’ standpoint, providing the rich descriptive aspect that positions quantitative results into their human framework (Stringfield and Teddlie, 1990)

Sequential mixed method design (QUAL → QUANT sequence) was adopted. This study consists of two main separate phases: a qualitative phase using semi structured interviews followed afterwards by a quantitative phase using a questionnaire based survey. (Creswell, 2003)
The field of this study is still new in Egypt, as a limited number of studies have been conducted focusing on the performance and efficiency of TPOs in general and international trade points in particular. Overall, ITPs have been operating only since 1994 in Egypt, and the ICT awareness in SMEs is still limited in Egypt. Furthermore, there are no validated dimensions that can be used to evaluate the ITPs performance from the SMEs point of view. For these reasons, this study started with a thorough literature review providing insight on the role of export promotion in boosting economic growth and development in developing countries.

The role of international trade points was explored in details trying to refer to some successful country experiences of other developing countries. The role of SMEs and their contribution to the Egyptian economy was also reviewed and their barriers to entering foreign markets were analyzed to determine the points of weaknesses they suffer from that could be overcome through the services of ITPs.

The role of e-commerce in the new era of the digital economy as an export promotion tool was reviewed to assess its implications on opening up new means of conducting business and engaging in trade for SMEs. Moreover the status of e-readiness and ICT awareness of SMEs was acknowledged to reflect on its extent as an obstacle for maximizing benefits of ITPs.

Following the literature review, primary qualitative research was conducted using semi-structured interviews with the head of the main office and selected managers of sub trade points in Egypt to explore all their export promotional tools and services to the Egyptian SMEs, the trend of export transactions conducted through them ever since they started operation and the number of SMEs using their services. Subsequent to this, another set of in-depth interviews with a sample of SME managers, that are registered with ITPs, was carried out.

The main objective of this phase was to explore the perception of SMEs of trade promotion services in Egypt and those of International trade points in particular, their attitude towards the importance of trade promotion organizations and to what extent do they consider International trade points to be different and unique in the services they provide.
It was attempted to explore how SMEs find such form of trade intermediation useful in their process of venturing foreign markets and boosting their export competitiveness. In addition their firm characteristics (size, sector, e-readiness, location, stage of export involvement…) were explored, to be able to associate those to their ability to utilize the services of the ITPs, as it is useful to consider several firm external and internal environmental variables before embarking on the discussion of the export assistance experience.

This gave an indication whether the number of SMEs engaging in the use of their activities is growing or not, the volume of exports through them is again growing or not. An important issue to address was the need for 14 trade points in Egypt. This is considered to be a huge number compared to other developed and developing countries, is it really essential to have them all.

Qualitative research has become a widely accepted authentic form of enquiry in the social sciences.

“Researchers of all methodological persuasions recognize its value in obtaining detailed contextualized information”. (Greene and Caracelli, 1997)

The second phase of the research was a survey of Egyptian SMEs that have used the services of the International trade points, to assess the usefulness of the latter in enhancing export competitiveness and providing export opportunities of SMEs while overcoming the main obstacles facing them.

The dimensions among which usefulness was assessed were developed based on the literature review and the outcome of the qualitative phase, leading to the development of a comprehensive questionnaire covering all aspects of services offered by ITPs to be assessed by SMEs on a given likert scale. A part was added to determine firm characteristics using a different scale. It was aimed to determine which firm characteristics explain some of the variance in their degree of benefiting from the services of ITPs (reflected in the usefulness of ITPs).

A pilot study was conducted first to test the questionnaire before the actual data collection to measure the validity of the questions and the reliability of scales used. Simple random sample was used to create respondents with diverse firm characteristics.
This survey methodology was applied, as this is the most convenient way to collect and obtain information in Egypt. Officially available data is limited due to the poor reporting practices of Egyptian firms. Furthermore, telephone interviews, postal surveys and e-mailing questionnaires have not been widely used in Egypt. The survey methodology is an accepted strategy in collecting data in social sciences; it allows collection of a large amount of data in a cost effective means. The data can be standardized, allowing simple comparison. Moreover, it is considered to be reliable, because it is easily understood. (Donald and Pamela 2000)

Questionnaires seem to be a good method of data collection in Egypt, given that they do not include culturally sensitive questions. (Parnell and Hatem 1994) They are considered to be the most widely used survey data collection methods as respondent are to answer the same set of questions, which affords a competent way to gather responses from quite a large sample. (Sekaran, 2000)
<table>
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<tr>
<th>Levels of Investigations</th>
<th>Research questions</th>
<th>Methods used</th>
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| **Macro level**          | 1-How important are TPOs in the process of export promotion in developing countries? 2-What are the main differences between public and private TPOs? 3-To what extent are governmental public based export promotion system better suited to enhance export competence of SMEs? 4-What are the main constraints faced by Egyptian SMEs to enhance their export competitiveness? 5-To what extent is the government policy attributing to enhancing SME exports? | - Review of literature  
- Analysis of policy and strategy documents  
- Semi structured interviews with Officials at ITP and managers of SMEs. |
| **Microlevel**           | 6- What is the difference between ITPs and traditional TPOs? To what extent do SMEs perceive ITPs to be unique and different from traditional TPOs in developing countries? 7-What is the perceived usefulness of ITPs in enhancing export competitiveness of SMEs in Egypt? Are there any firm related factors that affect SMEs perceived usefulness of ITPs? 8-To what extent are EITPs capable of providing SMEs with real export opportunities(ETO)? What are the factors that could contribute to the variance between SMEs in engaging in successful EPOs? | - Survey based questionnaire  
-semi structured interviews |

Table 1.1 Research questions and the corresponding levels of investigations
1.7 Chapter Outline

The second chapter presents an overview of export promotion, basic terminology and concepts, its importance and contribution to economic growth and development. A thorough review of the emergence of export-led growth strategy and its policy implications followed. Finally the history of the development of Trade promotion organizations as well as their importance and their role in enhancement of export competitiveness of developing countries is discussed. Arguments for and against their establishment and support success are highlighted.

Other than this SMEs are discussed thoroughly with reference to their definition and role in world economy. Opportunities and challenges offered for SMEs due to globalization and trade liberalization are reviewed while highlighting the main barriers and constraints faced by this in pace of their process of accessing global markets.

Chapter three is dedicated to Egypt. First of all a brief history of the Egyptian economy is given. The export development strategy as well as its policy implications is reviewed and analyzed. The Egyptian trade performance over the last two decades is highlighted with reference to measures affecting Egyptian export performance. Another theme discussed is the performance of Egyptian SMEs, their structure and contribution to the economy. The major obstacles and constraints to SME export competitiveness are analyzed with reference to the export performance of SMEs during the last period. Parameters of the policy framework set by government to enhance competitiveness of Egyptian SMEs were reflected upon.

Chapter four deals with the emergence of the new concept of the digital economy in contrast to the traditional one. New terms such as e-commerce and trade as well as e-readiness of countries are introduced. Another theme thoroughly pointed is the novel and reinvented role of TPO as mirrored in the introduction and development of the Global trade point network in 1993 by the UNCTAD as an electronic trade network to assist SMEs to have a global reach. The structure, development and all services offered by this network on the international and local level are identified. Another aim is to give a detailed picture of Egyptian ITPs, their development, their performance over the last 10 years, the different services they provide for SMEs
during the exporting process. In other words the services provided to register SMEs before, during and after the exporting process. A brief comparison between EITPs and traditional public and private export promotion institutions are highlighted.

In Chapter five we describe the survey methodology, thus describing the different phases, qualitative and quantitative, in details. The questionnaire design, contents as well as the sampling frame are discussed in details. In addition, questions scaling and coding are explained. Study hypotheses are developed and presented as well.

In chapter six results of interviews with government officials at trade point level and those with Managers of SMEs are discussed in details, reflecting on the main points and issues raised while quoting them in different occasions.

Following the presentation of the findings of the qualitative phase, the analysis of the survey results are reflected upon in chapter seven. The results of the different statistical means used are presented and highlighted while drawing upon the main research questions rose earlier.

Finally, chapter eight summarizes all chapters, concludes the findings and identifies policy recommendations to improve the export competitiveness of SMEs while benefiting from the different services of EITPs.
Chapter 2

Literature Review

2.1 Introduction

In today’s global economy, it has been agreed that export success is crucial to the overall economic development of economies. Moreover, the contribution of SMEs to the export development of different economies has become the core of different policies of developing countries. Export promotion organizations had proved to have a marginal effect on export performance, which led to the reduction of resources devoted to them. However, some countries had the view that these are potentially capable of providing the necessary guidance and expertise especially for SMEs to put them on the right track for internationalization and thus have been committed to improving the effectiveness of the export promotion organizations. These governments are dedicated on improving the ability of firms to compete internationally, rather than focusing on boosting international demand for a country’s exports. It is no doubt that well-targeted and well-resourced export promotion programs can be effective in this context, however, they only provide one prescribed factor in a rather extensive treatment for export achievement.

The aim of this chapter is to conduct a thorough literature review, to critically assess the points of weaknesses and strengths of previous studies done in the area of assessing the effectiveness of export promotion

2.1.1 Basic concepts

The foreign trade policy is the set of policies that shape and control import and export procedures. Such policies will also have an effect on foreign exchange, foreign investment as well as international relations. Moreover, the trade promotion policy is an integral part of the foreign trade policy, that deals with designing and implementing trade promotion and development programs targeted at enhancing the country’s export records.
The foreign trade policy incorporated trade promotion policies, which provides the conducive environment to realize the objectives of the trade promotion policy.

Trade Promotion incorporates different measures that covers both exports and imports, and aims to promote trade with other countries. Trade development infrastructure focuses on enhancing the nation’s trading capacity to develop trade. Export promotion strategies are rather a constituent of the trade promotion policies and should target export expansion on 3 different levels, firm, industry and national levels. In this context two main dimensions are to be focused upon, expanding the exports of existing products and develop new potentially exportable commodities. (ESCAP, 1999)

2.1.2 Importance of export promotion as an engine for growth

East Asian economies are mere example that developing countries can compete effectively in international markets. They present a blueprint for economic growth valid to many developing countries. The focus of East Asia’s exports on manufactured products is the outcome of its meticulous mixture of land scarceness and a somewhat educated and skilled labor force.

Export promotion is needed in some countries to achieve their goal of broadening the base for their exported goods, as it is rather risky to rely on a limited number of export products as a source of foreign exchange earnings. This is especially uncertain if the prices of these products drop in the international market, which will automatically reduce the amount of foreign exchange generated as the demand for these traditional products is relatively price and income inelastic.

The national export strategy concentrates mainly on promoting products and markets that offer the best opportunities for a country. The scope of a country’s export promotion activities is determined by: Exchange rate policy, the nature of products that can be exported, Availability of human and financial resources, the costs of transportation, the main characteristics of targeted markets as well the experience of TPOs.
2.1.3 Exporting and economic development

The literature has widely recognized the main advantages of exports. Over the last years, several researchers have focus on exports as an engine for growth, thus claiming that increased exports levels would consequently achieve better capacity utilization, achieving economies to scale, and applying more up-to-date technologies. In addition exports are seen to be a source of foreign exchange earnings and a driving factor for elevated rates of employment, which will in turn create better social stability. (Czinkota, 1982, Leonidau and Katsikas, 1996, Morgan, 1997)

Most of the empirical researchers over the last decades have shown a close link between economic growth and export growth (Chudson 1964, Balassa et al. 1987, Sprout and Weaver 1993, Summers and Peter 2001, Soderborn and Teal 2003).

Baldwin demonstrated that export expansion is the driving force for development in its two facets, growth as well as change. (Baldwin 1966)

Furthermore, a number of studies demonstrated that firms who export surpass firms who target domestic markets (Kotabe and Czinkota, 1992) The export competitiveness of many exporting firms can also be developed through the acquired and gained exporting knowledge and experience. (Katsikas at al, 1998)

Czinkota (2002) found that

“Exporters of all sizes and in all industries outperform their strictly domestic counterparts – they grow more than twice as fast in sales and earn significantly higher returns on equity and assets”

It is thus broadly apparent that countries that follow inward oriented policies are not competent to attain high growth rates.

2.1.4 Obstacles to exporting

Export growth in developing countries is facing different barriers. The implemented inward oriented protective trade policies coupled with underperforming public enterprises were the main reason for the low export records of many developing countries. However, since the move of globalization and trade liberalization has spread, these obstacles were abolished whereas others were introduced. (CDR, 2000)
The issue of barriers to exporting has extensively been investigated by different researchers along the past years. *(Bodut, 1986, Miesenbock, 1988, Katsikas, 1991, Leonidau, 1995, Bell, 1997)*

For firms to engage in sustained exporting, the risks are quite tremendous, especially in the early stages of their internationalization process. *(Czinkota, 1994; 2002)*. This will in turn keep away many firms from venturing foreign markets, or, maybe would lead to their early exit.

Exporting barriers can be classified into two main categories,

External barriers related to the policy such as; government export regulations, diversity of rivals, Quality compliance, as well as high tariffs. Internal barriers are pertinent to the inadequacy of resources needed inside the firm to be capable to export. The lack of knowledge of basic export requirements represents a major barrier for firms as well.

Concerning firm capabilities, many small companies still lack the adequate procedural knowledge, efficient expertise as well as financial resources necessary for competing in the international market. Furthermore, there is poor production planning and control as well as lack of quality management.

Access to market information is considered a major barrier; firms do not have sufficient knowledge about potential export markets, market trends in specific industries, as well as specific information such as distribution channels in export markets, supply and demand within specific industries, consumer tastes and different laws governing potential targeted markets.

Financing is another issue that hinders exporters from expanding their export volume; there are no widely spread export credit schemes nor enough resources to finance participation in international trade fairs for example. *(Indhold, 2001)*

Some firms in developing countries did not engage into exporting due to;

- The exchange rate policy adopted

- Narrow export base. Developing countries mainly rely on a limited number of traditional commodities for exporting. Cotton and base metals are for example the
main sources of export earnings for Central Asia. Those commodities are price and income inelastic, so that the export value would decrease when the price for them would fall, as the amount of increase in the export quantity would not offset the decrease in prices.

- Because of the inward targeted trade policy applied, many industries were not exposed to the foreign markets, thus they have little or no export experience. Moreover, the nonexistence of institutionalized export knowledge of management may well constitute a limitation.

- The concentration of export markets and supply sources hinders firms to comply with international production standards.

- Enterprises lack export readiness, because of their resistance to internationalize as the domestic market offers security. *(ESCAP, 1999)*

However, the globalization move and liberalization of trade procedures may encourage firms to venture foreign markets and ride the wave of expanding world trade.

Over the years, the outcome of different studies has been supporting the notion that barriers vary by firms’ exporting stage. These findings are based on the internationalization process theory of *Johanson and Vahlne, 1977*, and also the innovation model that views internationalisation as

“an incremental sequence of market-targeting by firms that evolve slowly as they acquire relevant knowledge and experience toward increasing commitment to foreign markets”.

*(Bilkey and Tesar, 1977; Cavusgil 1980; Naidu and Rao, 1993; Katsikeas and Morgan, 1994; Crick, 1995; Ramaseshan and Souter, 1996; 2004)*

**2.2 Small and medium Sized Enterprises (SMEs) in the global economy**

The role of SMEs in developing countries has been emphasized and continues to be subject to policy debate. These enterprises have been considered as the means to achieve the development targets. *(Cook, 2000)*
2.2.1. Sources of interest in Small and Medium sized Enterprises (SMEs) development

The export competitiveness of any nation is derived from the export competitiveness of its different enterprises. In developing countries, SMEs play a remarkable role as the main productive sector.

The export competitiveness of these small firms depends in particular on the capability of these to sustain its presence in the international market. They need to develop their export knowledge and expertise to the extent to be able to offer high quality products at competitive prices. Moreover, they need to have the needed flexibility to respond to any changes and developments in demands with great effectiveness and innovation. The flexibility of SMEs can also contribute to diversification of any domestic production structure. (UNCTAD 2002)

According to the OECD, SMEs

"represent the bulk of production in manufacturing and an even larger share in services both in developed and developing countries. They contribute over 55% of GDP and over 65% of total employment in high-income countries" (OECD 2004a).

We can say that SMEs are the main providers of employment and income generation opportunities and thus contribute remarkably to poverty alleviation. Their contribution to export revenues varies greatly from one country to another, even among developing countries. For example, In East Asia it accounts to 56% of manufactured exports, over 40% in China and more than 30% in India. In Africa, however, their contribution is still trivial.

2.2.2 Globalization and SMEs: Opportunities and challenges

The changing global economic environment had an enormous effect on SMEs. On the one hand it offered opportunities for growth. However, for some it meant only aggressive exposure to a fierce and intense competition worldwide. Not only this, but SMEs in developing countries are to struggle more than those in the developed world.
2.2.2.1 Opportunities

Although SMEs did suffer from a competitiveness lag in developed countries, some managed to acquire a competitive edge over their rivals while following different strategies. (OECD, 2004) These included:

- The Innovation Strategy

Based on this strategy, SMEs capitalized on the development of their human resources through the enhancement of their skilled labor force. Moreover, these in developed countries aimed to be as innovative as possible and use the recent updated production technologies. It is a risky and above all costly approach but can be justified for its outcome.

- The Niche Strategy

Certain SMEs who are export competitive tried to focus on fairly narrow, but geographically diverse, small market segments that are left underserved. German SMEs followed this strategy and focused all their resources on maintaining control over a small niche market.

- The Information Technology Strategy

Many SMEs have been applying the latest IT technology to be able to efficiently reduce costs. The internet is emerging as the new medium of business transactions facilitation thus facilitating marketing and communication.

- Linkages with Multinationals

Networking with Multinationals can develop the export capacity of local SMEs. Such business linkages contribute extensively to the development of SMEs, which can therefore, move up the technical as well as managerial ladder to integrate in the global economy.

- Clustering

SMEs follow this strategy to benefit from linkage with geographically close enterprises. This allows them realize economies of scale and benefit from knowledge spillovers. (OECD, 2004)
2.2.2.2. Challenges

In the real world, it is quite challenging for SMEs to exploit potential opportunities, because of the difficulty to develop their own marketing strategies to sustain their presence in world markets. The emerging forces of internationalization have aggressively forced SMEs, whether individual ones or clustered networks, to enhance their competitiveness as much as they can afford to reduce costs, and apply the most efficient technologies, if they wish to survive in the immense competitive environment. However, various SMEs still lack proper R&D. For example, a study on classifying European SMEs based on their technology adoption revealed that only 3% of these are technology developers, whereas over 80% are followers. (OECD, 2004)

In this competitive world, even modern SMEs who possess the resources to survive still struggle, as competition is no more pertinent to price, but to quality, flexibility and networking. The South-East Asian experience shows that

"The majority of small enterprises perform poorly on the world market. Those most likely to survive are the ones with export potential, and which, in addition, grow from small into efficient medium-sized firms. Their experience clearly shows that it is mainly the growth-oriented medium-sized enterprises among the SMEs that have a high propensity to apply technology and training and serve specialized niche markets." (OECD, 2004)

2.3. Internationalization strategies for SMEs

In their course of venturing foreign markets, small firms can not follow all the different options internationalization strategies suggested in the literature. (Baired et al., 1994, Stampacchia and De Chiara 1996). For example it is almost unlikely, that SMEs would internationalize through Foreign Direct Investment. Consequently, exporting is the most convenient way of internationalization for Small firms. (De Chiara and Minguzzi, 2002)

Nowadays export promotion strategies tend to incorporate the evolving trends in the international trading environment. In this context the export potential of SMEs has attracted interest for the following reasons:
- The new WTO agreement called for a more free trade with fewer tariff and non-tariff barriers, to allow smaller exporters more opportunities for accessing foreign markets

- SMEs have a strong export growth potential

- The speedy progression in ICT reduced international transactions

- Globalization has altered the comparative advantages between large and small firms. Smaller firms now have more flexibility to adapt to changing market requirements faster than large firms.

- Small enterprises still lack the efficient means to promote their own products. It is quite costly to establish their own marketing channels and trade information systems. In this context the efforts of trade support institutions will be very essential to SMEs.

2.3.1 Small and Medium sized Enterprises in the developing world

SMEs operate mainly in low productivity sectors and target mostly domestic markets. They lack the adequate resources to expand, and are technologically underdeveloped. Egypt is no exception; the contribution of SMEs in the manufacturing exports is about 0.5%. With import liberalization, many micro and small firms in developing countries are facing extinction, as they cannot cope with the rapidly changing technology and quality requirements. (Lall, 2000)

The East Asian model of a dynamic SME sector does not apply to many other developing countries, where there is a lack of medium sized enterprises, a phenomenon well known as” the missing middle syndrome”. The industrial sector is characterized with the existence of large scale modern capital intensive and assembly oriented firms as well as small enterprises, often informal, that apply very basic technologies and only produce for domestic markets. (UNCTAD, 2001)

2.3.2 General limitations facing SMEs in developing Countries

SMEs in most developing countries are facing three different categories of constraints, size-related constraints, policy bias and market imperfection.
1. Size related Constraints

Small size is considered to be a major impediment for firms especially where technology is exceptionally fast-moving. This constraint imposes additional costs on firms particularly when trying to engage in the global market. Moreover, adherence to quality standards has proven to be extensively costly for small firms.

2. Policy Biases

In developing countries most policies even those set to promote SMEs, are not in reality of great help to smaller firms. These sometimes include biased import and export policies, as well as other regulatory features that excessively raise transaction costs for SMEs. This hinders small firms from growing larger. For example tax incentives may urge firms to stay small, which can lead to the concentration of firms’ sizes below the taxable level. Moreover, certain policies have led to the back log of technological upgrading. (Lall, 2000)

3. Market imperfections

SMEs in developing countries find it quite difficult to have access to inputs, labor and finance. These market imperfections exist due to the tendency of factor providers to deal with large firms rather than SMEs. It is more convenient and much more economic for them in terms of acquiring information on the enterprise and the contracting expense as compared to the volume of the deal.

This is particularly clear with financial services markets where these always favor dealing with large firm. Moreover it is quite challenging to locate and apply new foreign technologies at a relatively low cost. This problem is also coupled with fact that SMEs in developing countries still lack the entrepreneurial skills and the awareness of how to cope with technological advancement. They are not even aware of their position.

We can thus say that , while SMEs in advanced economies struggle to keep pace with constantly changing technologies and markets, these problems are of course more prevalent for SMEs in the developing world. (Lall, 2000)
2.3.3 Obstacles to export competitiveness

It is very important to recognize barriers and obstacles that hinder the exporting process for firms, in order to understand why and how firms venture global markets. There has been immense studies investigating the structure and nature of these inhibitors, as well as the influence such obstacles can have on the exporting process.

Several studies have assessed the external factors acting as a catalyst or a hindrance to exporting in general. These have produced lists of barriers. (Bilkey & Tesar, 1977; Czinkota & Johnson, 1983; Bagchi-Sen, 1999)

Another approach to the problem examines the internal conditions that affect the export decision-making process within firms (Simpson & Kujawa, 1974; Cavusgil & Nevin, 1981; Czinkota & Johnson, 1983; Su’rez-Ortega, 2003)

Different Researchers do classify barrier in different ways, Seringhaus and Rosson (1989), for example, classify export barriers in: informational, motivational, and operational knowledge. Another classification was given by Leonidou (2004) in terms of internal, comprising, informational and functional, and external, incorporating, procedural, governmental and environmental. According to Ramaswami and Yang (1990)

“There seems to be no general agreement on the relative importance of the barriers in explaining export entry or expansion behaviour of firms.”

Another stream of literature suggests that the Managers’ attitude towards exporting is a vital factor for deciding to get involved and successful in exporting. Based on this view, companies do not engage in exporting due to their managers not being stimulated enough (Bilkey & Tesar, 1977; Cavusgil & Nevin, 1981; Czinkota, 1983)

Trade information and market intelligence gathering are considered to be a major obstacle encountered by SMEs. More and more these disadvantaged firms are becoming conscious of the intensity of growing competition worldwide. For them to export they need vast amount of up-to-date information about potential markets, trade regulations, business procedures and customer preferences, that need skills to analyze it.
SMEs also lack the financing and expertise to design products that would meet the needs of target market customers, which can give small firms a competitive edge. Moreover, improvement of product quality to meet international standards is a prerequisite to exporting, while most of SMEs lack quality control methods. Outdated technology leads to poor quality and can raise costs creating thus uncompetitive products. Unfortunately, skills and experience become easily obsolete and need continuous updating. In addition SMEs do not have means of advice concerning competitive costing and pricing techniques. *(ITC, 2000)*

It was immensely critical to cite the previous literature on export barriers to reflect on both the potentials and the limitations of export promotion. In other words, although the potential exists for overcoming certain barriers, other obstacles cannot simply be overcome by either public or private export promotion organizations. For example, *Bauerschmidt et al. (1985)*, considered exogenous economic constraints as the most critical barrier, this is beyond the control of TPOs. The SMEs could potentially overcome their barriers for foreign entry, through the help of private or governmental export intermediaries as they can use these external sources to complement their internal resources.

### 2.4 Trade Promotion Organizations and export promotion

With the aim of putting the export promotion programs into action, governments are establishing their Trade promotion organizations. TPOs have two main functions; they provide special support to existing and potential exporters as well as act as a bridge between potential exporters and the public and private units that provide trade services provided.

Trade promotion organizations are considered thus to be the main link between the government and the export community. In this context, the TPO and the export community should be closely linked. This close connection enables these organizations to advise governments in the course of designing supportive to the development of exports. It is an effective intermediary for exporters who lack knowledge about foreign markets. The role of TPOs depends on the stage of development of a country. In developing countries, where SMEs play a major role, a TPO has to make efforts to expose them to the international market place. SMEs
with export potential should be selected and the TPO should work closely and intensively with them in order to turn them finally into successful exporters. (*ATPF, 2000*)

Despite their efforts, TPOs are facing a challenge in developing countries when it comes to the competitiveness of the export products. It is very essential that potential exporters are given the necessary advice and support on how to differentiate their products and produce in compliance with the international quality standards. This is quite a big challenge for firms to succeed in penetrating foreign markets.

Therefore the main task of a TPO should be to enhance the competitiveness of the export sector. The role of TPOs in achieving this objective has been extremely tough in the current global economic setting. The globalization process, have not only created opportunities but have also posed challenges on trade intermediaries, forcing them to reinvent themselves and their services mix in a dynamic way to make exporters more competitive. (*ATPF, 2000*)

### 2.5 The role of governmental TPOs versus private sector TPOs

There has been opposing and mixed views concerning the most appropriate form of ownership and management of Trade promotion organizations. Both private sector organizations and governmentally established export promotion organizations provide services to the business sector.

It is argued by the proponents of governmental TPOs, that governments can effectively use their institutional strengths to provide services that minimize transaction costs for SMEs, as well as giving them access to foreign markets. Moreover, economies of scale can be realized by providing the services to many exporters. TPOs should focus on raising awareness of the benefits of exporting and help exporters acquire new businesses skills and strategies to enable them to overcome obstacles to export success. According to *Singer (1990)*, these restrictions provide a justification for government action, he argues that,

“Private export intermediaries can be expected to withhold services with low expected returns or with risks exceeding expected returns. They also can fail to adequately serve certain types of firms, especially those that are small, new to
exporting, outside their field of product or market expertise, or located at too great a distance”

Accordingly, the justification of setting government sponsored TPOs, lies in the existence of market failure.

On the other hand, challengers of government participation in export promotion argue that, instead of correcting market limitations, it may create other shortcomings. Despite being a promoter of government-sponsored programs Czinkota argues that;

“Export promotion organizations over time have become bureaucratized and politicized. Governments are accused of using export promotion events such as trade missions merely as tools to reward political friends. Goals have become blurred and efficiency is low. Just like the creation of state-controlled firms, export promotion institutions, in many instances, are said to have become a good idea gone bad. “(Czinkota, 2002:130)

In another study, Bannock and Peacock (1989) conclude that government export promotion programs were in reality destructive to firms’ international competitiveness as these managed to transfer attention from efficiency, to unnecessary negotiation with different government officials.

Hogan et al. (1991) argued in their study of export promotion organizations in developing countries that these were inefficient due to lack of leadership and funding, excessive bureaucracy and not being customer oriented. Moreover, they suffered from excessive government involvement and had to conquer strong anti-export biases.

In another study on trade shows, Seringhaus and Rosson (1998), concluded that independent exhibitors achieved far better results than the government sponsored exhibitors. In their study about the efficiency of government-sponsored export promotion institutions, Knight et al, point to the fact that these institutions have insufficient resources; provide undeveloped and poorly executed services. They lack the fundamental knowledge about the private sector and its needs. All these shortcomings are coupled with excessive bureaucracy created by inefficient government intervention. (Knight et al, 2002).
For all the previously mentioned reasons, many governments are working on giving export promotion organizations higher levels of autonomy through increased staff recruitment from the private sector.

2.5.1 Trade Promotion Organizations in developing countries

The studies assessing the performance of TPOs in developing countries are quite scarce. The most influential was an assessment of existing Export Promotion Programs undertaken by the World Bank in the late 1980s. (Hogan et al., 1991) According to this study a strong negative view of TPOs in the developing world has been revealed. Furthermore, in other studies the authors argued that EPOs did not accomplish their targets except in countries with encouraging policies for exports like Singapore, Korea and Hong Kong.(Keesing and Singer, 1991, 1991a; Keesing, 1993). These different studies have revealed several limitations: These public organizations were overstaffed with inadequately trained personnel, and these were unsuccessful in addressing the main supply constraints on exporters, that prevailed in an import oriented environment.

Others argued that the main crisis with EPOs is funding. They further suggested that well funded EPOs can overcome unfavourable policy environment. (Hogan, 1991; De Wulf, 2001)

Despite the strong criticisms, the number of governmental TPOs increased in the 90s. However, the development literature has focused on the positive potential benefits of EPOs in developing countries. It was argued thus that the import substitution. In the 1990s, the strong anti-export bias was eliminated, and well-known development economists started to have a more positive view of EPOs.

Helleiner (2002) suggested governments in Africa can promote non-traditional exports by setting up EPOs to help potential exporters reduce transaction costs and risks of venturing foreign markets. In a study conducted in Brazil, Chile, Colombia, and Mexico, successful exporters were interviewed to determine policies that determine success for EPOs. This study concluded some recommendations for export promotion support should not exceed 3 years in order not to be considered a subsidy. (Marcario, 2000) Furthermore, different studies suggested that
organizations work best when they are jointly managed by the governmental as well as the private sector. This conclusion about management structure is shared by much of the literature on EPOs in developing countries. \((\text{Keesing and Singer, 1991a} \ 1991\text{b; de Wulf, 2001; ITC, 200; Alvarez, 2004})\)

2.6. The relationship between export promotion activities and export performance

As with the different areas of export research, export promotion studies have had a strong empirical emphasis on rather than theoretical development. Former studies did not reach consensus on the effectiveness of the export promotion services. It is no doubt that export growth promotes the national economy. The dilemma, however, is in the utility of government EPOs. In general, EPOs are found to have only a limited effect on export performance. Moreover, the differential in export performance among countries cannot be attributed significantly to export promotion activities. However, export success is attributed to the following reasons:

1. \textit{Cost Competitiveness}: The existence of cost differential between countries is considered an influential determinant of exports. Based on the trade theory, relative unit labor costs are important for determining export performance. In this context, Carlin \textit{et al} (2001) concluded in a study of fourteen countries over the period 1970 to 1992, that a ten percent reduction in costs would lead to a 3 percent expansion in export market share.

2. \textit{Quality}: Different technological capabilities lead to major quality developments. The faster the improvement in the quality of a country’s manufactured products, the higher its export share. \((\text{Seyoum, 2004})\).

3. \textit{Export subsidies}: Small exporters in developing countries, in particular those in East Asia have been targeted for subsidizing to become successful exporters \((\text{Kokko, 2002})\). Among the measures used to support exporters is the provision of credit at favorable interest rates, the provision of inputs at preferential prices, lower tax rates, provide tariff exemptions, and preferential access to foreign currency. According to the WTO agreements, subsidies fall outside the scope of export promotion programs.

4. \textit{Foreign Direct Investment}: The immensely influential role played by MNCs in the world economy has led to major changes the export performance of many
countries. (Pain and Wakelin, 1998) MNEs now account for about two-thirds of world trade and half of that amount is transfers within MNEs (UNCTAD, 2003). Moreover, there is a positive effect from inward investment on host country’s export performance. FDI can also have an indirect effect on export performance through improving productivity in general. (Potter et al, 2002)

2.6.1 The relationship between export promotion activities and export performance on the Macro-level

It is widely argued that export promotion programs worldwide cannot possibly affect the market forces and conditions affecting export performance. Moreover, it is proved that there is a slight weak relationship between the level of export promotion and exports on the macro level, in other words, huge export promotion expenditures are not significantly linked to export success. Among the highly industrialized economies, those experiencing large exports growth rates are not the leaders in export promotion expenditures both in relative or absolute terms. (Czinkota, 2002) As compared to the macroeconomic policies export promotion is considered to have a marginal impact on exports. (GAO, 1995)

Different studies proved that it is quite challenging to ascertain a causal relation between EPO services and national export growth rates. For example, Coughlin and Cartwright (1987) found that spending on export promotion activities had a direct effect on US exports growth rates. However, Gencturk and Kotabe (2001) have attacked these findings. They argued that these studies suffered from methodological problems. As only a few numbers of firms utilizes EPOs, this in turn implies that national trade statistics cannot differentiate between the export performance of users and non-users of these services.

Another explanation is derived from the notion that national exports can also be affected by different environmental factors that exist in a given country and are subject to the lobbying activities of EPOs. (Hibbert, 1990)
2.6.2 The relationship between export promotion activities and export performance on the Micro-level

According to the previous literature, establishing macro-level results for export promotion services is quite difficult. Therefore, academic attention has shifted attention to the relationship between Export Promotion organizations’ services and firm-level performance.

Most of the empirical studies so far focused on looking at the capability of EPOs to create export awareness and usage of export promotion services that ultimately lead to improved export effectiveness through lowering export transaction costs. Other studies focused on examining the perceived usefulness of services as well as any discrepancies between the services provided and firms’ needs. All the different studies have resulted in mixed opinions concerning awareness generation and level of usage of EPOs.

On the other hand, research concluded that Export Promotion Organizations are useful in enhancing firm export performance. The main importance of such a research is to justify the budgets spent by governments to provide export promotion services usually free of charge to the business sector. It is thus vital for governments to assess the usefulness of such efforts on the micro level, to determine the extent to which firms are aware of the existence of such form of assistance and the extent to which they benefit from these initiatives.

Some previous research concluded a positive relationship between export promotion programs and firm export performance (Pointon, 1978; Cavusgil & Jacob, 1987). An early study conducted by Pointon (1978), was aimed to evaluate British export promotion programs from the point of view of firms. They were asked to convey their approximate increase of exports and savings of costs generated through using the support British export promotion programs. He concluded that each unit of expenditure generated 21 units of direct advantage to firms. But the validity of generalizing those results across British firms is quite problematic, as these rely on mere estimates of a small sample of managers.
In the 1980s, there has been a growing use of EPOs worldwide as well as a growing interest in studying them. Coughlin and Cartwright (1987) have estimated that 432 units of exports can be generated through each unit of trade promotion expenditure in the United States.

Trade shows and trade missions have been found related to higher levels of performance as managers are able to instantly access information about export markets. (Denis & Depelteau, 1985; Reid, 1985)

Furthermore, Cavusgil and Naor (1987) pointed out that exporting firms do possess certain characteristics that lead to their success. Thus Export promotion organizations need to target certain firms to possibly achieve effective results.

Another study by Seringhaus (1987) indicated the different methodological difficulties encountered by researchers in measuring the effectiveness of programs. Moreover, he argued that firms throughout the internationalization stages have different needs, and these have to be recognized by EPOs to modify their services. Seringhaus and Botschen (1991) argue that EPOs must by every means modify their activities as to suit the varying needs among different potential. Vanderleest (1996) has focused on new exporters in USA and found that the majority of these are aware if not also appreciative to governmental EPOs. He also argues that the studies that proved EPOs are not effective did not incorporate the beneficial effect that specific activities have on specific types of firms.

In Malaysia, Ahmed et al (2002) concluded that SMEs lack awareness about governmental export promotion organizations, and if they know about them, they are reluctant to use their services. This assumes of course that the programs are useful but are either not well marketed or not adequately used, and thus firms are missing out by not being aware of them.

Furthermore, Wilkinson and Brouthers (2000) have shown the differential impact different EPO services can have on firm export success. Later on, Gillespie and Riddle (2004) argued that EPOs are effective through making the following statement;

“Export promotion organizations aid local business communities to market their products better in the international market place” (Riddle, 2004, p. 462)
Francis and Collins-Dodd (2004) pointed out that firms in their internationalisation process stages have different views concerning the measurement of effectiveness of EPOs. Firms that are actively seeking to expand their export markets are the main beneficiaries whereas highly committed exporters are not in need of much help. Gencturk and Kotabe found that the relationship between export assistance usage and effectiveness in terms of expected export growth to be non-significant. Thus, EPOs, despite their importance, are not enough on their own. Firms have to possess other capabilities to realize increased exports.

However, using other measures for effectiveness, export promotion programs proved to be significantly effective to enhance firm’s competitive position. For example higher usage correlates with improved firm management, knowledge and profitability. Moreover, firm characteristics can also affect a firm’s knowledge and usage levels of Export Promotion Organizations. Thus these findings, present a strong policy argument in favor of these EPOs, signifying the important platform these programs can provide for export success. (Gencturk and Kotabe, 2001)

Furthermore, Lages and Montgomery (2001) argued that firms using the services of EPOs are better able to adapt their pricing strategy to international markets, thus leading to improved export performance.

On the other side of the spectrum, Researchers had an opposing view. Albaum (1983) concluded in a survey that American SMEs have a negative attitude towards export promotion organization, whereas interviews with state EPO managers indicated that they thought firms were very much appreciating their programs. Albaum concluded therefore that these programs need reassessment in terms of their effectiveness.

Supporting this view was Nothdurft (1992), who also concluded that export promotion organizations made enormous unbelievable claims about themselves. Seringhaus and Botshen (1991) report that Austrian and Canadian firms “cast doubt on the usefulness of their respective support measures” (Seringhaus and Botshen, 1991, p.128) Their conclusion, though, is that EPOs should be enhanced rather than discarded.
Wilkinson and Brouthers (2000) concluded in a comparative study of the usefulness levels of different types of export promotion organizations that some are more useful than others. For example, trade shows help US states increase exports while foreign representative offices don’t.

Keesing and Singer (1992), in a study conducted on behalf of the World bank, found out that EPOs in developed countries have a marginal effect whereas in developing countries they are ineffective.

On the whole we can conclude that research from the eighties and nineties as well as into the new millennium was rather inconclusive about the effectiveness of Export Promotion Organizations. Despite the challenges of establishing an Export promotion organization’s performance model, a causal relationship has emerged from the various literatures that link, if still imperfectly, EPO services with firm performance. According to Gencturk and Kotabe (2001), EPOs emerge as “Neither a panacea nor a complete waste of resources”.

The means by which Export promotion organizations determine which services to undertake has not been very much addressed in literature. These decisions arguably affect firms ‘perceived usefulness of EPO services as related to their needs. They also influence the external variables that could ultimately affect firm performance. Katsikas and Morgan (1994), suggest that export assistance must address all key areas of barriers and obstacles to exporting. Moreover other researchers came to the conclusion that different forms of export services will be required by firms through the various stages of the internationalization processes. In general the usage of EPOs enables firms to lower export transaction costs and become more efficient. (Johnason et al., 1975; Cavusgil, 1980; Bilkey and Tesar, 1988). Furthermore, Diamantopolous and Inglis (1988) resorted to measure the usage of external export assistance in terms of the number of different EPOs used by firms and discovered a strong, positive relationship between this number and export success of corresponding firms.
To sum up, we can say that despite the ambiguity in the literature, the findings of previous studies indicate widely that EPOs can be effective under a variety of conditions. Most importantly, the success of these organizations depends on bundle of services offered and the willingness of firms to take advantage of such services.

2.6.3. Export promotion organizations and knowledge development

According to preceding literature, there is a strong link between knowledge development and the internationalisation process and above all with export development (Johanson & Wiedersheim 1975; Liesch & Knight 1999). It is claimed that Export promotion organizations offer exporters relevant market information, leading to the presumption that EPOs contribute to enhanced firm knowledge and thus excessive internationalization.

Lam (2000) claims that “knowledge is increasingly regarded as the critical resource of firms and economies” and it is also considered by other researchers to provide a basis of continuous competitive lead (Nanaka, 1994).

Moreover, Davenport and Prusak (1998) viewed knowledge as a

“fluid mix of experience, values, contextual information and expert insight that provides a framework for evaluating and incorporating new experiences and information in a specific context”

Export knowledge is defined as the knowledge acquired by exporters on different means to market their products worldwide. (Seringhaus, 1993) Two main forms of Knowledge could be possessed by firms, knowledge of procedures and external markets knowledge. Knowledge of procedures allows firms to deal efficiently with exporting procedures such as financing, shipping and payments. Both are critical for the success of the exporting process. (Wang and Olsen, 2002)

According to Lam (2000), Export knowledge can be classified into “explicit” and “tacit” knowledge. Explicit knowledge can be easily articulated using words as it is based on information, whereas tacit knowledge is “deeply rooted in individual’s action and experience, including ideas, values, and subjective insights.”
Toften and Olsen (2003) proposed that firms use the different resources whether internal or external to accumulate explicit as well as implicit knowledge, which will consequently contribute to its export performance. As firms progress they can acquire tacit knowledge through their experience and learning and thus are able to develop competencies to become committed exporters. (Johanson et al., 1976)

The Internationalisation process theory advocated by Johanson and Vahlne (1977) evidently highlights the significant contribution of knowledge to the firm’s internationalisation process. They moreover argue that a firm is in need of both objective and experiential knowledge to expand to become committed exporters. Objective knowledge “can be taught” or “obtained from secondary or primary sources” (Johanson and Vahlne, 1977, p.28; Seringhaus, 1986, p.27). Whereas, experiential knowledge is to be learned through experience of direct market access. (Johanson and Vahlne, 1977; Seringhaus, 1986).

In this context, firms can effectively utilize knowledge as they possess it and can make sense of it. (Lim & Klobas, 2000). Firms become internationalization ready, when they acquire sufficient and relevant market knowledge that they can transform into usable resources. (Knight & Liesch, 2002)

Singer and Czinkota (1994) argue that public EPOs facilitate the acquisition of objective and experiential knowledge by firms’ management which could promote their competitive competences.

In support of this view, Crick and Chaudhry (1997) consider government promotion organizations as the external stimuli for small firms’ exporting activities. The needs of firms for these stimuli, however, vary as they progress through the stages of internationalisation. Knowledge needs of potential, sporadic and committed exporters are quite dissimilar. Both the internal and external stimuli are critical to firms while deciding to expand internationally (Caughey & Chetty, 1994; Olson & Wiedersheim-Paul, 1978). The stimuli lead to provoke an urge and whether a firm decide thereafter to export will depend on its capacity to transform the appropriate information presented into effective knowledge for deciding to export. (Knight & Liesch, 2002)
In a recent study, Shamsuddoha and Ali (2006) found that EPOs provide direct as well as indirect advantages to firms through the effect on managers’ export knowledge and commitment.

2.6.4 The resource based view of the firm in relation to its export performance

The resource-based view of the firm assumes that

“firms are collections of unique bundles of resources which advance organizational performance based on, the heterogeneity of resources and of firms in particular industries.” (Bamey, 1991)

Dhanaraj and Beamish (2003) have argued that this notion should be used as the theoretical underpinning for a thorough theory building in the area of export promotion.

SMEs could overcome the obstacles they encounter in the international environment through the development of their internal as well as external resources. External resources can be obtained through the support of export promotion organizations, which could also enhance the firm’s internal capabilities.

In the support of this view, Yang et al. (1992) found a positive relationship between firm resources, such as well trained management and marketing staff and the probability that domestic firms would become decide to export. Moreover, Bloodgood et al. (1996) as well as Westhead and Wright (2001) argued that firms with adequate resources are more likely to become exporters whereas firms that lack internal resources are non exporters.

To sum up, the potential for enhanced firm performance is highly dependent on its resource availability and utilization. A firm’s ability to meet its export targets, would depend extensively its capacity to control unique resources in international markets.
2.7 Critical assessment of previous literature

The previous studies reviewed have given a clear insight into the different obstacles firms face while venturing foreign markets, the role these play in hindering global market access as well as the potential means of overcoming these. The different studies and approaches, however that tackled the impact of export promotion organizations on both the Micro and Macro level have their strengths as well as their weaknesses.

Most of the studies have demonstrated the ability of firms to capitalize on the existing EPOs, in terms of demonstrating how EPOs can act as export stimuli for firms to help them by developing their internal capabilities and access to external resources.

On the other side of the spectrum, Lages and Montgomery (2001) point out that much of the studies that addressed export promotion so far are limitedly relevant to policymakers and firm managers as they focus rather on divergent issues as awareness. Moreover, Katsikeas et al. (2000) have criticized the different export studies as to the performance measures used. There are different flaws in terms of conceptualizing and operationalizing the export performance domains.

2.7.1 Challenges to define the dependent variables

Based on the outcome of the empirical investigations, it seems quite challenging if not complicated to reach conclusions on the impact of EPOs on ultimate export performance.

The main reason therefore is that these organizations lack well defined objectively measurable targets. None of the authors cited before specifically mentions quantifiable objectives of the program being investigated.

Seringhaus (1986) was the first one to point out to this shortcoming and yet the problem still persists. Generic nonspecific and usually overambitious objectives are usually given.
For example, **Francis and Collin** stated that,

“The goal of export promotion programs is to enhance export performance by improving firms’ capabilities, resources and strategies and overall competitiveness which in turn have been demonstrated to improve export performance” (**Francis and Collin-Dodd**, 2004, p. 474)

To better reflect the issue, **Vanderleest, 1996**, argued that for example, *usefulness* may not be relevant for Macro level studies. A more suitable objective may be to boost the foreign exchange reserves or to improve the balance of trade deficit. Generally speaking the objectives of EPO managers’ need to be seriously considered and reassessed.

Furthermore, Export promotion organizations’ managers do not like to be linked with failure. Therefore, they tend to target already successful exporting firms and products. Although apparently successful, these activities do not reveal the real targets of enhancing exports that would not otherwise happen or urging firms into exporting that would not be possible if firms are on their own to decide. In research there needs to be a stronger connection in research between efforts at empirical measurement and concrete program objectives.

### 2.7.2. Measurement problems

To determine Export Promotion Organizations’ effects researchers rely on either macroeconomic measures, such as exports at the Macro level (**Coughlin & Cartwright** 1987; **Wilkinson & Brouthers** 2000), otherwise on surveys of firm managers exploring the contribution of Export Promotion Organizations to their export activities. (**Albaum** 1983; **Vanderleest** 1996; **Francis & Collins-Dodd** 2004) Both methodologies on the Macro and Micro level may have their shortcomings as discussed below;

#### 2.7.2.1 Macro level analysis

One major flaw with the different studies that aim to analyze the relationship between total export values and the usage of Export promotion programs usage at national level is that these usually fail to account for all of the many factors that may also impact on total export figures.
The correlation that exists between increased national level exports and augmented levels of trade promotion activity does not imply causality (Gillespie & Riddle 2004). Countries that are becoming, highly integrated into the world economy because of their competitive advantages may well have government bureaucracies that think extensively and positively about internationalisation. These agencies may respond to the recognised importance and success of their constituencies’ exports by institutionalising export promotion programs, thus ensuring they are part of the picture of success. In this situation export success is driving export promotion expenditure.

2.7.2.2 Micro level analysis

According to Cadwell (1992):

“It is impossible to relate state export promotion activity to overall state exports or to exports by the firms that have been helped”

This can be attributed to the fact that so many factors affect export sales, which makes it rather impractical to control for them all. Another problem is pertinent to the approach of determining Manager Perceptions of Export promotion organization’s effectiveness gathered through surveys. This again is an imperfect methodology for the following; sometimes managers may well be biased for governmental EPOs as these provide their services free of charge, irrespective of their effectiveness. Moreover, managers may also be sceptic of criticizing governmental organizations because governments in developing countries specifically possess such terrifying powers over trade generally. It will not be of any benefit to firms to have a resentful relationship with any governmental organization. Finally, managers would find it difficult to assess accurately the effects of EPOs on their own firms’ performance. How can Managers be able to assess if their exports would have been anyway attained yet without the assistance of the export promotion organizations.

Furthermore, Coughlin and Cartwright (1987) have pointed out that export promotion activity and expenditure would not lead to an immediate increase in exports thereafter. The expected growth would probably lag behind. Again this fact
intensifies the difficulty of the measurement issue as how much time should be allowed for this time lag when carrying out a study. Additionally, there appears to be a real challenge as to the question validity in surveys. For example, a question was asked to respondents to assess:

“The level of benefit the EPO services provided to their exporting activities on a seven point Likert scale ranging from 'not at all beneficial' up to 'extremely beneficial'” (Shamsuddoha & Ali 2006, p. 100).

The problem faced by respondents was the term ‘Beneficial’, it may mean different things, for example, providing assistance with procedures, making information more available, creating exports growth or speeding up export orders. Another example, was a question that asked respondents:

“to compare their competencies relative to competitors on nine-point scales anchored by ‘well below average’ and ‘well above average’” (Francis & Collins-Dodd 2004, p. 483).

Again, it is quite difficult for SMEs to rate their competitors competence in terms of marketing, distribution, information acquisition. Such questions are too broad and subject to alternative interpretations.

2.8 The role of export promotion services and SMEs

SMEs are no different than large firms when trying to become successful exporters. Their export success depends largely on the resources they possess. (Andersen and Kheam, 1998; Crick and Batstone, 2001). As discussed earlier and based on the resource based perspective, SMEs are quite disadvantaged as to the level of internal resources and information acquisition. (Wolff and Pett, 2000; Acs et al. 1997; Alvarez, 2004) Consequently, SMEs generally consider exporting to be a risky operation. (Burpitt and Rondinelli, 2000) Thus they trade in domestic markets just to avoid uncertainties of international markets. (Acs et al., 1997)

For SMEs to overcome the limitations of information about foreign markets, they try to engage with partners that could provide them with such knowledge. These partners can be independent private international export associations or governmental organizations that are often aggressive players in the field of export promotion in developing countries. (Inkpen & Beamish, 1997)
Since the late 1970s, it has been widely investigated the role and significance of export promotion targeting SMEs. (Valikangas and Lehtinen, 1994; Czinkota and Tesar, 1982)

Previous literature suggests that the conventional and traditional EPO support measures are inadequate and not suitable for the needs of SMEs. (Pointon, 1978; Cannon and Willis, 1981; Czinkota and Ricks, 1981; Buckley, 1983; Albaum, 1983; Walters, 1989) In addition several studies have found that SME’s awareness of support services was low as well as the utilization of such services if known. (Kedia and Cokkar, 1986; Bannock, 1987; Mc Farlane, 1978; Buckley, 1983; Reid, 1984).

Despite the fact that these studies might be outdated and do not reflect changes in services that took place in the 1990s (Cavusgil, 1990; Elvey, 1990; Crick, 1995), many of these programs were originally designed to suit large firms in advanced countries. More recent studies have investigated the factors determining the demand for such services as to its relation to the firm’s export performance. (Sarder et al., 1997; Weaver et al., 1998; Hart and Tsokas, 1999) Other studies focused on the relation between the demand on EPOs services and firm requirements. (De Noble et al., 1989; Moini, 1998)

According to some researchers the main barrier faced by firms to export often is pertinent in the firm itself mainly the lack of capacities and resources. In this sense small firms have limited choice but to outsource export support services. (Bijmolt and Zwart, 1994; Wright, 1993)

On the other hand there is a vast literature that has developed an interesting debate on the relationship between the effect of support programs and SMEs export development. (Wood, 1994; Chisman and McMullan, 1996)

Resorting to outsourcing export support services can have a positive effect on SMEs, but the nature of demand for these services, the types of services firms are in need of and the firm’s potential to capitalize on benefits are intrinsic to the firm’s learning competence, the firm’s propensity to export, intensity of exports, number of export
markets, competition strategies of firms on price or quality and range of services provided. (*De Chiara and Minguzzi, 1996; 2002*)

**Wilkinson and Brouthers** investigated the impact of state-sponsored export promotion programs on the international marketing efforts of SMEs in the USA. They recommended that SMEs should consider using effective export promotion programs to supplement their firm specific resources. The ability to access external resources is an efficient way for smaller firms to boost exports and locate new trading partners, as well as gaining a competitive edge. (*Wilkinson and Brouthers, 2006*)

As a consequence of the past findings, EPOs are more and more targeting disadvantaged small businesses through providing training and supporting them through their developed network to supply these with export information services and other forms of financial help. (*Nielsen, 1994; Roy, 1998, Welch et al., 1996, 2000; Bell et al, 2000*)

**2.9 The role of Information and Communication Technology (ICT) in export promotion**

With growing competitive pressures, companies are increasingly deploying the Internet as a strategic tool (*Ching and Ellis, 2004; Porte, 2001*). The use of ICT not only has an impact on communication, (*Yamin and Sinkovics, 2007; Jean et al, 2008; Jean et al, 2010a;*), but it also has potential for international trade expansion (*Sinkovics and Penz, 2005*). The intentional use of ICT for internationalization is termed “internetalization” (*Bell et al., 2001*) and “active online internationalization” (*Yamin and Sinkovics, 2006*)

There are studies speculating on the potential benefits and costs of e-commerce adoption, as well as on the Internet's effect on the internationalization process and existing export marketing theories. (*Karavdic and Gregory, 2005; Gregory et al., 2007*)

The Internet as an alternative means to physical market entry is expected to be more relevant for smaller firms than large multinational enterprises (MNEs) for several
reasons. Small and medium enterprises (SMEs) are inherently resource-poorer than large corporations and their vulnerability threshold to business failure is lower. Consequently, while for large MNEs, failure in one country can still be compensated for by successes in other countries, for SMEs such a failure is most likely to result in business closure (Buckley, 1989) SMEs will utilize ICT to compensate for experiential learning opportunities (Jean, 2007) Small companies are suggested to be able to compensate for some of their inherent disadvantages by trading off direct physical market embeddedness against strategic use of the Internet (Moini and Tesar, 2005). They can improve flexibility by speedily engaging in parallel market entries, facilitated by information and communication technology (ICT), thus benefitting from “dilution of sequencing” in international expansion (Yamin and Sinkovics, 2006). Yet, whether the Internet is suitable as an alternative to SMEs’ physical internationalization also depends on the nature of the business and the products sold (Zaheer and Manrakhan, 2001) as well as on industry characteristics.

2.10 The new forms of Trade Promotion Organizations

The trade environment has significantly changed in the developing world over the last decade. This has forced Trade Promotion Organizations to revolve in the direction suggested by Hogan, Keesing and Singer.

With the evolving information and communication technology in facilitating the means of conducting business, new forms of trade promotion organizations have emerged. These organizations rely on the internet and electronic networks to communicate, disseminate information, and providing business opportunities for less advantaged companies online. SMEs are of course the main beneficiaries of such a developed form of export promotion services, provided they possess the adequate e-competency and e-readiness to ride the new wave of conducting business while lowering transaction costs. As this is a new retooled form of Trade Promotion Organizations, there haven’t been any studies conducted to evaluate the usefulness and effectiveness of such a reinvented form of export promotion organizations. All
studies have dealt with more conventional and traditional forms of TPOs, such as trade fairs and exhibitions or foreign representative offices.

### 2.11 Export promotion studies in Egypt

Based on the extensive literature search, no structured studies have been cited that dealt with assessing the usefulness or effectiveness of trade promotion organizations in Egypt. Given the fact that such studies are limited in developing countries and because of the inability of researchers to reach consensus, research in the area has shrunk significantly over the last several years. This of course has lead to a lack of interest in such a field in Egypt. Although Egypt is a developing country that has undergone different trade liberalization measures to encourage exports and foreign trade, still there is a gap in literature to cover the role of trade promotion institutions whether governmental or public, in boosting exports and enhancing the export competitiveness of SMEs in particular in their course of overcoming impediments to exporting.

Moreover, Egypt represents a perfect setup to assess the usefulness of the International Trade points in enhancing the export competitiveness of SMEs. It is the only country that hosts 14 sub-trade points. It was one of the main countries chosen by the ITC while launching the first trade points worldwide. In addition to this, we aim in this study to use perceptual methods at the firm level to set up a perceived usefulness construct to assess the usefulness of these newly reinvented TPOs from the point of view of their target customers. Egypt is again an ideal country for such a study, as the SME sector represents more than 90% of the economic entities and thus the population is wide to draw a representative sample form. It is also quite intriguing to find out how advanced forms of TPOs that relies on the latest ICT would reach its targets in such a developing environment suffering from excessive government intervention, corruption and low levels of e-readiness.

### 2.12 Conclusion

Based on the previous literature review it has been noted that the vast majority of
studies conducted on the contribution and effectiveness of Export promotion organizations were in the developed countries. The different studies were conducted on both the Macro and Micro level, with a special emphasis given to the firm level. Those different studies resulted in mixed views concerning the effectiveness of EPOs in boosting exports of firms as well as enhance their export competitiveness. Moreover, the best organizational structure and management of these organizations was debated, with a final agreement that organizations work best under a mix of public and private management.

It was immensely critical to cite the previous literature on export barriers, because it demonstrates both the potentials and limitations of export promotion programs. In other words, although the potential exists for overcoming certain barriers, other obstacles cannot simply be overcome by either public or private EPOs.

The number of national EPOs has enlarged over the last two decades. In developing countries the studies were limited in terms of evaluating their overall contribution to exporting. Although different economies have incorporated EPOs in their export promotion strategy, empirical studies have criticized their effectiveness in the developing world. It has been argued that EPOs failed to achieve their targets in the 1980s due the import substituting policies. It was practically impossible to overcome such anti-export regimes. However, more than a decade later, the trade environment has been significantly altered to support exporting, which led EPOs to evolve in the direction suggested by Hogan, Keesing and Singer.

Based on the previous literature search it has been noted that research of export promotion programs has encountered different difficulties. This is unfortunate as it is still important for governments to decide whether to have Export Promotion Programs, and if so in what form. Moreover, appreciating the effectiveness of these programs is also important for firms to decide to benefit from them.

It should be clear that assessment of EPOs on economic welfare grounds is quite challenging. Thus, research should focus on the more modest objectives of export growth or market expansion. Most of the empirical studies so far have relied on surveys of random samples of exporters and potential exporters, asking about the most useful programs they used, their view of these programs, and the success they
achieved with their support. Moreover, the literature focused on analyzing the impact of government sponsored traditional promotional programs like trade missions and trade shows on Macro and Micro levels.

An intriguing finding was that no structured studies have been cited that dealt with assessing the usefulness or effectiveness of trade promotion organizations in Egypt. Moreover, with the advent of ICT, new forms of Trade promotion organizations have evolved that rely on interconnected global networks to communicate, disseminate information, and providing business opportunities for less advantaged companies online. SMEs are inherently resource-poorer than large corporations and their vulnerability threshold to business failure is lower. Thus, it is expected that they are of course the main beneficiaries of such a developed form of export promotion services, provided they possess the adequate e-competency and e-readiness to ride the new wave of conducting business while lowering transaction costs.

As this is a new retooled form of Trade Promotion Organizations, there haven’t been yet, to the researcher’s knowledge, any studies conducted to evaluate the usefulness and effectiveness of such a reinvented form of export promotion organizations. All studies have dealt with more conventional and traditional forms of TPOs, such as trade fairs and exhibitions or foreign representative offices.

It is thus the main aim of this study is to fill in a gap in literature by analyzing the effectiveness of government sponsored export promotion activities in form of International trade points, the new reinvented form of TPOs, using the firm as the unit of analysis. Moreover, there is a persistent need to explore the tendency of SMEs to appreciate such an advanced unique form of EPOs that would help firms overcome the barriers to venture foreign markets and compensate for some of their inherent disadvantages by trading off direct physical market embeddedness against strategic use of the Internet. It is interesting to find out if findings will be consistent with the more conventional and traditional forms of TPOs in the Egyptian context.
Chapter 3

Background on the Egyptian economy

3.1 Introduction

Egypt is the main focus of this Chapter. As this study is conducted in the Egyptian economy, it was thus vital to give the reader some insight into this country, its major political and economic features, while focusing on its trade policy and trade promotion policies.

This Chapter starts with a brief discussion about the Egyptian economy, its main features as well as its major developments and achievements throughout the last decades.

A special emphasis is given to the Egyptian trade performance. The achievements of the Egyptian liberalization policy in the last decade are reflected upon thoroughly. The different export promotion tools are discussed and analyzed.

Finally a section is dedicated to SME sector in Egypt. Constraints and barriers to trade facing these disadvantaged firms are reviewed and the government’s efforts dedicated to enhancing the export competitiveness of SMEs are highlighted while drawing upon the new challenges and risks the new global market is imposing on them.

3.2 Brief political and economic review

Egypt was declared a republic, “The Arab Republic of Egypt”, in 1953, after the last Egyptian Monarch, King Farouk, was exiled in 1952 after a revolution led by Egyptian militants was successful.

In the early 1960s, the Nasser Government introduced policies of nationalization with the intention of accelerating the industrialization of Egypt to achieve a more even distribution of wealth. A socialist command economy was introduced with
restrictions on private enterprise, which led to a flight of private capital from the country.

During that period, Egypt became the recognized leader in the Arab world, with Arab unity constituting its foreign policy objective. As a result of the US backing of Israel, Egypt became increasingly dependent on Soviet economic and military support. During this era Egypt fought two major wars against Israel in 1956 and 1967 resulting with the occupation of Sinai by Israel.

After Nasser’s death, Anwar El Sadat, succeeded as President in acquiring Sinai back in 1973, and signed a peace agreement in 1978 with Israel, which led to the complete withdrawal of Israel from Sinai. The treaty was met with complete Arab condemnation from the Arab league and termination of diplomatic and economic ties with most Arab countries. During his era, the government introduced a new open door policy aimed at liberalizing the economy, while encouraging domestic and foreign private investment.

In the mid 1970s revenues from oil exports, Suez canal tolls, tourism and expatriate workers’ remittances together with foreign aid increased government resources, enabling it to make significant commitments to welfare benefits, In the early 1980s, however, a collapse in oil prices contributed to an economic downturn.

As a result from this economic situation, domestic unrest increased and a revival of a religious fundamentalism occurred. President Sadat was assassinated in October 1981 by radical Islamic groups and Hosni Moubarak became Egypt’s fourth President. Under Moubarak’s regime, relations with the major OECD countries, African and Asian countries were improved and the goal of reinstating Egypt in the Arab league was achieved in 1989. Following the 1990 Gulf war, in which Egypt played a major role as an ally of Kuwait, political ties with the US and the European Union were strengthened.

Domestically, the government has adopted a gradualist program of economic reform focusing on the development of Egypt’s infrastructure and the encouragement of private investment. This was accelerated by the 1991 IMF sponsored economic
reform program. Maintenance of domestic order and stability in the face of religious fundamentalism is considered a major policy objective as well as economic stability.

Looking at the GDP growth rates in Egypt during the period 1950-2004, we can notice a cyclical pattern. The Egyptian economy has gone through a full cycle throughout this period. The economy witnessed a quick decline between 1952-1954, then a sluggish recovery followed by high rates of growth for almost 10 years then a sharp decline from 1966 until 1973. After that period the increasing growth was sustained till the mid 80’s when the economy went into a recession that came to an end at the beginning of the 90s. Since then it witnessed modest growth with modest performance.

3.2.1 Main features of the Egyptian economy

Located in the north-eastern corner of Africa, Egypt is bordered by Libya to the west, the Gaza Strip and Israel to the north-east, and Sudan to the south. Its total area is around one million square kilometres and it embraces a population of around 85 million. Per capita income was about US$1,120 in 2004/05.
Table 3.1 Egypt in figures

<table>
<thead>
<tr>
<th></th>
<th>1999/00</th>
<th>2000/01</th>
<th>2001/02</th>
<th>2002/03</th>
<th>2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>65.9</td>
<td>67.2</td>
<td>67.9</td>
<td>69.2</td>
<td>..</td>
</tr>
<tr>
<td>Employment (million)</td>
<td>17.4</td>
<td>18.0</td>
<td>19.7</td>
<td>18.2</td>
<td>18.7</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>7.9</td>
<td>8.4</td>
<td>9.0</td>
<td>9.9</td>
<td>9.5</td>
</tr>
<tr>
<td>Real GDP (LE billion)</td>
<td>309.3</td>
<td>320.2</td>
<td>330.4</td>
<td>340.6</td>
<td>355.7</td>
</tr>
<tr>
<td>Real GDP (US$ billion)</td>
<td>91.2</td>
<td>94.5</td>
<td>97.5</td>
<td>100.5</td>
<td>104.9</td>
</tr>
<tr>
<td>Real GDP annual growth%</td>
<td>5.4</td>
<td>3.5</td>
<td>3.2</td>
<td>3.1</td>
<td>4.4</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>1,406</td>
<td>1,349</td>
<td>1,228</td>
<td>1,121</td>
<td>..</td>
</tr>
</tbody>
</table>

Share in nominal GDP

| Total commodity sector | 49.9 | 49.9 | 51.3 | 51.2 | 51.8 |
| Agriculture            | 16.7 | 16.6 | 16.5 | 16.7 | 15.8 |
| Industry and mining    | 19.4 | 19.1 | 19.1 | 18.8 | 18.4 |
| Petroleum and products | 7.4  | 7.9  | 8.9  | 9.4  | 11.6 |
| Electricity and water utilities | 1.6 | 1.6 | 2.1 | 2.1 | 2.0 |
| Construction and building | 4.8 | 4.7 | 4.7 | 4.3 | 4.0 |
| Total production services | 32.2 | 32.1 | 31.5 | 31.6 | 31.3 |
| Transportation         | 8.8  | 9.1  | 9.0  | 9.3  | 9.5  |
| Trade, finance and insurance | 21.8 | 21.5 | 20.7 | 20.3 | 19.4 |
| Hotels and restaurants | 1.6  | 1.6  | 1.8  | 2.0  | 2.3  |
| Total social services  | 17.9 | 18.0 | 17.2 | 17.2 | 16.9 |
| Housing and real estate| 1.9  | 2.1  | 3.9  | 3.8  | 3.6  |
| Government services    | 0.4  | 0.4  | 9.9  | 10.2 | 10.2 |
| Share of employment    | 15.5 | 15.4 | 3.4  | 3.2  | 3.2  |

(Per cent, unless otherwise indicated)


The services sector constitutes the main source of revenue in terms of GDP share, employment as well as exports. The agricultural sector, which has been declining recently, is still important for employment and generates about 15% of exports. Moreover, petroleum and natural gas production accounts to 12% of GDP and contribute to 40% of exports. (CBE, 2009)
The Central Bank of Egypt (CBE) is the responsible for formulating the monetary policy as well as monitoring the banking system. Egypt is having a floating exchange rate system, and the main sources of foreign exchange are tourism, Suez canal and Remittances from Egyptians working abroad. Most of the remittances come from the Middle East, predominantly the Gulf region, followed afterwards by the United States and Europe.

Egypt is considered to have high poverty levels of about 20%; this percentage declined in the 90s due to the high growth rates but the economic slowdown since the year 2000 has led to a severe upsurge in poverty levels. In this context, the Egyptian government aim to reduce poverty and redistribute income in favour of the poor. This is to be achieved through raising living standards; improving the quality of education; protecting the poor with appropriate social safety nets.

### 3.3. Key economic indicators

#### 3.3.1 Real economy

<table>
<thead>
<tr>
<th></th>
<th>01/02</th>
<th>02/03</th>
<th>03/04</th>
<th>04/05</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP ($bn)</td>
<td>84.0</td>
<td>69.3</td>
<td>78</td>
<td>93</td>
<td>108.4</td>
<td>128.1</td>
<td>149.7</td>
</tr>
<tr>
<td>Real GDP Growth (%)</td>
<td>3.2</td>
<td>3.2</td>
<td>4.1</td>
<td>4.5</td>
<td>6.8</td>
<td>7.1</td>
<td>7.3</td>
</tr>
<tr>
<td>Population (mn)</td>
<td>66</td>
<td>67.3</td>
<td>68.6</td>
<td>70</td>
<td>71.3</td>
<td>72.7</td>
<td>78.3</td>
</tr>
<tr>
<td>Real GDP Per Capita ($)</td>
<td>1,273</td>
<td>963</td>
<td>1,03</td>
<td>1,32</td>
<td>1,520</td>
<td>1,762</td>
<td>1,806</td>
</tr>
<tr>
<td>Share of Private Sector in GDP(%)</td>
<td>65.4</td>
<td>64.9</td>
<td>62.2</td>
<td>62.3</td>
<td>62.9</td>
<td>62.3</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>9</td>
<td>10.5</td>
<td>11.1</td>
<td>10.5</td>
<td>10.9</td>
<td>9.1</td>
<td>-</td>
</tr>
</tbody>
</table>

**Table 3.2: The Egyptian real economic indicators**

### 3.3.2 Fiscal and Monetary aggregates

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Interest Rate</th>
<th>Exchange Rate (LE/$)</th>
<th>Budget Deficit (% of GDP)</th>
<th>Period Average Inflation(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/02</td>
<td>7.79</td>
<td>4.51</td>
<td>10.2</td>
<td>2.4</td>
</tr>
<tr>
<td>02/03</td>
<td>8.31</td>
<td>6.032</td>
<td>10.5</td>
<td>7.1</td>
</tr>
<tr>
<td>03/04</td>
<td>8.41</td>
<td>6.22</td>
<td>6.5</td>
<td>9.5</td>
</tr>
<tr>
<td>04/05</td>
<td>10.25</td>
<td>5.79</td>
<td>9.6</td>
<td>11.7</td>
</tr>
<tr>
<td>05/06</td>
<td>8.8</td>
<td>5.746</td>
<td>8.2</td>
<td>4.18</td>
</tr>
<tr>
<td>06/07</td>
<td>8.7</td>
<td>5.71</td>
<td>7.5</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Table 3.3. Egyptian Monetary Indicators


### 3.3.3 Country Risk indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>Net International Reserves ($bn)</th>
<th>External Debt ($ bn)</th>
<th>External Debt (% of GDP)</th>
<th>Debt Service Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/02</td>
<td>14.1</td>
<td>28.7</td>
<td>34</td>
<td>9.7</td>
</tr>
<tr>
<td>02/03</td>
<td>14.8</td>
<td>29.4</td>
<td>42.5</td>
<td>10.1</td>
</tr>
<tr>
<td>03/04</td>
<td>14.8</td>
<td>29.9</td>
<td>38.1</td>
<td>9.2</td>
</tr>
<tr>
<td>04/05</td>
<td>19.2</td>
<td>28.9</td>
<td>31.3</td>
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</tr>
<tr>
<td>07/08</td>
<td>34.7</td>
<td>30.4</td>
<td>20.2</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Table 3.4 Egyptian Economy Risk Indicators

Sources: Ministry of Finance, Financial Monthly, December 2007
3.4. Recent economic achievements 2004-2008

Based on the previously mentioned figures, we can say that Egypt is the most diversified economy in the Middle East. Over the last years a lot of progress has been achieved as an outcome of the implemented economic reform program which mainly aimed at realizing economic, social and human development.

It was clear that the economic growth rate grew from 5.7% to 7% in 2 years, due to the growth achieved in the following sectors, tourism, industry and construction, Suez Canal as well as petroleum and natural gas. Moreover, FDI inflows witnessed a sharp increase from 407 million dollars in 2003 to over 11.1 billion dollars in 2007. There has been also a shift in FDI towards non-petroleum sectors and new countries entered as foreign investors mainly China, India and Turkey.

Another development was the boost in tourism and Suez canal revenues. Furthermore, the remittances of Egyptians working abroad have increased. All this resulted in improving the service account surplus. The significant up rise in petroleum and gas exports lead to a rise in total exports by 34%. Despite all these developments, imports have also witnessed a sharp upsurge, which lead to the trade balance deficit to enlarge. But this is due to the enlarged demand for intermediate goods used in the production process.

The banking sector in Egypt has witnessed tremendous changes over the last decade. In order to comply with “Bazel 2” standards, the government has determined the minimum capital requirement to be 500 million Egyptian pounds. This new regulation has resulted in major consolidation of several banks; examples therefore are, Cairo Bank with Misr Bank, Egyptian American Bank with Arab African International Bank as well as MIBank with The National Bank of Egypt. Additionally, a move towards the privatization of public banks has started with the Bank of Alexandria.

The external account recorded its sixth successive surplus in 2007 and net foreign direct investment exceeded eleven billion dollars, while official foreign exchange reserves reached 27.4 billion dollars. This led to the reclassification of Egypt’s risky credit rating into an investment ranking.
As for the fiscal changes, a new tax system and revised customs duties were put into force that positively affected tax revenues that rose by 17%. There has been a tremendous development of tourism infrastructure that led tourism revenues almost to triple between by the year 2007.

The International Monetary Fund (IMF) and the UNCTAD issued positive reports on the Egyptian performance pointing out that Egypt’s economy has achieved a remarkable improvement in 2006/07 that was due to the implemented solid macroeconomic reforms. Furthermore, different economic conferences were hosted in Egypt in 2006, including the “World Economic Forum” in Sharm Elsheikh and the “Euromoney” Conference in Cairo.

In sum, remarkable progress has been achieved in implementing the economic reform program adopted by the Egyptian government in 2004. Efforts have been targeted to strengthen the macroeconomic policy framework and improve the monetary system. The foreign exchange market has been greatly liberalized; corporate taxes reformed; and tax revenue administration strengthened. Moreover, customs were reduced and trade procedures were far more simplified.

### 3.5 Egypt’s trade performance

Trade policy plays an important role in attracting more and better quality investment. It affects both domestic and foreign businesses, facilitating their integration into global supply chains, and helping boost productivity. It is therefore critical to a country’s business climate. An open and effective trade policy in itself is important, but even more so are its impact on the business climate and its ability to attract more investments.

Liberalised trade enables a country to trade freely with the rest of the world on the basis of comparative advantage. It has become a well-established proposition that, by liberalising trade, countries can benefit economically. *(World Bank, 2002; OECD, 2006)* Even critics of free trade have acknowledged that the effects of trade liberalisation are, on balance, beneficial for economic growth from the perspective of standard comparative advantage and that there is no evidence that substantially proves otherwise. What critics argue is that integration into the world economy on its
own cannot be an effective substitute for a development-based economic growth strategy. (Rodriguez-Rodrik, 1999) It is for that reason that all serious advocates of free trade advocate complementary reform policies and recognise that free trade is only one policy in a package. Trade liberalisation must be achieved gradually and will only be beneficial if all countries work to open their markets.

For a decade now, Egypt has been taking measures to liberalise its economy. The progress it has achieved has seen it open up significantly to foreign trade, whose share of GDP rose from just above 30% in 2003-4 to more than 50% in 2007-8.

Egypt has been a member of the WTO since 1995, has consistently delivered on its WTO commitments, and was a leading negotiator in the Doha Round. It has expanded its network of regional and bilateral trade agreements and other protocols with its main trading partners, the EU and the US. It has also reinforced its commitment to intra-regional integration under the terms of GAFTA by fully exempting all member countries from customs duties and charges from 2005.

Among its measures to liberalise trade Egypt has brought down customs duties together with a multitude of different charges and levies and numerous tariff schedules. It has reduced tariff rates on a range of imported items, including capital goods, which has resulted in the average weighted tariff rate falling from 21% in 1997 to 5.5% in 2009. Nevertheless, although Egypt has lifted quantitative restrictions on most of its exports and imports, it does resort to temporary quantitative restrictions and prohibitions on imports. With the onset of the global financial crisis, it has temporarily banned the export of some goods.

3.5.1 Trade policy formulation and implementation

The responsibilities for policy formulation and implementation are clearly divided between two bodies. Egypt’s Ministerial Economic Policies Committee (EPC) handles overall trade policy formulation and brings together all the ministries that contribute to it. The Ministry of Trade and Industry (MFTI) is responsible for drawing up and implementing policies and co-ordinating the work of the ministries and agencies with trade portfolios. Other advisory bodies, assist ministries with their policy formulation. The Government of Egypt and MFTI have also set up a number of other ministry-affiliated entities and committees to implement trade policy.
Egypt’s trade policy is to a large extent driven by the obligation to comply with multilateral rules, which further helps steer government entities in a common policy direction (WTO, 2005). Moreover, consultations on trade issues and trade policy reforms with Egypt’s Permanent Representative Mission in Geneva take place on a regular basis.

The Ministerial Economic Group, chaired by the Prime Minister, is responsible for trade policy formulation that is implemented by the Ministry of Foreign Trade and Industry, established in November 2004. The Ministry coordinates implementation with other ministries (Table 3.5).
Table 3.5 Ministerial responsibility for trade-related issues

<table>
<thead>
<tr>
<th>Ministry/Agency</th>
<th>Competence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Agriculture</td>
<td>Agriculture, including phytosanitary standards</td>
</tr>
<tr>
<td>Ministry of Communication and Information Technology</td>
<td>E-commerce, postal services</td>
</tr>
<tr>
<td>Ministry of Civil Aviation</td>
<td>Air transport</td>
</tr>
<tr>
<td>Ministry of Culture</td>
<td>Copyright (books)</td>
</tr>
<tr>
<td>Ministry of Electricity and Energy</td>
<td>Energy</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>Public procurement</td>
</tr>
<tr>
<td>Customs Authority</td>
<td>Customs tariff,</td>
</tr>
<tr>
<td>Ministry of Foreign Trade and Industry</td>
<td>Trade policy and export promotion</td>
</tr>
<tr>
<td>Organization for Standardization and Quality</td>
<td>Standards</td>
</tr>
<tr>
<td>Organization for Export and Import Control</td>
<td>Import and export quality control</td>
</tr>
<tr>
<td>Ministry of Internal Trade and Supply</td>
<td>Trade marks</td>
</tr>
<tr>
<td>Ministry of Health</td>
<td>Sanitary standards</td>
</tr>
<tr>
<td>Ministry of Higher Education</td>
<td>Research and development</td>
</tr>
<tr>
<td>Ministry of Investment</td>
<td>Foreign investment</td>
</tr>
<tr>
<td>Authority for Investment and Free Zones</td>
<td>Investment</td>
</tr>
<tr>
<td>Ministry of Petroleum</td>
<td>Petroleum and natural gas</td>
</tr>
<tr>
<td>Ministry of Planning</td>
<td>general expenditure planning</td>
</tr>
<tr>
<td>Egyptian Insurance Supervisory Authority</td>
<td>Insurance</td>
</tr>
<tr>
<td>Ministry of Tourism</td>
<td>Tourism</td>
</tr>
<tr>
<td>Ministry of Transport</td>
<td>Maritime transport, ports</td>
</tr>
</tbody>
</table>

Source: Information provided by the Egyptian authorities

Moreover, the ministries are assisted by autonomous and advisory bodies, such as the High Ministerial Economic Reform Committee (HMERC) and the Economic Group of Ministers. Sometimes the high Officials Committee seeks some Informal advice from academia and organized interest groups as Chambers of Commerce, Businessmen's Association (EBA), as well as trade associations.
Public-private consultations in Egypt take many forms and cover many areas of trade policy. Some examples of the type of private sector bodies that the Ministry of Trade and Industry consults and collaborates with are industry federations, chambers of commerce, export councils, foreign councils, exporters associations, business groups, and the Business Advisory Council (BAC).

3.5.2 Monitoring and evaluating trade policies

Egypt does monitor and evaluate its trade policy. The Trade Policy Analysis Unit (TPAU), established within the MOTI’s Trade Agreements Sector (TAS), is tasked with evaluating the costs and benefits of bilateral, regional and multilateral trade agreements and assessing the macro-economic and sectoral impacts of trade policies. The TAS has also created the Trade Monitoring Centre (TMC), responsible for monitoring all trade agreements and getting feedback from exporters about trade barriers.

Even though there is a dedicated agency within MOTI, the Trade Agreements Sector (TAS), along with its affiliated units that monitor and evaluate trade policy in Egypt and its micro- and macro-economic impacts, there is not enough available capacity to undertake such an enormous task. TAS appears understaffed and ill-equipped to perform the necessary analyses. In addition, evaluation output seems to focus more on monitoring how trade agreements affect trade flows, whereas comprehensive analyses of trade policy outcomes are more often performed as part of multilateral and bilateral trade negotiations. Egypt needs to incorporate more technical analyses into evaluations through the use of modelling and econometric techniques in order to cover different sectors and produce a macro-economic picture. (OECD, 2010)

Yet the private sector seems unaware of much of the government’s monitoring and evaluation work. It seems that output is not being sufficiently disseminated to the stakeholders most likely to benefit from the evaluations and studies.
3.5.3 Recent trends in export and import figures

**External Sector**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports ($bn)</th>
<th>Imports ($bn)</th>
<th>Trade balance ($bn)</th>
<th>Current account/GDP (%)</th>
<th>Foreign Direct Investment ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/03</td>
<td>8.2</td>
<td>14.8</td>
<td>-6.6</td>
<td>2.4</td>
<td>701</td>
</tr>
<tr>
<td>03/04</td>
<td>10.5</td>
<td>18.3</td>
<td>-7.8</td>
<td>4.4</td>
<td>407</td>
</tr>
<tr>
<td>04/05</td>
<td>13.8</td>
<td>24.2</td>
<td>-10.4</td>
<td>3.3</td>
<td>3,902</td>
</tr>
<tr>
<td>05/06</td>
<td>18.4</td>
<td>30.4</td>
<td>-12</td>
<td>1.6</td>
<td>6,111</td>
</tr>
<tr>
<td>06/07</td>
<td>22</td>
<td>37.8</td>
<td>-15.8</td>
<td>2.1</td>
<td>11,053</td>
</tr>
<tr>
<td>07/08</td>
<td>21.6</td>
<td>39.9</td>
<td>-18.3</td>
<td>1.4</td>
<td>11,500</td>
</tr>
<tr>
<td>08/09</td>
<td>20.8</td>
<td>40.1</td>
<td>-19.3</td>
<td>1.3</td>
<td>10,200</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Exports</th>
<th>06/07</th>
<th>07/08</th>
<th>Imports</th>
<th>06/07</th>
<th>07/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel</td>
<td>46.6%</td>
<td>47.2%</td>
<td>Fuel</td>
<td>7.3%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Cotton</td>
<td>0.5%</td>
<td>0.5%</td>
<td>Raw Materials</td>
<td>14.9%</td>
<td>15%</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>2.8%</td>
<td>2.4%</td>
<td>Intermediate Goods</td>
<td>27.8%</td>
<td>27.0%</td>
</tr>
<tr>
<td>Semi-manufactured Goods</td>
<td>9.0%</td>
<td>8.8%</td>
<td>Investment Goods</td>
<td>26.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Finished Goods</td>
<td>34.2%</td>
<td>33.1%</td>
<td>Consumption Goods</td>
<td>14.0%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Others</td>
<td>6.9%</td>
<td>8%</td>
<td>Others</td>
<td>9.9%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

**Table 3.7 Composition of Trade (% of total)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Origin of Imports</th>
<th>06/07</th>
<th>07/08</th>
<th>Destination of Exports</th>
<th>06/07</th>
<th>07/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td></td>
<td>34.4%</td>
<td>36%</td>
<td>33.8%</td>
<td>33.1%</td>
<td></td>
</tr>
<tr>
<td>Other European Countries</td>
<td>8.5%</td>
<td>8.5%</td>
<td>4.8%</td>
<td>5.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation and C.I.S</td>
<td>1.8%</td>
<td>1.4%</td>
<td>0.7%</td>
<td>0.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td>21.8%</td>
<td>21.2%</td>
<td>31.1%</td>
<td>32.1%</td>
<td></td>
</tr>
<tr>
<td>Arab Countries</td>
<td>8.6%</td>
<td>8.6%</td>
<td>12.4%</td>
<td>12.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian Countries</td>
<td>15.9%</td>
<td>14.5%</td>
<td>13.5%</td>
<td>13.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>African Countries</td>
<td>0.7%</td>
<td>0.7%</td>
<td>1.5%</td>
<td>1.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Countries and Regions</td>
<td>8.0%</td>
<td>9.1%</td>
<td>2.0%</td>
<td>2.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 3.8 Geographic Distribution of Trade (% of total)**

3.5.4 The Egyptian export dilemma

The Egyptian government has been always committed to export promotion. For Egyptian officials it is matter of life. Thus this commitment has been to a great extent supported by sustained reform to augment export records through such measures as trade liberalization, restructuring of the tax system as well as the simplification of customs procedures. However, exports are not expanding in line of these reforms. Egypt is still lagging behind. (ECES, 2001)

Even though the Egyptian export figures have increased in absolute terms and these have been more diversified in their composition, on the other hand the import figures have also increased in absolute figures, outstripping growth in exports and widening the deficit in the trade balance.

Although Egypt’s total merchandise exports increased during the period 2003-9, its merchandise trade account showed a deficit owing, in part, to its high dependency on imported wheat and other foodstuffs. In addition, Egypt runs a large deficit on trade in capital equipment and vehicles, where capital goods account for a significant portion of merchandise imports, 22.5% of total imports in 2007-8.

Despite its trade account deficit, Egypt maintained an overall current-account surplus until mid-2008 thanks to invisible (non-merchandise) revenues such as tourism and Suez Canal receipts. However, as both tourism and Suez Canal traffic have been adversely affected by the global economic downturn, Egypt’s current account and overall balance of payments have fallen into deficit. By the end of June 2009, its balance of payments had reached a record deficit of 3.4 billion dollars.

Looking into the trends of exports and imports, we can state that since late 1970s imports have been increasing in line with increases in exports. This is due to the fact that exports in Egypt are quite import intensive such that increases in exports have always been mirrored with an increase in imports.

Thus the Egyptian dilemma, lies in although measures are taken to promote and increase export levels, as these are accompanied by an increase in imports as well the BOP deficit is widening and there is still a lack in foreign exchange necessary to boost economic development.
3.6 Measures directly affecting Egyptian exports

Exports in Egypt are affected by a variety of measures that can be categorized as follows:

3.6.1 Government regulations and intervention

Egyptian Exporters are in no need of any export approval. Exporters must be registered in the Commercial Register with the General Organization for Export and Import and have a minimum capital of LE 3,000. Public sector employees may not be registered as exporters. The weakness of these conditions led to the existence of around 40,000 registered Egyptian exporters, from which only approximately 4000 are regular, the rest are quasi-regular, light exporters or one shot exporters.

Furthermore, the General Organization for Export and Import Control can randomly check exports. They can inspect up to ten percent of each exported shipment before issuing a clearance. Companies that have a quality control system in place and comply with the exporting standards are included in the reliable companies register. Nevertheless, firms located in the free zones enjoy different incentives. They are exempt from different inspection and registration procedures. The most important incentives embrace the absolute exemption from import tariffs, income taxes and the general sales tax, as well as, lack of restrictions on the type of investment activities. There is also a customs office located in every zone. This is the case because the Egyptian government aims at attracting investments in these zones to boost employment levels as well as exports.

In Egypt, there are seven major public free zones in Egypt, which are generally managed by the General Authority for Investment and Free Zones. More than 95% of investments in these zones are of Egyptian origin (Table 3.9);
Table 3.9: Egypt's major free zones, 2009

<table>
<thead>
<tr>
<th>Zone</th>
<th>Number of companies</th>
<th>Investment (US$ million)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria</td>
<td>315</td>
<td>7,233</td>
<td>21,497</td>
</tr>
<tr>
<td>Nasr City</td>
<td>189</td>
<td>2,803</td>
<td>38,298</td>
</tr>
<tr>
<td>Port Said</td>
<td>100</td>
<td>1,890</td>
<td>23,005</td>
</tr>
<tr>
<td>Suez</td>
<td>68</td>
<td>3,666</td>
<td>11,367</td>
</tr>
<tr>
<td>Ismailia</td>
<td>51</td>
<td>116</td>
<td>12,075</td>
</tr>
<tr>
<td>Damietta</td>
<td>26</td>
<td>1,783</td>
<td>5,266</td>
</tr>
<tr>
<td>Media Production City</td>
<td>29</td>
<td>1,330</td>
<td>3,239</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>778</strong></td>
<td><strong>18,821</strong></td>
<td><strong>114,747</strong></td>
</tr>
</tbody>
</table>

*Source:* Information provided by the General Authority for Investment.

### 3.6.2 Export promotion and marketing assistance

Export promotion is one of Egypt’s primary concerns and a critical component in its trade strategy. The main government organization accountable for export promotion is the Egyptian Export Promotion Centre (EEPC). It has been the government’s objective to widen the base of export promotion programs which range from marketing to funding. Examples of such programmes include the Industrial Modernisation Centre (IMC), the Egyptian Exporters Association (ExpoLink), the Export Development Bank of Egypt (EDB), the General Organization for International Exhibitions and Fairs and the International Trade Point.

However there is disengagement between the programmes on offer and the way the Egyptian Export Promotion Centre operates. It does not provide the full range of the promotional services needed because other entities do so, and nor does it fulfil its supervisory role of co-ordinating all the programmes in place.

The government has decided in 2001 to implement a new export development strategy with special focus on removing bureaucratic barriers and assisting exporters
to overcome marketing and financing obstacles to enhance their performance in traditional markets in addition to open up new markets. The main target of this strategy was to increase Egyptian exports levels by 15% during the period 2002-2007, 20% from 2007-2012 and 16% between 2012 and 2017.

Egypt has actually made a great deal of progress in reducing administrative barriers to trade. It has generally been a top reformer according to the 2008 edition of the World Bank’s report *Doing Business*. It achieved particularly impressive results in trade across borders where it climbed up to 24th in the *Doing Business* 2009 and 2010 rankings from 86th in 2006. In addition, it has slashed its customs clearance requirements from 26 to 5 approvals and reduced the number of documents required for both exports and imports. *(OECD, 2010)*

### 3.6.3 Export subsidies and financial incentives

In 1983, the Export Development Bank of Egypt has been established to offer short and medium-term loans to export firms as well as provide bank guarantees essential for financing exports. It also supplies credit financing imported inputs for export products. It currently offers six individual financing programs targeted to the different agricultural and industrial sectors, each with different financing conditions and eligibility standards. The Egyptian export development strategy focuses on five sectors, textiles and garments, agricultural products, chemicals and pharmaceuticals, processed food products and building materials. In the year 2004, the export development Bank of Egypt gave out loans accounting to four million Egyptian pounds in 2004.

Moreover, in 1992, an Export Credit and Guarantee Company (ECGC) was launched to help exporters improve their marketing efforts. And by the year 2002, a new Export Promotion Law (Law 155/2002) was issued, according to which an export promotion fund was set to further boost exports. Until the issuance of this law, Egyptian exporters did not receive significant subsidies. They then became eligible for an export subsidy ranging from 1% to 8% of total exported goods according to the commodity sector that the goods belong to. Under the temporary admission scheme, imported components are exempted from customs, on the condition that these are exported in the form of finished products in a predetermined period of time.
Accordingly, exporters can get back sales tax and customs duties on materials and parts used in the manufacture of exported goods. The procedures of this scheme have been liberalized; however, the extremely long and frustrating procedures have led to the exporters being reluctant to claim their drawback.

Accordingly, a tax rebate scheme is in place that is a modernized and more liberalized system, where procedures have been facilitated. Tax can be rebated according to an average of the tax liabilities and customs duties paid by the exporter. This is faster and does not require the exporter to be the importer of inputs or parts.

3.7 Policies conducive to promoting export competitiveness of SMEs

3.7.1 Role of the Ministry of Foreign Trade and Industry (MFTI)

The Ministry of foreign trade and Industry is responsible for preparing a comprehensive general policy framework for SME development. This policy has the objectives of enhancing SME’s competitiveness so as to contribute to reforming the trade balance through penetrating global markets and as well as competing aggressively in the domestic market. Based on experiences from other developed countries, it has been proved to be inefficient as well as not economic to provide SMEs with assistance directly. It would be thus more realistic and cost efficient to let intermediary organizations assist the SME sector in its internationalization process. This is considered as one of the most successful approaches in supporting and developing SMEs in developing countries.

In this context, The MFTI has formulated a strategy for SMEs’ export promotion that was primarily based on assimilating feedback from different stakeholders’ through questionnaires.

The program points to a number of points; specifically, identifying eminent sectors in which SMEs operate, introducing new marketing mechanisms such as trade points to enhance their export competitiveness as well as establishing an association for quality control.
3.7.1.1 Achievements of the ministry

The MFTI focuses highly on supporting the development of SMEs. Its efforts to achieve this target are:

- Small and medium business owners participate in business associations organized according to sector and activity on the commodity councils, which work to increase SME exports and competitiveness within an export promotion framework.

- Developing international trade points systems to provide more services to small export oriented investors in all governorates. These services include increasing awareness of e-commerce among small investors, as well as promoting and marketing their exports.

- Coordinating with the General Authority for International Exhibitions and Fairs, for small enterprises to participate in the exhibitions it organizes. SMEs also enjoy preferential treatment with regard to display facilities at local and international fairs, and benefit from discounts reaching 50 per cent. In this way, the General Authority is helping them market their products locally and abroad. For example, a specialized event, the first international exhibition for SME technology (SMETECH), was held on 28 February 2002.

- Through its Commercial representation offices, the Ministry has provided the following services to small investors:

  - Cooperation protocols between Egypt and other countries have led to the exchange of experience in SME support and development.

  - Consultation is currently in progress between the Social Fund for Development (SFD) and commercial representation offices on the establishment of trade houses that will serve as permanent fairs for small
investors’ products. SFD loans will encourage them to export and increase their marketing efforts on international markets.

- organizes regular study tours for stakeholders concerned with SME development, such as the SFD and the Ministries of Finance and Industry. These tours are an opportunity to learn from SME development elsewhere, and have covered countries such as Greece, Portugal, and Canada.

- Establishing the General Authority for Export and Import Control to support SMEs through technical guidance

- The Export Promotion bank offers a diversity of financial services for exports of SME sector. It also establishes special units for financing this sector’s exports through the bank’s different branches.

- The General Authority on Foreign investment (GAFI) which is the administrative authority concerned with implementing the provisions of the Investment law No. 8 of 1997. Among its promotional activities, GAFI attracts and facilitates partnerships between foreign medium enterprises and Egyptian ones. Such joint ventures bring not only financial resources, but more importantly technology, management know-how and access to international markets. GAFI targets and promotes FDI from export-oriented MNCs to encourage linkages with SME suppliers in Egypt.

### 3.8 Egypt and new trends in the global economy

Nowadays the development of a single global market is a given reality. It is no doubt now that one cannot distinguish between local and international markets, as the rapid evolution in ICT field together with the falling transportation costs lead to the “Death of distance” (Bologna, 1995). The context within which Egyptian SMEs are operating is thus radically changing.

The world is turning into "a global village" enabling firms to benefit from competitive advantages in different locations. In addition, policy liberalization
allowed for free flow of FDI and the unexceptional upsurge in trade; which was faster than world production. In the meantime, the pace of technological advancement allowed technologies to become mature sooner and thus be transferred to developing countries. (Lall, 2000)

The advent of globalization urged the SME development field to shift towards the issue of competitiveness. Thus, SME competitiveness as a new focus for development policies is being addressed by a mounting body of literature. In the year 2000, Industry ministers from all over the globe, gathered in an OECD conference with the theme, "Enhancing the Competitiveness of SMEs in the Global Economy: Strategies & Policies".

Egypt is no different than any other country in this respect, government officials have always stressed on this fact. To be able to reach this goal, the private sector has to play a major role. With their size structure clearly skewed towards smallness, SMEs have to boost their competitiveness and overcome the shortage of demand on their products.

3.9 Small and Medium sized Enterprises in Egypt

3.9.1 The relative importance of SMEs in the Egyptian economy

The development of SMEs in Egypt is an essential pillar for advanced developing and modernizing the economy. SMEs account for about 99.7% of private establishments in the non agricultural sector and 75% of private sector employment.
Table 3.10: The relative importance of SMEs in selected countries in 2008

<table>
<thead>
<tr>
<th>Country</th>
<th>SMEs as % of all enterprises</th>
<th>% workforce employed by SMEs</th>
<th>% of SME exports in total exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>99.7</td>
<td>70.0</td>
<td>4</td>
</tr>
<tr>
<td>USA</td>
<td>96.0</td>
<td>80.0</td>
<td>43.2</td>
</tr>
<tr>
<td>Japan</td>
<td>98.8</td>
<td>78.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Canada</td>
<td>90.0</td>
<td>66.0</td>
<td>Na</td>
</tr>
<tr>
<td>Korea</td>
<td>99.0</td>
<td>69.0</td>
<td>45.0</td>
</tr>
<tr>
<td>Taiwan</td>
<td>98.0</td>
<td>78.4</td>
<td>56.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>92.0</td>
<td>40.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Singapore</td>
<td>93.0</td>
<td>51.8</td>
<td>Na</td>
</tr>
<tr>
<td>Philippines</td>
<td>99.0</td>
<td>66.2</td>
<td>Na</td>
</tr>
</tbody>
</table>

Source: World Bank, World Development Indicators, 2009; Ministry of Finance. Enhancing Competitiveness for SMEs in Egypt

In 1991, the Social Fund for Development (SFD) was established the Egyptian Government, the World Bank, and UNDP to provide support to SMEs. It receives funding from the Government, and from multilateral and bilateral donors.

Moreover, in June 2004, the SME Development Law (141/2004) was issued which aimed at providing incentives and relax the SME establishment procedures. The SFD is responsible for executing this law, as it includes various provisions to improve SMEs’ access to capital. According to this law, 10% of the industrial, agricultural, touristic, and urban zones is confined for SMEs.
3.9.2 Structural conditions

Egypt is characterized by the missing middle syndrome. The size of enterprises is significantly skewed towards smallness. According to the Egyptian Centre for statistics (CAPMAS) data, almost sixty percent of private sector in non-agricultural activities is enterprises employing less than 10 workers, whereas large enterprises account for almost 30 percent of the manufacturing sector. (MOFT, 2000)

Almost 90% of the total investments made in the industrial sector are under two million Egyptian pounds in value and eighty percent of these manufacturing enterprises are concentrated in five main sectors; Garments, Furniture, Food and beverages, Wood and Metal products.

These sectors are characterized by low quality standards and its reliance on traditional labor intensive techniques that are not technologically developed. They suffer from lack of innovation and adequate R&D. In this global knowledge economy, still, Egypt is suffering from absence of any coordination between the industrial sector and the research institutions. This is considered today a fatal weakness as levels of R &D are low as compared to other countries in the region. The contribution of firms that employ between 10 – 499 employees top overall employment in Egypt is quite low. The main bulk of employment reaching almost Seventy-five percent is generated by enterprises with less than 10 employees. This feature again will have its complications on the economy as cyclical economic recessions can lea to severe problems of unemployment.

Moreover, SMEs are not evenly distributed among Egypt and have different characteristics. Rural enterprises are generally smaller. There is a rather high concentration of SMEs in the North specifically in Cairo, Damietta and Sharkia. This uneven distribution is due to the availability of well developed infrastructure in the North Cairo, and the prevalence of a historical conducive environment for the growth of a particular industry as in Damietta. On the other hand, governorates like Suez and South Sinai have the Number of SMEs. This can be attributed to the presence of large establishments in Suez which absorb a lot of workers, or the dependence on specific service activity where the room for undertaking manufacturing activities is either not available or not encouraging.
The absence of a strong SME sector can hinder industrial competitiveness. Large enterprises are thus forced to integrate operations in their firms to secure their inputs themselves, which burdens their financial, human and productive resources. Otherwise the other alternative is to rely excessively on a high import content, which has currently reached 40%. In addition, the lack of strong SMEs diminishes the competitive stress on larger enterprises, leaving them inefficient. (Mubarek, 2002)

It is not surprising that total export earnings are relatively low. The share of SMEs in manufactured exports does not exceed 0.5%. (MFTI, 2004) This should be compared for example to India, where 50% of its exports are from SMEs, in addition to the indirect contribution to the economy.

3.9.3 Factors inhibiting SMEs exports

SMEs in Egypt are still struggling in their course of exporting; they are underperforming as compared to other countries. The vast majority did not even attempt to export. The main constraints for this poor performance in Egypt can be attributed to the following;

- Lack of export awareness, as many SMEs still are not aware of the benefits of exporting that can be achieved, others lack the knowledge of where, how and when to market their products abroad.

- Inaccessibility of export channels. There is a strong need for specialized intermediaries that would help SMEs overcome the barriers endured by them due to their size.

- Shortage and complexity of finance. The lack of adequate and cost efficient channels for export financing considered to be the main and critical hindrance facing small firms in Egypt while trying to export. A number of firms had opportunities to export but could not produce on a larger scale, due to lack of finance.

- High Input Prices. This is a severe constraint facing SMEs in some sectors such as garments and textiles. The high cost of inputs renders them to be uncompetitive as compared to their rivals in India or Bangladesh. The high
cost of production makes it quite challenging if not impossible for their products to compete internationally as their prices are quite high as compared to worldwide competitors.

- Lack advanced production Technology. SMEs in Egypt still use simple traditional technologies and mostly produce low quality goods through inefficient and poorly managed simple operations. There is an apparent lag in technological upgrading of machinery as well as production processes, which appears to consistent with the overall poor state of general technological capacity and competence of the Egyptian industry. (Djeffal, 2002)

3.9.4 Globalization and SMEs: Challenges and Opportunities

SMEs have been affected by globalization in different aspects. For some of them, it meant potentials for expansion whereas for others it meant severe introduction to fierce competition worldwide. Both SMEs in developed and developing countries have now to face intense rivalry.

In today’s global arena, SMEs are pressured to develop their competitive edge. They are forced to cut costs and innovate as well as adopt the most efficient technologies. Even modern SMEs that are expected to survive the competition still, have to cope with the changing nature of competition and focus on quality, flexibility and design rather than price.

The Asian experience confirms that

"the majority of small enterprises perform poorly on the world market. Those most likely to survive are the ones with export potential, and which, in addition, grow from small into efficient medium-sized firms. Their experience clearly shows that it is mainly the growth-oriented medium-sized enterprises among the SMEs that have a high propensity to apply technology and training and serve specialized niche markets". (UNCTAD, 2002)

Most modern SMEs are located in developed countries with vibrant export sectors and a large base of skilled personnel. SMEs in these countries are active players with a considerable export contribution. For example, in China the contribution of SMEs to
exports is almost 50%, in Taiwan it is 56% and Korea 43%, whereas in Egypt it is only 4%.(Lall, 2000)

3.10 Conclusion

As discussed earlier the main target of this chapter was to highlight the Egyptian economy’s achievements during the past decades while emphasizing the main shortcomings the economy is suffering from.

Egypt has achieved substantial and significant results following reforms in almost all areas of trade policy, particularly those that affect the business climate. However, the government still needs to address a number of remaining challenges to bring its trade policy up to the next level of excellence. The government acknowledges some of those challenges and has drawn up plans to address them.

Moreover, there has been considerable progress in strengthening the capacity to formulate and co-ordinate trade policy effectively. All trade implementation functions were brought together under the authority of a single entity, the Ministry of Trade and Industry, and ministerial committees were formed to synchronize policy formulation among government bodies involved in trade policy.

The policy formulation framework is to a great extent effective and well designed. To draw the private sector into policy formulation decision making, Egypt has put mechanisms in place to ensure that public-private dialogue occurs before important regulatory decisions are taken. However, Egypt still lacks mechanisms for regularly consulting a wider cross-section of civil society and adequately represents SMEs which increasingly are affected by trade policies. Moreover, it lacks a mechanism and the institutional capacity to evaluate the potential and actual macro- and micro-economic impacts of its trade policy.

For a decade now, Egypt has been taking measures to liberalise its economy. The progress it has achieved has seen it open up significantly to foreign trade, whose share of GDP rose from just above 30% in 2003-4 to more than 50% in 2007-8. Egypt has been a member of the WTO since 1995, has consistently delivered on its WTO commitments. Furthermore, it has expanded its network of regional and bilateral trade agreements and other protocols with its main trading partners, the EU and the US.
It has also reinforced its commitment to intra-regional integration under the terms of GAFTA by fully exempting all member countries from customs duties and charges from 2005. The year before that it had joined the Arab Mediterranean Free Trade Agreement “Aghadir Agreement”.

Among its measures to liberalise trade Egypt has brought down customs duties together with a multitude of different charges and levies and numerous tariff schedules.

In the past five years Egypt has achieved major advances in the area of non-tariff barriers, considerably easing administrative barriers. Egypt has made a great deal of progress in reducing administrative barriers to trade. It has generally been a top reformer according to the 2008 edition of the World Bank’s report Doing Business. It achieved particularly impressive results in trade across borders where it climbed up to 24th in the Doing Business 2009 and 2010 rankings from 86th in 2006. In addition, it has slashed its customs clearance requirements from 26 to 5 approvals and reduced the number of documents required for both exports and imports.

Moreover, the institutional and legislative framework for adopting technical standards has also undergone significant improvement. A law governs standards and quality control and a well established body, the Egyptian Organisation for Standardisation and Quality (EOS), is now in place.

Export promotion is one of Egypt’s primary concerns and a critical component in its trade strategy. Despite the efforts of the government to formulate a coherent structure of export promotion agencies and programs, the institutional set-up remains fragmented and there is still a detachment between the programs on offer and the way the Egyptian Export Promotion Centre, Egypt's main export promotion organization, operates. This organization does not provide the full range of the promotional services needed because other entities provide these

Moreover, numerous other export promotion agencies offer services which overlap or duplicate each other. The EEPC does not have the capacity to coordinate the multiple export promotion players or to ensure that programs match the overall export promotion strategy.
The SME sector in Egypt constitutes a major part of the economy, SMEs account for about 99.7% of private establishments in the non-agricultural sector and 75% of private sector employment.

Despite this importance and contribution to the economy, their contribution to total Egyptian exports only accounts to 4%. SMEs are generally underperforming. Most of them did not even attempt to export. There was a consensus among firms on obstacles hindering exporting for these in Egypt, the most important and critical are the lack of export awareness, shortage and difficulty of finance, high input prices as well as Lack of advanced production Technologies.
Chapter four

Trade Promotion Organizations in the digital economy

4.1 Introduction

This Chapter deals in details with the emergence of the new concept of the digital economy in contrast to the traditional one. New terms such as e-commerce and trade as well as e-readiness of countries are to be introduced and discussed.

The digital economy has formed a new world for the trade promotion organizations. In many aspects, any Trade Promotion Organization is no different than its clients in respect to being forced to respond to changes of the business rules and scheme. These must respond with rapidity and efficiency as well as flexibility.

The aim of this Chapter is to present those evolving roles of trade promotion organizations in the wake of the rapidly changing global economy, which is defined as a knowledge economy. TPOs in the new digital era must become fully e-competent and proactive as well as responsive institution.

The Challenges and opportunities offered through this global change are for Trade promotion organizations are also discussed. Another important goal of this chapter is to explain the driving factors behind the emergence of the Global trade point network as a new modified and technologically developed form of trade promotion organization, with a special focus on the way they operate and function. Egyptian Trade points are predominantly presented, while reflecting on its advantages and potentials offered to Small and medium sized enterprises within the context of export promotion efforts of the Egyptian government.
4.2 The evolving role of Trade Promotion Organizations with the changing international trade environment

The digital economy is forcing the national trade promotion organization to recreate, itself. All trade promotion organizations must explore potentials of the international market place and support their customers to exploit the internet as a communication and business device.

Furthermore, they should alter the content of their help through offering guidance on e-trade, e-markets and Internet marketing while expanding their own e-awareness, e-competency and e-promotion programs. The needs of their clients in this aspect should be catered for and continuous feedback sought for development and improvement. (ITC, 2000) In addition, the means of communication between TPOs and their clients should be achieved through e-mail and the Internet, as well as to establish online networks to raise and expand response aptitude.

Providing tailor-made guidance and information to enterprises is a key feature to distinguish TPOs from services offered through other Internet sources. In particular, the objective of TPOs trade information services is termed by International Trade Center (ITC), as

“To assist the country’s businesses to explore business opportunities effectively by the provision of targeted market information which results in high levels of customer satisfaction” (ITC, 2001)

TPOs in the new digital era must become fully e-competent and proactive as well as responsive institution. The internal culture and behavior of staff must be altered to keep in line with the new developments. Not only this, but a systematic upgrading of the used technology through installing business systems to detain, store and easily regain information on different customers, markets as well as integrate these into the organization's website would be an advantage. To keep in pace with changes and pertinent demands of the digital economy, Austrade which is Australia’s official export promotion organization, for example, has set up an internal improvement program that aims to enhance the staff e-trade awareness.

It also developed an electronic business system that assimilates client database, staff directories and different work procedures. Their electronic system was fully
transparent and allowed for linkages with other organizations websites that play a key role in the exporting process. Being the leader of this initiative, Austrade has been able to accomplish the following

- Amend the content of its consultative services, through the organizations of different seminars on how enterprises can exploit the potential of e-commerce, and adding new dynamic content on how to use the Internet to support promotion and marketing of products through e-catalogues.

- Modify the means by which it conveys its services. There is an internet focal point in delivering information and guidance. Each functional division is now in charge for renewing information on the website. An e-communities device has been set up for staff to control virtual teams online and to bundle services information to reach customers. (ESCAP, 1999)

4.3 The digital economy defined as compared to the traditional one

In describing the digital economy, two main expressions are used; globalization and the knowledge economy. Globalization of ICT has extensively affected the different economic as well as international deregulation.

There has been tremendous increase in the knowledge concentration of economic activities, motivated by the technological progress. This is obvious in form of the internationalization of production, faster capital mobility in form of FDI and the erosion of boundaries between international markets as well as the continuously increasing share of global trade in world output.

Worldwide production has been the end product of these enduring forces of trade liberalization and the boundary removal, that facilitated capital mobility coupled with fast technological development leading to reduced costs of communication and transportation. This in turn allowed for achieving better utilization of resources at lower costs. Immense competition forced firms to discover new ways means to improve their efficiency by means of reallocation of production in cost efficient locations and internationalize. (WIR, 2002)
Production itself should not be one of the main activities to be carried out in the main firm. Globalization has lead to the diffusion of the value chain in different locations. Different steps of the production process should be outsourced to facilities and firms situated in different countries. This gives firms the potential to exploit relative advantages worldwide thus gaining privileged access to certain markets and relatively cheap labor. *(WIR, 2002)*

### 4.4 The challenges of the digital economy

The international Trade regime is changing very rapidly in wake of the development of ICT. The Globalization and integration of International Economy got a fillip with the advent of Internet. Internet gives a new concept of wired and inter-linked world and now physical distances are no more a major barrier. Today world has shrunk into a cyber village connected digitally, accessible just by a click of mouse. *(JETRO, 2000)*

New tools of doing Business have emerged and the entire terminology of International business is being re-phrased. The e-business (web-enabled businesses), e-commerce, e-marketing, out-sourcing and 'e-industrial clustering' and host of similar vocabulary is emerging. It has been established to a great extent that the e-commerce will be the kingpin of the future business-to-business relationships. It has opened new vistas and avenues for growth and development around the world. With much less capital expenditure compared to industrial infrastructure development, information technology around the world, for developed as well as developing countries, offers new opportunities to avail. Accordingly developing countries' competitive advantage in the primary and industrial commodities can be enhanced by exploiting the potentials offered by this new way of doing business in the digitalized economic framework.

Today the definition of have and have-not is characterized by the ability to handle and exploit the info-based system. Indeed it is an intriguing phenomenon that this 'Digital divide' has been uneven across the countries and within the country. Many countries have powered their progress through effective exploitation of Information and Communication technology.
The diffusion of (ICT) and expansion in electronic commerce has affected the way industries operate, forcing them to adopt flatterer organizational structures and flexible and custom-made production operations. Now the most valuable assets of a company are knowledge, customer relationship and brand equity, rather than factories and inventory. The organizations and businesses, which are not consumer compatible, are finding it difficult to remain competitive in this fast paced changing business environment. Small businesses are competing worldwide and Multinational Enterprises are intensifying their worldwide operations. Enlarged competition coupled with the simplifying of global market access as well as organizational change are to a great extent affecting employment demand, wages and skill requirements. The Individual business enterprises and trade supporting institutions need to respond quickly to remain competitive. The cost-based competition and geographic proximity are no more the main determinants of competitive advantage in international trade. Service, quality and customization are the main differentiating factors of competition. It is matter of moving up the value chain to compete on value and uniqueness of the product rather than purely on price. All this necessitates changes in rules of operating on the International trade front.

4.5 E-commerce and trade

"Electronic commerce" holds together a mixture of know-how, infrastructures, procedures, as well as end products. It is quite difficult to state a precise definition for e-commerce, as its key players tend to develop rapidly. Diverse industries, producers and users are brought together in a digital marketplace, the internet, in order to exchange information, knowledge and engage into trading. No longer do customers need to be physically present in the market, which means that, businesses on the Internet become international at once. (OECD, 1999)

An interesting and all embracing way to define e-commerce was used by Clyde and Warren in 1999,

“One of the best ways of understanding electronic commerce is to consider the elements of its infrastructure, its impact on the traditional marketplace, and the continuum of ways in which electronic commerce is manifested. This approach shows clearly how electronic commerce is intricately woven into the fabric of domestic economic activity and international trade.”
Electronic commerce managed to diminish if not completely remove the traditional borders that exist in the traditional trade world. It could thus be described as being global from the beginning. An example for global market places is Amazon. This global market place, when it was first launched sold books in over 40 countries during the first month. Nowadays, the company sells a diversity of goods in over 160 countries. Firms are encouraged to engage in this digital marketplace, to capitalize on its cost efficiency especially that the electronic marketplace is free from explicit trade barriers. The problem however pertains to the fact that the infrastructures conducive to e-commerce are still loaded by countless trade and investment obstacles. Thus liberalization of these infrastructures is a precondition for the growth of e-commerce worldwide. These infrastructures comprise computers and other telecommunication products financial services, distribution channels and delivery services. Developing integration among these service sectors facilitate the enhancement and prospering of e-commerce.

Business-to-business transactions constitute the enormous volume of revenues. In 1998, the ratio of business to business as compared to business to customers was only 5.5 to 1; nevertheless by 2003 the ratio jumped to 12 to 1. E-commerce is mainly export oriented. In Latin America it is 79 percent, in the USA, the percentage of exports to total e-commerce revenues is only 60 percent. But, in Canada it reaches 83 percent whereas in Asia it is only 38 percent. (ITU, 2003)

E-commerce offers potential to firms all over the globe regardless of their size. Multinational Enterprises as well as SMEs can easily conduct business online through faster communication, acquisition of different price quotes, offering bids, transferring data as well as create product design. Countries that do not take the initiative to create a conducive environment that enables the usage of Internet and the applications of e-commerce will be critically marginalized from the global economy,

E-commerce offers lots of potential benefits for developing countries in particular. The rapid increase in e-commerce will lead subsequently to an increase in world trade. Furthermore, it is probable that IT industries will be transferred to developing countries such as the case in India. (Singh, 1999) E-commerce facilitates the
process for different suppliers to new suppliers to go into new markets and amalgamate with global supply chains. Skilled information technology professionals would not need to leave their countries and seek better posts in developed countries thus reducing the brain drain.

To sum up, E-commerce can facilitate overcoming the drawback of remoteness from developed markets; provide access to information, business opportunities. Electronic trade points play a major role in providing such information.

4.6 E-commerce potentials and SMEs

SMEs, which represent a large segment of the private sector in developing countries, are still suffering from low volume of exports.

These enterprises would be the main beneficiaries of e-commerce, as it will help to have easier market entry. As capital cost of entry is low, they can establish their own virtual shops more economically than actual stores abroad. They can rely thus less on middlemen, intermediaries and agents. Diversification of markets and products is a major benefit though. By carrying out business online, SMEs in developing countries can develop brands which will help them promote the image of their companies worldwide much more easily. (OECD 2000b)

Landlocked countries are expected to benefit the most of the great potentials of e-commerce. It would allow enterprises in such countries to surmount distance and time obstacles, put up their products for sale worldwide and establish connections. (ITC 2000b)

In line with the recent developments of prerequisite supportive infrastructure for e-commerce, the financial institutions and processes as electronic fund transfers are exponentially growing and being renovated.

As much as the new digital economy offers opportunities, potentially negative features E-commerce might weakens those benefits, if not supported by the suitable business environment and appropriate policies (Singh 1999; ITC 2000). There is a high possibility that the developed and digital world will benefit the most. For developing countries, there is a great threat from Multinationals. Current supply
chains may be shattered and the dependence on multinationals may grow, especially IT Multinationals. In addition to this Internet service providers may come forward as the new power agents.

Despite the previously mentioned benefits that SMEs can gain, many firms in developing countries may be short of the know-how to reap those advantages. They may also lack the financial resources, as maintenance, upgrading and marketing costs are still high. A major challenge is the issue of security and payment mechanism through the Internet, This issue needs still to be addressed, otherwise foreign banks and multinational credit card companies would be the major beneficiaries.

Employees will have to master the English language and IT skills. Firms will have to develop an approach for moving up the value chain in the software business. Local suppliers encounter the danger of being marginalized or even being cut back, as enforced e-commerce based supply requirements may exclude suppliers with no Internet access. (Singh, 1999)

For enterprises to benefit of potentials of e-commerce in developing countries, the financial system has to be developed to an extent that allows rapid authorization and payments, so as to allow instant delivery of digital products. Unfortunately, most of the developing countries still do not have well developed financial mechanisms that are supportive to this major shift.

Moreover, some governments in developing countries preserve tight control over foreign exchange, thus limiting exporters’ access to foreign currencies. This of course imposes more difficulties for firms and which could limit the expansion of e-commerce by SMEs.

The main distinction between conducting business transactions via traditional methods and through E-commerce lies in the reduction of different forms of business intermediation. In traditional business, the products are transported and stored by different parties till it reaches the final destination, whereas, in electronic trade there are rather effective transfer means. To the extreme case, digital products the producer can deliver these directly to the consumers with the complete abolition of
intermediation. Moreover, distinctive firms can form strategic alliances that would allow them to benefit from the enhanced information exchange and the efficient utilization of resources.

In other words, E-commerce helps reduce the number of unneeded intermediaries, rather than totally remove them from the value chain. As much as an intermediary can add value but it also increases cost (Gartner group, 2000; OECD, 1999).

“Though E-commerce has allowed a significant shortening of production and delivery chains, and allowed measurable reductions in transaction costs, it does not necessarily lead to the disappearance of intermediation” (UNCTAD, 2000).

It is argued that, E-commerce sometimes calls for having "new intermediaries" as internet users are overwhelmed with information flows. There are different web pages that provide information and lead to the confusion of SMEs. These can even loose time trying to locate useful and up-to-date information. A new kind of intermediation is thus needed to control and manage this information overflow problem.

This new form of intermediation is referred to as Informediaries and they gather information, process it and make it available for all beneficiaries. The contribution of informediaries has allowed for greater degree of product differentiation that would meet specific requirements of any individual customer. In this sense, B-to-B e-commerce would rely more on the "informediaries", as these will help SMEs to have more confidence in the Internet as a business channel.

To sum up, we can say that although some intermediate costs can disappear in web based activities, informediaries create new forms of cost, nevertheless, they allow SMEs to engage more safely and confidently in electronic business.

4.7 The emergence of “The Global Trade Point Network”

The Global Trade Point Network program (GTPNet), was officially established in Columbus in October 1994 by senior officials from 139 different countries at the United Nations International Symposium on Trade Efficiency with the target to set up 16 pilot Trade Points.
The GTPnet is an electronic network embracing the main website of the Trade Point Program and all the different websites of individual Trade Points.

“As for Trade Points they bring together all providers of services required to make a business transaction: customs/foreign trade Institutes, freight forwarders, transport companies, banks and insurance firms. Each Trade Point coordinates and shares information with all other Trade Points”, the Former-UN Secretary-General Boutros Boutros-Ghali

This trade point network was the first worldwide model that reflects the positive role which the global electronic networks can play in the field of trade development. The main mission of GTPnet is to promote greater participation in international trade with special emphasis on SMEs in developing countries that are characterized by trade inefficiencies. To this end result, they try to reduce costs through the simplification and coordination of trade measures as well as by allowing traders to access highly developed information networks.

The GTPnet depends on advanced technologies for networking and communication, through Trade Points scattered all over the globe. For enterprises worldwide Trade Points are all about easier and faster access to information. Small firms specifically can experience international exposure, exchange Electronic Trading Opportunities as well as other types of information related to the facilitation of business transactions.

With the expansion of the number of connected Trade Points, the GTPnet is emerging as one of the key worldwide networks for trade-related information flows. Successive augmentation in traffic will allow considerable cost cutbacks in assembling, formatting and processing information.

As trade Points share their knowledge, the GTPnet is considered to be a virtual setting for information exchange. (UNCTAD, 2000) The Global Trade Point Network is considered to be;

-A worldwide company database that provides an important source of information that embraces detailed data about different companies which is updated frequently. A criteria-based search engine is provided for firms to use while locating suitable business partners.
A system of advanced Electronic Trading Opportunities that is well developed to include all essential information on ETOs. The ETO database allows users to locate matching business opportunities. Also, the availability of additional information about companies in the Electronic Trading Opportunities (ETO) boosts its worthiness to users. Moreover, the credibility of Electronic Trading Opportunities (ETO) is extensively improved as only registered firm can have access to these. Nevertheless, newly posted Electronic Trading Opportunities (ETO), that match certain firms’ criteria can be forwarded to them by e-mail, which saves time and costs and give firms the chance to engage in these opportunities before others do.

The most important feature of the GTPNet is that it offers a secure environment for information exchange. It mainly aims to target the requirements of SMEs especially that it provides the service free of charge. In other words, the Global Trade Point Network means opportunity for SMEs as it gives them the needed information to analyze the business climate and requirements in markets worldwide. It is considered also as a medium to exchange ideas and to expand access to technical know-how.

4.8 Trade Points defined

According to the International Trade Conference (ITC) Trade Points are defined as follows;

“It is a source of trade related information, that provides actual and potential traders with data about business and market opportunities, potential clients and suppliers, trade regulations and requirements; It is a trade facilitation centre, where participants in foreign trade transactions (e.g. customs, banks, chambers of commerce, freight forwarders, transport and insurance companies) are grouped together under a single physical roof or linked virtually to the Trade Point so as to provide all required services for trade transactions; It is A gateway to global electronic networks: all Trade Points are interconnected in a worldwide electronic network - the Global Trade Point Network (GTPNet) – and equipped with efficient telecommunications tools to link up with other global networks in order to increase the participation of traders, in particular SMEs, in the emerging electronic commerce economy”.

Subsequent to the Trade Efficiency Initiative, the Trade Point program recognizes four main objectives:

- make international trade transactions more efficient by simplifying and standardizing the trade process
- make current and prospective international traders more effective by providing them with easy access to trade information, facilitation services, information technologies, networks, and support training
- promote new commercial partnerships between international traders through the creation of electronic information and communication links and through the addition of new international trade participants
- increase awareness of existing and potential international traders to new trading opportunities and techniques offered by advances in trade information, technology, and attendant international standards

4.9 Small and Medium sized Enterprises as the main beneficiaries from the Trade Point program

Trade Points are considered to be an eminent component of Governments’ efforts to improve trade efficiency, and support SMEs to exploit e-commerce technologies. In this context SMEs and particularly those disadvantaged in developing countries are considered to be the most important customers in need of assistance from the Trade Points. They can access reliable and cost efficient trade-related information, identify potential markets, locate trading partners and conclude transactions faster and more cost efficient. Furthermore, they can gain experience from dealing with trading partners. Services are provided free of charge, thus reducing trade transaction costs for them. In addition, it helps them in applying new communication technologies in the everyday course of their business which can give them a competitive edge over their rivals.

Trade Points benefit from accessing networks of all other ITPs located in dispersed locations of the globe. Nevertheless, they take part in regional and international GTPnet meetings, as well as benefit from technical assistance.

4.10 The Egyptian International Trade Point

Egypt has been chosen by UNCTAD on the event of issuing "Cartagena's Commitment" to be among the first 19 countries that would host a Pilot Trade Point. In March 1995, the Egyptian government approved to launch the Egyptian Trade
Point at the Ministry of Economy and Foreign Trade. The Egyptian international trade point is connected through the Internet to GTPNet which connects trade points in over 90 countries. The Egyptian international trade point located in Cairo, the capital of Egypt, has established a speedy internet network to communicate with and link all Egyptian sub trade points located throughout different cities in Egypt.

The headquarter houses the main database of the different supportive trade services such as information on trade customs, banking facilities, insurance, transportation means, packaging and quality control. In addition, and to match the Egyptian business culture, different representatives of the main trade services providers are present physically in the trade point centres to serve any exporter. Sub-Trade Points were also launched to help exporters that are located in the most vigorous industrial and commercial cities throughout Egypt. Alexandria Trade Point was the first sub trade point to be established in April 1996, the Sixth of October and Tenth of Ramadan Trade Points followed thereafter, with the expansion leading to the existence of 14 sub-trade points all over Egypt now. There are quite a few conventions that connect the Egyptian Trade Point with many different international information centres such as the ITC, local information organizations and Businessmen associations.

Trade points offer a unique function while acting as an intermediary for providing electronic trading opportunities through its electronic market www.eitpmart.com.eg The Egyptian international trade point receives by e-mail the newly posted electronic business opportunities through the GTPnet. They then ensure the reliability and validity of these, before disseminating and distributing them to a variety of enterprises that can exploit them. Nevertheless, the Egyptian international trade point does not provide assistance to enterprises only during the transaction phase of the exporting process, but also before and after.

For example, in any successful trade transaction, traders try to access key data including market information about trading partners and product specifications, credit availability, transportation options, insurance facilities as well as customs requirements and export regulations both on the national and global level. In this context, The Egyptian international trade point try to respond to most of the inquiries
received from Egyptian businessmen and from the foreign market as timely and accurately as possible. The daily rate of inquiries is ranging from 10-12.

4.11 Conclusion of chapter

This Chapter deals in details with the emergence of the new concept of the digital economy in contrast to the traditional one. New terms such as e-commerce and trade as well as e-readiness of countries were introduced.

To sum up, E-commerce can facilitate overcoming the drawback of remoteness from developed markets; provide access to information and business opportunities. Electronic trade points play a major role in providing such information. Although E-commerce offers major potentials for developing countries, still there are some threats that can emerge. These threats are inherent in the lack of a conducive environment and policies in developing countries that help provident he necessary infrastructure for e-commerce to flourish.

Despite the previously mentioned benefits that SMEs can gain, many Small of these in developing countries are still short of the know-how to reap those advantages. They may also lack the financial resources, as maintenance, upgrading and marketing costs are still high.

The emergence of the new digital era is calling for the reinvention of Trade promotion organizations. Re-intermediation is the new concept being proposed. It offers a range of services through a series of portals or customized services that help SMEs to select relevant information.

Another theme reviewed in this chapter thoroughly is the new and reinvented role of the TPO as mirrored in the introduction and development of the Global trade point network in 1993 by the UNCTAD as an electronic trade network to assist SMEs to have a global reach.

The structure, development as well as services offered by this Trade Point network on the international and local level were identified. Trade Points will aim to achieve its targets of facilitating trade and provision of valuable timely trade information to
SMEs, by acting as trade information centres, trade facilitation centres, and gateways to worldwide networks.

As trade information centres, they will offer updated and reliable trade information. As gateways to the GTPnet, they will permit exporters to access the network of all connected trade points. Whereas, to fulfil its role as trade facilitation centres, they will assist SMEs to overcome procedural obstacles along the different stages of the exporting process.

Moreover, another aim of this chapter was to give the reader a detailed picture of Egyptian International Trade Points, their development, their performance over the last 10 years, the different services they provide for SMEs during the exporting process. In other words the services provided to registered SMEs before, during and after the exporting process. A thorough comparison between Egyptian International trade points and traditional public and private export promotion institutions is highlighted.
Chapter 5

Research Methodology

This Chapter will focus on the relative importance of the topic. The research questions and hypotheses for the study will be developed. In addition, the sampling technique as well as the data collection and analytical methods used will be reviewed.

5.1 Relative importance of research problem

The research problem has been addressed as follows:” How effective are International trade points in providing SMEs in developing countries with real export opportunities as well as enhancing their export competitiveness? To what extent are these trade points perceived to be useful by Small and Medium Sized Enterprises? Do firm characteristics affect their level of perception of International Trade Points’ usefulness?

The importance of addressing this issue lies in the framework of understanding the possible effectiveness of the trade points. This in turn would give important insights into the policies that can be adopted to improve trade as well as a critical insight into the determinant factors and decision making in the trade behaviour of SMEs.

Thus we can discuss the importance of this research from two perspectives, an academic one as well as a practical one.

5.1.1 The theoretical perspective

It has been noticed that export promotion studies have been mainly been carried out in the western developed countries and results may not be transferable. Also most of the literature is confined to the evaluation of traditional Trade promotion organizations without reference to modern electronic TPOs that have extended roles in the new era of electronic communities. On the other hand only a limited number of studies have been conducted in the Middle East and developing countries.
Moreover, trade points as a special new electronic version of trade promotion organizations has evolved only in the 1990s and thus there is a lack of literature on its effectiveness in reaching the goals it has been launched to achieve.

Egypt seemed to be the most appealing setting for conducting this study not only because it is a developing country, but because it is the only country with the highest number of operating trade points all over the world. Thus I do hope that the following study would provide a useful contribution to the literature and provide useful insights for further research in the field.

5.1.2 The practical perspective

SMEs in Egypt are facing many challenges in the rapid economic changes in the world economy and international trade under the globalization process. These challenges are not only confined to the competition in the foreign markets but also the surviving and competition in the local market. To succeed in the new world economic changes, there are commitments and collective efforts that need to be addressed by the different stakeholders in the society to revive the role of SMEs and increase their ability to export. The government has started recently to pay increased attention to the important role played by SMEs in the economy; however it still lacks a comprehensive vision. There are several pillars required for the success of SMEs in external markets, which have multi-dimensions.

This weak performance of Egyptian non oil exports has affected the Egyptian economy negatively and has hindered the initiatives to adopt sustainable economic growth. Due to such lax performance of Egyptian non oil exports, several initiatives have been undertaken by the Government of Egypt (GOE) in the last few years to accelerate the growth of Egyptian non oil exports including adoption of new laws and regulations, establishing a Ministry of Foreign Trade (MOFT) and then the Ministry of Foreign Trade and Industry (MFTI), and improving the business environment in many ways. Similarly, SMEs are considered main pillars of growth in Egypt, however they are not fully utilized due to several impediments which hinder them from contributing effectively to the Egyptian economy in general and exports in specific.
Realizing this, one of the main aims of the Egyptian government over the past 10 years was to promote exports of Small and Medium sized Enterprises, as this sector represents more than 90% of the private sector and can have a promising potential of boosting the export records of the country.

In this context international trade points emerged in the country with strong presence and ever surprising expansion all over the country with the main aim of enhancing export competitiveness of SMEs and providing them with necessary expertise and experience to enter foreign markets.

Despite frequent expectation regarding the elimination of trade intermediation, still TPOs are needed. The role of Trade Promotion organizations is being redefined in this new era, due to the information overflow. The GTPnet was set by the WTPF to meet the demands of the new competitive and highly challenging era of information. Egypt is currently the country with the highest number of operational trade points all over the world. Trade points are getting closer to their clients with setting up the branches to serve firms in dispersed locations.

However, the issue remains problematic. Trade points in Egypt have been operating since the beginning of the 90s, and with this strong and aggressive presence and coverage of all locations all over the countries, Small and Medium sized Enterprises are still lagging behind when looking at their export records, export barriers still exist and negatively affect their continuous efforts to reach international markets. There is a lack of information on how these trade points as a trade promotion engine is successful in eliminating barriers and facilitating trade to the disadvantaged Egyptian SME sector.

So from a practical point of view it is important to study the issue to be able to give recommendations on the policy level for policy makers to consolidate more comprehensive and coordinated policies towards the export promotion of SMEs.
5.2 Research questions

As discussed in the literature review, Trade Promotion Organizations have different roles to play to enhance the export performance of firms. These range from generating export awareness among potential exporters, providing these with adequate export expertise and experience, offering assistance with export procedures, up to the provision of successful trading opportunities.\textit{(Seringhaus and Botschen, 1991).}

However, despite the eminent role played by export promotion organizations to boost national exports, no direct significant causal relation has been found between those services and national export growth rates. In their study on the effect of EPOs on US exports,\textit{Coughlin and Cartwright (1987)} have found out that expenditure on EPO activities had a direct effect on US national export growth rates. But their findings have been aggressively criticized by\textit{Gencturk and Kotabe (2001)} due to the methodological faults. \textit{Gencturk and Kotabe (2001)} have argued that only a limited number of firms use these EPOs and therefore national trade statistics will not be able to differentiate between the performance of users and non users. Moreover, a complexity of external factors inherent in the international business environment can also affect exporting.\textit{(Hibbert, 1990)}

Consequently it was quite challenging to establish a causal link between macro-level export results and Trade Promotion Organizations services, and thus academic attention has shifted towards the link between Trade Promotion Organization services and firm-level performance. In this context, most of the previous studies have focused on examining the ability of TPOs to generate awareness among potential exporters and to promote the use of Export promotion organizations’ services, which will eventually, lead to firms enhanced export effectiveness in terms of increased exports.

Another approach has studied the means through which TPOs help firms enhance their efficiency by means of lowering their transaction costs. Additionally, other studies have assessed the perceived usefulness of EPO services as well as the discrepancies between those activities and firms’ needs.
Most of the studies have resulted in mixed views regarding the awareness levels and utilization rates of Export promotion organizations. Seringhaus and Botschen (1991) recommended that Trade Promotion Organizations should show awareness of the continuously changing needs among dissimilar potential users and should constantly alter their activities with this respect. Nonetheless, Vanderleest (1996) concludes that those studies suggesting that Trade Promotion Organizations are useless did not manage to separate their valuable impact on specific types of firms.

Given the fact that International trade points are an electronic version of traditional Trade Promotion Organizations, the research questions have been developed to reflect the importance of International Trade Points in the export promotion of Small and Medium sized enterprises in developing countries. Based on the previous studies on traditional Trade Promotion Organizations, I resorted to conduct the study on the Micro level as to avoid the pertinent measurement problems on the Macro level. Moreover, it is more suitable in the Egyptian context to conduct a Micro level study using large scale surveys, as it is quite difficult to have access to Macroeconomic data. Another issue is that in evaluating usefulness of ITPs the questions I generated depended highly on perceptual evaluation rather than quantitative measures due to the inadequacy of acquiring information on firm’s performances in quantitative terms due to the resistance of firms to disclose any sales volume information about their companies.

In this context, this study is trying to answer different questions that are grouped into two main research levels. The first group of questions will be answered on the Macro level and second group of questions will be investigated at the Micro level.
<table>
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<tr>
<th>Levels of Investigations</th>
<th>Research questions</th>
<th>Methods used</th>
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| **Macro level**          | 1- How important are TPOs in the process of export promotion in developing countries?  
2- What are the main differences between public and private TPOs?  
3- To what extent are governmental public based export promotion system better suited to enhance export competence of SMEs?  
4- What are the main constraints faced by Egyptian SMEs to enhance their export competitiveness?  
5- To what extent is the government policy attributing to enhancing SME exports? | - Review of literature  
- Analysis of policy and strategy documents  
- Semi structured interviews with Officials at ITP and managers of SMEs. |
| **Microlevel**           | 6 - What is the difference between ITPs and traditional TPOs? To what extent do SMEs perceive ITPs to be unique and different from traditional TPOs in developing countries?  
7- What is the perceived usefulness of ITPs in enhancing export competitiveness of SMEs in Egypt? Are there any firm related factors that affect SMEs perceived usefulness of ITPs?  
8- To what extent are EITPs capable of providing SMEs with real export opportunities (ETO)? What are the factors that could contribute to the variance between SMEs in engaging in successful EPOs? | - Survey based questionnaire  
- Semi structured interviews |
5.3 Research design

To accomplish the objectives of this study, there are several approaches or methodologies available. Rather than adapting a pure qualitative or a quantitative approach. On balance I chose to adopt a mixed method research design combining both qualitative and quantitative research methods. Therefore my knowledge claim position is pragmatic.

Tashakkori and Teddlie. 1998, advocate that,

“Pragmatism or methodological pluralism is a paradigm distinct from positivism (quantitative approach) or constructivism (qualitative approach). This paradigm allows the use of mixed methods in social and behavioral research. For most applications in the social and behavioral sciences, the research questions are best answered with a mixed model research design.”

I have chosen the mixed methodology approach because it provides the flexibility to use different methods, diverse views, and alternative assumptions. It allows though to apply different modes of data collection and analysis. The mixed methods strategy allows for incorporating both the quantitative and qualitative data collection techniques and analysis. Neither quantitative nor qualitative methods on their own are sufficient enough to explore and explain any given phenomena. They complement each other in the sense that they would convey a more absolute analysis. (Creswell, 2003; Tashakkori and Teddlie, 2003; Creswell et al., 2004)

As Creswell (2003) has recently noted, mixed method designs have objectives other than triangulation. This objective is defined as “convergence of results”.

Howard and Borland (2001) while explaining the logic of mixing methods, contended that

“The relationship between qualitative and quantitative research should not be considered in terms of mutually exclusive dichotomy but rather as a continuum of complementary paradigms within systematic inquiry, that when used in concept, produce complete or useful knowledge”.

Earlier to this, Greene et al. (1989) have listed 5 purposes of the mixed methods study:
“Triangulation, or seeking convergence of results; complementarities, or examining overlapping and different facets of a phenomenon; initiation, or discovering paradoxes, contradictions and fresh perspectives; development or using the methods sequentially, such that results from the first method inform the use of the second method; and expansion, or mixed methods adding breadth and scope to the project”.

Furthermore, many previous studies, while trying to investigate the logic behind mixing different methods, have concluded that the value of mixing qualitative research with quantitative lies in the following; Quantitative research stands out at summarizing large sets of data to be able to generalize the findings. On the other hand, Qualitative research serve the end result of at telling the story from the participants point of view, extremely well, while focusing on giving the providing the vivid details that relates quantitative results to human perspectives. In other words, the particulars given by any qualitative analysis can offer justifications and clarifications not possible to otherwise. (Stringfield and Teddlie, 1990; Greene and Caracelli, 1997; Milliken, 2001; Bryman, 2004)

“Qualitative research has become an accepted legitimate form of enquiry in the social sciences, and researchers of all methodological persuasions recognize its value in obtaining detailed contextualized information” (Greene and Caracelli, 1997)

Thus we can argue that this study is a multi-strategy research that merges both qualitative and quantitative research in a sequential way. Sequential mixed method design will be adopted (QUAL → QUANT sequence)

This study consists of two separate phases: a qualitative phase using semi structured interviews followed by a quantitative phase in form of a large scale questionnaire based survey. (Morgan, 1998b; Creswell, 2003) This strategy permits benefiting from strengths of both approaches while counterbalancing their limitations (Bryman, 2004)

The qualitative phase consists of semi-structured in-depth interviews with the managers of the headquarter and selected sub-International Trade Points as well as selected Managers of SMEs. This is then followed by the quantitative phase which includes a large scale questionnaire based survey.
The main purpose of this research design is to be able to use the findings of the qualitative methods to build upon them and develop the instrument, in our case the questionnaire.

The field of this study is still new in Egypt, as a limited number of studies have been conducted focusing on the performance and efficiency of trade points as they have been operating only since 1994 in Egypt, and the ICT awareness in SMEs is still limited in Egypt. Furthermore, there are no validated dimensions that can be used to evaluate the ITPs performance from the SMEs point of view.

The role of international trade points is explored in details trying to refer to some successful country experiences of other developing countries. The role of SMEs and their contribution to the Egyptian economy is also reviewed and their barriers to entering foreign markets are also analyzed to determine the points of weaknesses they suffer from that could be overcome through the services of ITPs.

The role of e-commerce in the new era of the digital economy as an export promotion tool is thoroughly reviewed to assess its implications on opening up new means of conducting business and engaging in trade for SMEs. Also the status of e-readiness and ICT awareness of SMEs is highlighted to see how much an obstacle it represents for maximizing benefits of ITPs.

5.3.1 Data collection

5.3.1.1 Phase one: Qualitative research

Following the literature review, primary qualitative research has been conducted using semi-structured in-depth interviews with the Head of the international trade points in Egypt and the managers of 8 of the 14 sub-trade points to explore all their export promotional tools and services to the Egyptian SMEs, the trend of export transactions conducted through them ever since they started operation and the number of SMEs using their services, the SMEs’ firm characteristics (size, sector, e-readiness, location, stage of export involvement…) to be able to associate those to their ability to utilize the services of the ITPs, as it is useful to consider several firm external and internal environmental variables before embarking on the discussion of the export assistance experience.
The personal interviews have offered considerable insight into issues which were afterwards explored in the questionnaire. Moreover, the findings of the interviews provided a basis for the interpretation of the quantitative results obtained from the survey. This gave us an indication whether the number of SMEs engaging in the use of their activities is growing or not, the volume of exports through them is again growing or not. An important issue that was very important to answer was whether or not there is a need for 14 trade points in Egypt, this is considered to be a huge number compared to other developed and developing countries, is it really essential to have them all.

Subsequent to this, another set of in-depth interviews with a sample of SME managers, that are registered with International Trade Points was conducted. The main objective of this phase was to explore the perception of SMEs of trade promotion services in Egypt and those of International trade points in particular, their attitude towards the importance of trade promotion organizations and to what extent do they consider International trade points to be different and unique in the services they provide.

It was attempted to explore how SMEs find such form of trade intermediation useful in their process of venturing foreign markets and boosting their export competitiveness.

Those semi-structured interviews with managers of SMEs located in different locations and operating in different sectors all over the country to validate the findings of the first phase and ensure the that the services claimed to be provided by ITPs are available in practice.

5.3.1.2 Phase two: Survey methodology

The second phase of the research was a survey of Egyptian SMEs that have used the services of the International trade points, to assess the effectiveness of the latter in enhancing export competitiveness and providing export opportunities to SMEs while overcoming the main obstacles facing them.

After transcription of the in-depth interviews, a structured questionnaire was used to measure the perceived usefulness of ITPs and test the developed hypotheses. The
dimensions among which usefulness will be assessed was developed in the quantitative phase (Creating export awareness, provision of useful trade information, Facilitation of procedures and providing successful electronic matching), leading to the development of a comprehensive questionnaire covering all aspects of services offered by ITPs to be assessed by SMES on a given likert scale. A part was added to determine firm characteristics using a different scale. This part was added to determine which firm characteristics explain some of the variance in their degree of benefiting from the services of ITPs (reflected in the usefulness of ITPs).

A pilot study was conducted first to test the questionnaire before the actual data collection. The questionnaire was first piloted among 10 colleagues and 40 Egyptian Managers of SMEs to validate the questions and assess the reliability of scales used. The survey methodology was applied, as this is the most convenient way to collect and obtain information in Egypt. Officially available data is limited due to the poor reporting practices of Egyptian firms. Furthermore, telephone interviews, postal surveys and e-mailing questionnaires have not been widely used in Egypt.

Moreover, the survey methodology is a popular and common strategy in collecting data in social sciences; it gives the potential of collecting large sets of data in a cost effective way. Using questionnaires allows for data standardization making the process of comparison much more efficient. Moreover, the survey method is perceived as reliable and more convincing by people as it is easy to understand. *(Donald and Pamela 2003)*

Mail surveys are an economic method of gathering data, particularly when the sample is large and geographically dispersed. As compared to telephone interviews, they are cheaper, but longer in time to complete. One of the main advantages of mail surveys is that interviewer bias does not exist. However the fact that there is no interviewer, leads to the inability to investigate respondents to give more detailed information.

Internet surveys are still new. While it can be stated that it is undoubtedly the most efficient way to distribute surveys in terms of cost and time, the demographics of internet users can not correspond to the general population. Thus this mode of administering a survey should be carefully considered so that the sample adequately
represents the population. Moreover, there is no significant information on sampling in those surveys.

Questionnaires seem to be a good method of data collection in Egypt, given that they do not include culturally sensitive questions. (Parnell and Hatem 1994) Questionnaires are considered the commonly used survey data collection methods where respondents answer the same set of questions, which render an economic way of gathering data from a large set of respondents.

Most questionnaires include a prearranged and standardized set of questions. The questionnaire used in this survey requires Egyptian exporting SMEs to respond to the same set of questions in a predetermined order with pre-coded answers. (Sekaran, 2000)

Written questionnaires are very economic when it comes to collecting data from a large and geographically dispersed sample and when the number of research questions is quite large. Nonetheless, its analysis is quite straightforward as there are different computer packages that allow for straightforward data entry and analysis like SPSS. Moreover, the researcher's own judgments will not influence the respondents and they are given the flexibility to decide when to complete the questionnaire if he wants to. (Bryman, 2004)

Despite the previously mentioned advantages of using written questionnaire, still some disadvantages exist. The most critical of these is the potential for low response rates, which can limit the confidence of the results. Response rates vary widely between (10% - 90%) from one questionnaire to another. However, well-developed studies should generate high response rates. Furthermore, another disadvantage is the limited flexibility given to the respondent concerning the layout of the questionnaire. However, any researcher can give space for additional comments. Comments are extremely useful of all as these usually can give insightful data that would have not been explored. As mentioned earlier the lack of personal contact and visual clues can affect responses. The only exception is where a questionnaire is asking for factual information, whereas, if the aim is to probe sensitive issues or attitudes the effect is tremendous.
Another drawback is pertinent to the tendency of managers to hand questionnaires to other employees for completion. It must be the person who you intended to fill in the questionnaire to be in fact the one who completed it. Lastly, questionnaires are just not appropriate for all people. For example, poorly educated people might not be able to respond to written questionnaires due to their poor reading abilities. *(Donald and Pamela, 2003)*

5.4 Questionnaire design

Drawing upon the literature in the knowledge use field and the results of personal interviews conducted by myself, I identified several dimensions of the usefulness of ITPs in enhancing the export competitiveness of SMEs in Egypt. The different dimensions of the usefulness scale were operationalized by a set of statements that are to be evaluated on a five point Likert scale, anchored by:

Strongly disagree (1)

Agree (2)

Neutral (3)

Disagree (4)

Strongly agree (5)

asking respondents to agree or disagree.

The questionnaire was developed, revised and accepted by the supervisor. As the native language of Egyptians is Arabic, the questionnaire was translated to Arabic. Subsequent to this all translated statements had to be back translated into English and crosschecked independently by a bilingual expert to ensure that both the Arabic and English version are reflecting the same proposed meaning for each statement.

The questionnaire survey was then piloted. According to Brace (2004), the questionnaire was first piloted on ten of my colleagues at the Arab Academy for Science and Technology in Egypt so as to give an indication about the length of time needed to complete it. Afterwards, it was piloted on 40 Managers to permit for any
last modifications and to ensure there are no overlapping categories or inadequately phrased statements. The piloting helped us a great deal in changing some of the wording of statements.

Some negatively worded statements were included on purpose to minimize the bias resulting from the propensity of respondents to repeatedly circle the points at the one end of the scale. *(Bohlen, 1993a; Sekaran, 2003; Bryman, 2004)*

The one main drawback that has aroused from the piloting stage was the length of the questionnaire. Although it is preferred that questionnaires should be as short as possible, our questionnaire was rather a long one, however it only included closed questions so that respondents can easily respond, as well as, facilitating the coding for subsequent analysis.*(Sekaran, 2003)*

Instead of mailing the questionnaire, the researcher with the assigned research team distributed the questionnaire across Egypt as to be able to introduce the research topic and to ensure the secrecy of the information they will reveal. Due to the nature of Egyptian firms of being reluctant to revealing any information about their own companies as well as being to some extent reluctant to answering mail surveys, this approach helped increase response rates and reduce non-response bias. Moreover, it also allowed for a fast retrieval of questionnaires. (3 months)

**5.4.1 Operationalization and measurement of variables**

*“We use the principle of scaling every day. When we meet people for the first time we try to build a picture for them: we develop impressions about their friendliness, intelligence, trustworthiness and so forth. These impressions rarely rely on one piece of information but are a composite picture based on a number of clues. In survey research, the scale is simply a more formalized and systematic version of the everyday activity. A scale is a composite measure of concept, a measure composed of information derived from several questions or indicators”* *(De Vaus, 2002, p.180)*

Based on this point of view, the scale for the perceived usefulness was derived from the following sources:
1- The objectives of TPOs in general (literature review)

TPOs present themselves as champions to the export community and wish to undertake all kinds of activities. Therefore, it is useful to see what they are doing in theory. According to Jaramillo (1992b) the activities of a TPO can be grouped in:

• Product and market identification and development should be a principle activity. This information should be gathered through intensive contact with exporters and their organizations. It is important to standardize gathered information so that this will be archived. The created archive can contain product, market and company profiles. These profiles can be made by performing company visits, doing desk research and receiving information from commercial attachés. Setting up programs for product promotion, so that more attention can be given to one group of products, should be discussed with the export community. Part of product promotion programs is acquisition of product samples, product adaptation and helping to create company marketing plans.

• Trade information services; this should be another priority activity. Exporters from developing countries have great difficulty gathering information about foreign markets. A trade information service within the TPO can try to improve this. It is important the TPO identifies the information needs of the export community and their need of attention for creating mechanisms that will make data collection, analysis and interpretation easier.

• Specialized support services; another principle activity of TPOs is to provide support services. This comes down to helping exporters to develop international trade knowledge and skills about export procedures, export financing, product quality, packaging, distribution, training and advising policy makers. It is important for a TPO to provide services that are not provided by other institutions, to fill the gap. Policy activities would fall under the category specialized support services.

• Promotional activities abroad; TPOs should also undertake activities abroad. These activities should complement the support that a TPO is already giving to its
exporters. A TPO can help exporters to participate in trade fairs, seller’s missions and other activities like inviting foreign buyers.

This categorization is also used by Giovannucci (2000). It is seen as the task of a TPO to select activities that are most beneficial to the export community that they are serving. Besides the wishes of the export community, a TPO also needs to consider the availability of resources, the nature and degree of diversification of potential export products and the characteristics of the potential market.

For a TPO in a developing country that is functioning in a complex trade support network selecting activities, like policy activities, to undertake is extra difficult.

Keesing and Singer (1992) further mention explicitly that it should not be a TPOs task to establish a dialogue between the public and private sector. A TPO is usually not a good way to receive feedback from the business community. Because TPOs are often public organizations that are funded by the government they will not be too critical. A public TPO should not be the sole provider of a service.

Giovannucci (2000) provides the following general definition

“A trade promotion organization is ‘a facilitative agency whose function is to promote and stimulate trade primarily by providing information, linkages, technical advice, marketing and policy advocacy.’” (Giovannucci, 2001, p. 1)

2-Observation and analysis of the organization’s goals and objectiveness through personal observation and Analysis of the brochures and Websites of the GTPnet and International trade points in Egypt

3-The outcome of the in-depth semi-structured interviews with Managers of ITPs based on their perception of the ITP’s goals and their beliefs about variables related to the achievement of these goals.

4-The outcome of the semi-structured interviews with managers of SMEs to indicate if the services claimed to be offered by ITPs are available in reality to SMEs.

To reach the goal of operationalization of suggested criteria for evaluating the usefulness of trade points in Egypt, variables were grouped into 6 dimensions. In this
context a collection of statements is considered as indicative of one single
dimension. They are to be considered as one bundle in forming perception of the
organization in terms of that explicit dimension. Perception of the overall usefulness
is based on the combined dimensions.

These sources helped in developing six folders that capture the entire usefulness
domain. To be able to know more about obstacles facing SMEs while exporting, a
set of obstacles were included to be evaluated on a likert scale from

The questionnaire thus included two main constructs. The first construct comprised
the perceived usefulness measured by 6 folders corresponding to the main areas of
expertise offered by ITPs.

These are:

1- The development of export awareness
2- Provision of trade related information.
3- Provision of trade facilitation services
4- Provision of Electronic Trading Opportunities (ETOs).
5- Facilitating the establishment of Small and medium sized enterprises.
6- The dissemination of e-commerce concepts and applications.

The second construct included questions on the obstacles faced by SMEs while
trying to export as well as some characteristics related to the firms included in the
study such as their size, sector of operation, stage of export involvement, their
attitude towards Trade promotion organizations. The study variables, their
conceptual definitions which identify the scales used to measure them are presented
in the following tables.

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<tr>
<th>Conceptual definition</th>
<th>Operational definition</th>
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<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>1. Development of export awareness.</td>
<td>The scale for this item consists of 13 statements reflecting the perception of SMEs of how well Trade points helped them in arousing their awareness of the importance of exporting. These statements were derived from the brochures, websites of trade points as well as the outcome of semi structured in depth interviews.</td>
</tr>
<tr>
<td>(To what extent are trade points capable of developing export awareness among SMEs in Egypt)</td>
<td></td>
</tr>
<tr>
<td>1. The ITP helped you in acknowledging the benefits of exporting</td>
<td>1. The ITP helped you in acknowledging the benefits of exporting</td>
</tr>
<tr>
<td>2. You have been contacted by several means (telephones, e-mails..) to develop your awareness of benefits of exports</td>
<td>2. You have been contacted by several means (telephones, e-mails..) to develop your awareness of benefits of exports</td>
</tr>
<tr>
<td>3. As a non-exporter you have been encouraged to start engaging in exporting. You have been sent guiding brochures to develop your export awareness.</td>
<td>3. As a non-exporter you have been encouraged to start engaging in exporting. You have been sent guiding brochures to develop your export awareness.</td>
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<tr>
<td>4. You have been invited to participate in conferences and seminars highlighting and discussing the benefits of exporting.</td>
<td>4. You have been invited to participate in conferences and seminars highlighting and discussing the benefits of exporting.</td>
</tr>
<tr>
<td>5. You have participated in conferences and seminars highlighting and discussing the benefits of exporting.</td>
<td>5. You have participated in conferences and seminars highlighting and discussing the benefits of exporting.</td>
</tr>
<tr>
<td>6. You have been offered to take part in training courses on the different aspects and procedures of the exporting process.</td>
<td>6. You have been offered to take part in training courses on the different aspects and procedures of the exporting process.</td>
</tr>
<tr>
<td>7. As an already existing exporter you have been encouraged to explore new markets and new export opportunities.</td>
<td>7. As an already existing exporter you have been encouraged to explore new markets and new export opportunities.</td>
</tr>
<tr>
<td>8. Based on the development of your export awareness you have started incorporating exporting as an integral part of your company’s strategy.</td>
<td>8. Based on the development of your export awareness you have started incorporating exporting as an integral part of your company’s strategy.</td>
</tr>
<tr>
<td>9. You have been sent guiding brochures to develop your export awareness.</td>
<td>9. You have been sent guiding brochures to develop your export awareness.</td>
</tr>
<tr>
<td>10. You have participated in training courses on the different aspects and procedures of the exporting process.</td>
<td>10. You have participated in training courses on the different aspects and procedures of the exporting process.</td>
</tr>
<tr>
<td>11. If it wasn’t for the ITP you would have not been able to recognize and identify the benefits of exporting to your enterprise.</td>
<td>11. If it wasn’t for the ITP you would have not been able to recognize and identify the benefits of exporting to your enterprise.</td>
</tr>
<tr>
<td>12. Training courses are well organized and add value to your export personnel, in terms of gaining knowledge on how to carry out international transactions and handle export procedures and documentation.</td>
<td>12. Training courses are well organized and add value to your export personnel, in terms of gaining knowledge on how to carry out international transactions and handle export procedures and documentation.</td>
</tr>
<tr>
<td>13. Due to your export awareness you have set a clear and detailed export plan.</td>
<td>13. Due to your export awareness you have set a clear and detailed export plan.</td>
</tr>
<tr>
<td>2. Provision of trade related information. (To what extent are trade points capable of providing up to date, accurate, useful and reliable information.)</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
</tr>
<tr>
<td>The scale for this item consists of 17 statements reflecting the perception of SMEs of how well Trade points helped them in acquiring trade related information. These statements were derived from the brochures, websites of trade points as well as the outcome of semi structured in depth interviews.</td>
<td></td>
</tr>
<tr>
<td>14. Through the ITP you can get information on the recent international trade agreements.</td>
<td></td>
</tr>
<tr>
<td>15. Through the ITP you can get information on foreign trade laws and regulations as well as means of promoting Egyptian exports.</td>
<td></td>
</tr>
<tr>
<td>16. Through the ITP you can get information on international trade statistics.</td>
<td></td>
</tr>
<tr>
<td>17. Through the ITP you can get information on local and foreign economic indicators.</td>
<td></td>
</tr>
<tr>
<td>18. Through the ITP you can get information on tariffs and customs procedures and regulations.</td>
<td></td>
</tr>
<tr>
<td>19. Through the ITP you can get information on transportation services, and their prices.</td>
<td></td>
</tr>
<tr>
<td>20. Through the ITP you can get information on the different quality standards and product specifications for exported goods.</td>
<td></td>
</tr>
<tr>
<td>21. Through the ITP you can get information on packaging and packing standards.</td>
<td></td>
</tr>
<tr>
<td>22. Through the ITP you can get information on different banks and the services they provide to exporters.</td>
<td></td>
</tr>
<tr>
<td>23. Through the ITP you can get information on the credit availability for exporting.</td>
<td></td>
</tr>
<tr>
<td>24. Through the ITP you can get information on international prices for the different commodities for you to be able to set competitive prices.</td>
<td></td>
</tr>
<tr>
<td>25. Information provided through the <a href="http://www.eitpmart.com.eg">www.eitpmart.com.eg</a> is always up-to-date and accurate.</td>
<td></td>
</tr>
<tr>
<td>26. Information provided is always reliable.</td>
<td></td>
</tr>
<tr>
<td>27. All information you acquire is beneficial to your enterprises in the different stages of the exporting process.</td>
<td></td>
</tr>
<tr>
<td>28. The reply to your enquiries is prompt and fast.</td>
<td></td>
</tr>
<tr>
<td>29. The responsible staff is highly competent in delivering the needed information.</td>
<td></td>
</tr>
</tbody>
</table>
30. You can always ask for customized information or studies specially tailored for your enterprise.
31. The reliability and credibility of the information provided is low.

| 3. Provision of trade related services | The scale for this item consists of 13 statements reflecting the perception of SMEs of how well Trade points helped them in facilitating the procedures related to the exporting process. These statements were derived from the brochures, websites of trade points as well as the outcome of semi structured in depth interviews.

**Marketing services**

32. The ITP helped in creating a good business image for you enterprise and products on the local and international level.
33. The ITP helped you in promoting your products through electronic networks.
34. The ITP did not offer you assistance in promoting your products through electronic networks.
35. The ITP helped you in promoting your products through participating in international fairs.
36. The ITP helped you in promoting your products through the distribution of your electronic catalogues in the international conferences it participates in.
37. The ITP has conducted a customized market research for you to identify your target customers and heir needs.
38. The outcome of the market research conducted for you is not useful.
39. The ITP helped you in penetrating unfamiliar foreign markets.
40. Due to the existence of ITPs, you do not need to obtain foreign representation or set up foreign branches.
41. Due to the effectiveness of ITPs services, your costs of international marketing have been lowered.

**Financial services**

42. ITPs helped you in locating adequate sources of export financing.
43. The ITP sometimes act as an intermediary between you and the creditors.
44. Your transaction costs are lowered due to the usefulness of the free-of-charge services provided by ITPs.

**Procedural services**

45. The ITP offered to translate all official letters and documents related to exporting.

46. The ITP helped you in the preparation of business letters and contracts related to exporting.

47. The ITP helped with the customs clearance procedures.

48. The ITP is not efficient in saving costs and time to finish all procedures related to exporting.

| 4. Provision of electronic trading opportunities (The extent to which Trade points are capable of providing the adequate electronic exporting opportunities needed for SMEs to reach foreign markets) | The scale for this item consists of 9 statements reflecting the perception of SMEs of how well Trade points helped them in acquiring electronic trading opportunities through their electronic network. These statements were derived from the brochures, websites of trade points as well as the outcome of semi structured in depth interviews.

49. The ETOs are published on the ITP’s Website and updated regularly.

50. The ETOs are classified according to the well identified sectors.

51. You are regularly updated on new ETOs through e-mails, fax or SMS dissemination.

52. The ITP provides an electronic database of local and international companies classified according to the different commodity sectors.

53. ETOs offered through the ITP are accurate and true.

54. The ITP personnel follow up with you on the opportunities till they are concluded.

55. Published ETOs are translated into the Arabic language as well.

56. The ETO system operated by the ITP is well organized and adequately managed.

57. You have engaged in ETOs that otherwise wouldn’t have been possible for you to reach.

58. You can always refer to the ITP if any problems arise while concluding an export opportunity.

59. The ITP is always capable of resolving problems and obstacles arising while dealing with the foreign companies. |
| 5. Facilitating the establishment of Small and medium sized enterprises (The extent to which Trade points are capable of facilitating the establishment of new SMEs while helping them overcome major procedural obstacles) | The scale for this item consists of 5 statements reflecting the perception of SMEs of how well Trade points helped them in their establishment procedures. These statements were derived from the brochures, websites of trade points as well as the outcome of semi structured in depth interviews .

60. The ITP helped in preparing the feasibility study for your enterprise through the provision of economic data and studies.

61. The ITP helped through facilitating all the necessary legal and administrative procedures for establishing your enterprise.

62. The ITP helped you in identifying the best offers for production equipment and supplies.

63. The ITP helped you in identifying sources of financing the establishment of your project.

64. The ITP provided you with essential information on the new industrial zones and the benefits of locating your enterprise in them. |
|---|---|
| 6. Dissimination of the concept of e-commerce and its applications. (The extent to which Trade points are capable of disseminating information to SMEs about the importance of e-commerce and its future applications to help them in penetrating foreign markets) | The scale for this item consists of 9 statements reflecting the perception of SMEs of how well Trade points helped them in understanding the importance of e-commerce and its applications. These statements were derived from the brochures, websites of trade points as well as the outcome of semi structured in depth interviews .

65. Through the ITP you realized the meaning of the concept of e-commerce and its implications for the new era.

66. The ITP helped you in establishing a homepage for your company that is linked to the ITP’s website.

67. The ITP helped you in establishing an e-mail for your company that is being hosted at their website till you started applying the latest communication technology.

68. You have been invited to participate in the training workshops for introducing the applications of e-commerce.

69. You have participated in workshops introducing the applications of e-commerce. |
70. You have gained adequate knowledge of the benefits of engaging in e-commerce.

71. You started integrating e-commerce applications in your export activities.

72. You have registered your company on the electronic trading market established by the ITP.

73. You have used the help of ITP in establishing your electronic catalogue.

74. Electronic catalogues are easily accessible on-line at any time for all local and international companies.

75. You have used the Electronic Trading market to buy some products.

76. You have used the Electronic Trading market in selling your products.

77. You have used the Electronic Trading market in selling your products through bidding.

Table 5.2 Perceived usefulness of international trade points

In addition to the previously mentioned construct of the perceived usefulness of ITPs, another folder was added to reflect the obstacles faced by SMEs while trying to enter foreign markets. These were listed for SMEs to rate their degree of severity for them on a likert scale from 1 (very severe) to 5 (not severe at all).

Finally some questions were added to describe the firm characteristics as follows:
| X1: Linkage to multinational corporations | Measured in terms of 
| | 1= low connection 
| | 2= moderate connection 
| | 3= high connection 
| X2: Application of latest communication technology (usage of latest internet and software application) | Measured in terms of 
| | 1= low application (technology) 
| | 2= moderate 
| | 3= high 
| X3: the Attitude of SME towards Trade Promotion Organizations | It is an ordinal variable measured in terms of 
| | 1= negative(I do not use their services because it is useless) 
| | 2= neutral (Not interested in dealing with them) 
| | 3= positive (I am a keen user of their services, due to their major importance as a catalyst for export promotion) 
| X4: The current stage of export development | It is an ordinal variable measured in terms of 
| | 1= intender 
| | 2= sporadic 
| | 3= regular 
| X5: The experience of the Manager in exporting | 
| | 1= low 
| | 2= moderate 
| | 3= high |
X6 The export intensity
1= less than 20% (limited)
2= 20%-40% (moderate)
3= More than 40% (extended)

X7 The sector of the firm
1= agricultural
2= intermediate
3= manufacturing

X8 The location
1= south of Egypt
2= central
3= north

X9 The size of the enterprise based on the number of employees
1= small enterprise (< 50 employees)
2= medium enterprise (50<x<250 employees)
3= large enterprise (>250)

5.5 Research hypotheses:

The following research hypotheses have been developed to answer the 8th question of our research questions.

First Hypothesis:

H1) Firm related characteristics will have a significant effect on their perceived usefulness of ITPs.

According to literature, we can articulate that Gencturk and Kotabe (2001) argued that export promotion services would not necessarily result in increased firm exports. Moreover, they further observed firm characteristics as affecting its knowledge and usage of Export promotion activities.
This hypothesis can be split into the following:

**H1a) The size of the firm will affect its perceived usefulness of ITPs**

One of the determinants of export performance is the firm size. Several empirical studies have been conducted to demonstrate the impact of an organization's size on its export success. *(Kasikas and Morgan 1993, Cooper and Kleinschmidt, 1985; Kledia and Chokkar, 1986).*

These studies concluded that size has a positive impact on exporting. Larger firms are more likely to be committed and effective exporters. Contrary to this, **Aaby and Slater (1989)** reported conflicting findings as they concluded that it is not only size that determines export performance, it has to be concurrent to financial strength and variables related to economies to scale.

**Howard and Borgia (1990)** concluded that small firms and large firms are different with respect to their perceived difficulties to exporting, perceived usefulness of different export support organizations as well as their perceived helpfulness of various government agencies.

Thus we can say that being more at a disadvantage when it comes to exporting, smaller firms tend to perceive International Trade points to be more useful than larger firms.

**H1b) The sector of the firm will affect its perceived usefulness of ITPs.**

Sometimes the government programs of export promotion are directed towards some sectors rather than others. So firms in sectors rarely targeted by the government tend to perceive ITPs to be more useful than other firms.

**H1c) The location of the firm will affect on its perceived usefulness of ITPs.**

Firms in remote disadvantaged locations in the country tend to perceive ITPs to be more useful than other firms located near the major cities or newly industrialized zones.
**H1d)** *The e-readiness of the firm will affect its perceived usefulness of ITPs.*

The more the firm is aware and applying the latest means of communication technology, the higher its perceived usefulness of ITPs will be.

**Second Hypothesis**

**H2** *The measures of export development of the firm have a significant effect on their perceived usefulness of ITPs.*

**H2a)** *The export involvement stage of the firm will affect its perceived usefulness of the ITP.*

The more the firm is involved in exporting, the higher its perceived usefulness of ITPs will be.

**H2b)** *The export intensity of the firm will affect its perceived usefulness of the ITP.*

The higher the intensity of exporting the firm has, the higher its perceived usefulness of ITPs will be.

**H2c)** *The linkage of the firm to MNCs will affect the firm’s perceived usefulness of the ITP.*

According to the empirical literature, countries that possess a solid base of SMEs that have active linkages with large enterprises have achieved high export growth rates. Conversely, countries that have not been able to develop such linkages have experienced low export growth rates *(El-Gamal et al, 2002).* Thus we can argue that, the more the firm is actively linked to large enterprises, the higher its perceived usefulness of ITPs will be.

**H2d)** *The attitude of the firm towards TPOs will affect its perceived usefulness of ITPs.*

Some firms have a negative attitude towards the use of TPOs in general. The more the firm has a positive attitude towards TPOs, the higher its perceived
H2e) The experience of the manager of the firm in exporting will affect its perceived usefulness of the ITP.

The more experience the manager of the firm has, the higher its perceived usefulness of ITPs.

5.6 Sampling

Quantitative research encounters the problem of determining a sample, which should enable the researcher to generalize the findings to the entire population of the study. In our study to determine the sample that represents our population we had to determine the population.

5.6.1 Population

The population is the pool of units from which the sample is to be chosen. The population of our study is the Egyptian SMEs that have dealt with the different ITPs in Egypt. However, due to the lack of an updated and modernized database of SMEs in Egypt, the process of identifying the pool of the population was difficult.

In order to obtain a database of Egyptian SMEs we contacted the SME unit in the ministry of investment, however they were unable to provide a database of all registered SMEs, all that they provided was a list of organizations that deal with those SMEs. And these in turn were difficult to address because of the possible duplication of SMEs registered in different organizations.

We then addressed the database of the International trade points to be able to determine the SMEs dealing with them. Their database consisted of all registered companies based on the different 21 commodity sectors and the different ITPs they deal with.

Based on the classification of commodity sectors there was a problem of duplication as some companies are included in more than one commodity sector as they work in more than one commodity sector. So it was more accurate to rely on the classification based on the ITP that they are registered with as each company is only registered once with one sub ITP.
The other issue is that companies are not categorized based on their size, which is an important variable in our study, since we are concerned with SMEs based on the definition of our population. But since that 99.4% of the private sector in Egypt is categorized as SMEs, then again the database of the ITP classification of companies based on the different ITPs they are registered with can be used as our population. Based on the records of the ITP in Cairo we obtained the following:

<table>
<thead>
<tr>
<th>ITP</th>
<th>Registered companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria</td>
<td>1095</td>
</tr>
<tr>
<td>Business men</td>
<td>362</td>
</tr>
<tr>
<td>Beni Sueif</td>
<td>36</td>
</tr>
<tr>
<td>Tanta</td>
<td>149</td>
</tr>
<tr>
<td>Asiut</td>
<td>379</td>
</tr>
<tr>
<td>10th of Ramadan</td>
<td>457</td>
</tr>
<tr>
<td>Fayoum</td>
<td>165</td>
</tr>
<tr>
<td>Mansoura</td>
<td>350</td>
</tr>
<tr>
<td>Badr</td>
<td>117</td>
</tr>
<tr>
<td>Kafr el sheikh</td>
<td>56</td>
</tr>
<tr>
<td>Port Said</td>
<td>68</td>
</tr>
<tr>
<td>Ismailia</td>
<td>63</td>
</tr>
<tr>
<td>Menia</td>
<td>34</td>
</tr>
<tr>
<td>Cairo</td>
<td>494</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3825</strong></td>
</tr>
</tbody>
</table>

Table 5.3 Companies registered at International Trade Points
According to the previous table, the sampling frame from which a representative sample can be withdrawn consists of 3825 companies in 14 different sub ITPs.

In order to ensure that there was no inherent ordering in the sample frame, to avoid bias in the sampling frame, units were selected from the 14 sections of the sampling frame, generating a representative stratified systematic sample. In order to reach the generated stratified systematic sample we used a sample size of a fraction of 20% of the units in each category. We then sampled every 10th units of each section starting from a random number from 1 to 10. This ensures that the data chosen are spread over each stratum.
<table>
<thead>
<tr>
<th>ITP</th>
<th>Registered companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria</td>
<td>1095 * 20% = 218</td>
</tr>
<tr>
<td>Business men</td>
<td>362 * 20% = 72</td>
</tr>
<tr>
<td>Beni Sueiff</td>
<td>36 * 20% = 8</td>
</tr>
<tr>
<td>Tanta</td>
<td>149 * 20% = 30</td>
</tr>
<tr>
<td>Asiut</td>
<td>379 * 20% = 76</td>
</tr>
<tr>
<td>10th of Ramadan</td>
<td>457 * 20% = 96</td>
</tr>
<tr>
<td>Fayoum</td>
<td>165 * 20% = 32</td>
</tr>
<tr>
<td>Mansoura</td>
<td>350 * 20% = 70</td>
</tr>
<tr>
<td>Badr</td>
<td>117 * 20% = 24</td>
</tr>
<tr>
<td>Kafr el sheikh</td>
<td>56 * 20% = 12</td>
</tr>
<tr>
<td>Port Said</td>
<td>68 * 20% = 14</td>
</tr>
<tr>
<td>Ismailia</td>
<td>63 * 20% = 12</td>
</tr>
<tr>
<td>Menia</td>
<td>34 * 20% = 6</td>
</tr>
<tr>
<td>Cairo</td>
<td>494 * 20% = 98</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3825</strong> * 20% = 764</td>
</tr>
</tbody>
</table>

Table 5.4 Stratified systematic random sample of the different sections
5.7 Statistical analysis

The statistical package for social sciences (SPSS) was used for the statistical analysis. Descriptive statistics, Factor analysis, Cronbach alpha (reliability measure), analysis of variance (ANOVA), and correlation analysis were the statistical techniques used in the quantitative study:

Descriptive analysis: was used to provide insights into the sample structure, demographic characteristics of the responding firms.

Factor analysis was used as an explanatory analysis during the early stages of analysis to explore the inter-relationships among a set of variables.

Cronbach alpha was used to measure the reliability of the scales developed in the survey instrument.

Correlation analysis was used to test correlation between variables. It describes the strength and direction of relationship or association between the specified measures of ITP usefulness and characteristics of the firms.

Regression analysis was used is used to develop the regression model which defines the relationship between two variables and help the researcher estimate the value of the dependent variable based on a selected value of the independent variable.

5.8 Conclusion of chapter

This Chapter gives a thorough discussion of the survey methodology, thus describing the different phases, qualitative and quantitative, in details. The main research questions were developed and attributed to the different levels of analysis needed to answer them. To sum up, here are the main questions.

How effective are International trade points in enhancing the export competitiveness of Small and Medium Sized Enterprises in developing countries? To what extent are these trade points perceived to be useful by Small and Medium Sized Enterprises? Do firm characteristics affect their level of perception of International Trade Points’ usefulness?
It has been pointed out that the research will use a mixed method methodology. Mixed methods strategy allows for incorporating quantitative and qualitative data collection techniques and analysis. Neither quantitative nor qualitative methods are sufficient enough to explore and explain the trends and details of the any given phenomena. However, using them together would convey a more absolute analysis.

The sequential mixed model consists of two separate phases: a qualitative phase which includes semi-structured in-depth interviews with the Managers of the headquarter, selected sub-International Trade Points as well as Managers of SMEs. This is then followed by the quantitative phase which includes a large scale questionnaire based survey.

The main purpose of this research design is to use the findings of the qualitative methods to develop the instrument (questionnaire). In order to understand how firms perceive International trade points to be useful, a quantitative research questionnaire have been developed.

Statements were grouped into a number of dimensions. In this context the statements grouped together are indicative of one single dimension and are considered together to form an impression of the organization in terms of that dimension. He overall Judgments of usefulness are based upon the composite of these dimensional measures.

The questionnaire thus included two main constructs. The first construct comprised the perceived usefulness measured by 6 folders corresponding to the main areas of expertise offered by ITPs. The second construct included questions on the obstacles faced by SMEs while trying to export as well as some characteristics related to the firms included in the study such as their size, sector of operation, stage of export involvement, their attitude towards Trade promotion organizations. This construct included the independent variables that may have an impact on the firm’s perceived usefulness of International trade points.

The hypotheses to test the relationship between the independent variables and the perceived usefulness index have been developed. With a population of 3825
Egyptian SMES registered with Egyptian International trade points, a stratified sample of 764 companies were selected.

Finally, a self completion questionnaire was the essential mode of administering the survey, where the respondents were asked to complete the questionnaire themselves. The last point discussed in the Chapter was the different statistical techniques used. SPSS was used for the statistical analysis. Descriptive statistics, Cronbach alpha as a reliability measure, correlation analysis, explanatory factor analysis and analysis of variance (ANOVA) were the statistical methods chosen for various results needed.
Chapter 6

Qualitative data analysis and results

6.1 Introduction

This Chapter includes the results of the qualitative analysis of the study. The study includes two sequential phases: a qualitative phase including semi-structured interviews and a quantitative phase including the structured questionnaire based survey.

The Chapter starts with a thorough analysis of the findings of the qualitative phase of the study. Semi-structured interview outcomes on both the international trade point level and SME level are reflected upon and responses of managers of ITPS and the selected sample of SMEs are assessed based on their past expertise and experience.

The first phase of qualitative research is conducted to give a broad view of how ITPs are functioning, their structure, services provided and their achievement in promoting exports of SMEs in Egypt. The main aim is to explore the means by trade point managers assess the usefulness of the services they provide to SMEs, and the main obstacles they face.

In the second phase, the interviews with the managers of SMEs are aimed to explore the assessment of SMEs of usefulness of services provided by ITPs. The findings of the qualitative phase have provided the researcher with the relevant information required to conduct the quantitative research and develop a structured questionnaire survey that captures the usefulness of International trade points.

6.2 Qualitative data analysis

The qualitative phase included two sequential phases, that included semi-structured in depth interviews. The first phase started with interviews with the main Head of the International trade point at the Head office in Cairo. The interview was conducted by the main researcher.
6.2.1 The first interview phase (at International Trade Points)

The main objective of this phase was to explore the main objectives and targets of international trade points in Egypt, to better understand their role, organizational structure and achievements concerning the promotion of exports of SMEs.

In this section I was concerned with finding out the assessment of trade point managers regarding the usefulness of the services they provide to SMEs.

To this end I approached the main Head of the International trade point at the Head office in Cairo. Following this interview, 6 semi-structured interviews were conducted with the managers of sub-trade points. Purposive sampling was used during this phase, as to better capture the situation from sub-trade points in main governorates as well as newly industrialized zones.

The interviews were conducted with the managers of the following sub-points; Alexandria, Mansoura, 10th of Ramadan, Port Said, Menia, Businessmen.

These 6 were chosen as they have the largest number of companies registered with them, so they will have a more comprehensive response to our questions. The interviews were conducted by me, the main researcher. All interviews were semi-structured interviews. A set of pre-determined questions was used to better the course of the interview, although several other points and issues were raised by the interviewees. Findings of these interviews are illustrated in the following section.

The different points raised are:

**Organizational structure**

The responses of interviewees indicate that The International Trade Point in Egypt is a governmental organization. It is an affiliate of the Ministry of industry and international trade.

The Head of the ITP reports directly to the Minister of industry and international trade. The ITP has to comply with all the regulations of the Ministry and they lack autonomy in decision making as all decisions have to be referred back to the Minister first and this process is a prolonged one in a developing country like Egypt, where bureaucracy is very much inherent in the governmental system.
The Managers of the sub trade points all agreed that lacking Autonomy hinders the ITP from effectively accomplishing its tasks and realizing its objectives in a constantly changing business environment and the rapidly changing needs and wants of their customer companies.

Here are some supporting Quotes;

‘we need to go back to the main office to take any decision’

‘there is no flexibility or set rules to act upon when any unexpected enquiry is received from our clients.

‘All problems arising from concluding business opportunities are dealt with in Cairo’

**Financing and allocated budgets**

Based on the respondents, the only source of finance is public funds. The ITP is allocated a budget yearly from the Ministry of international trade. All the services they provide to the companies are not priced and there is no membership fee for registering in the database.

Thus the sources of financing are limited and there is limited if no flexibility for expanding the budget allocated for the trade point.

This leaves the trade point with inadequate budget again not sufficient to provide the services they offer in the most efficient way, or to be equipped with the up-to-date adequate computers and office supplies and efficient and trained personnel to manage the work. All respondents communicated their frustration in getting insufficient funds to better equip themselves and provide more effective services.

There is a lack in qualified personnel, and due to limited budgets adequate training is not provided. They argued that little attention is given by the government, despite the awareness of the ministry of all these shortcomings.
Some supporting quotes:

‘We do not have any adequate up to date facilities to communicate with our clients’

‘Our office is equipped with out dated equipment, old computer and computer software’

‘The internet is absent in our office’

‘No trained personnel to use video conferencing facilities’

‘Our database is not updated frequently’

‘Salaries are very low, and no training or courses are provided’

‘Young employees do not want to work for us’

**Bureaucracy and centralization of decision making**

There is a lack of flexibility to make any changes or take any decisions. All major decisions are centralized in the sense that they have to be referred to the Minister. There is no room for the Manager of the organization to act or take decisions in any unexpected situations. This in turn is reflected in the delegation of authority in sub-trade points. There is high degree of centralization and lack of autonomy in decision-making and employees do not have the adequate power and authority to take appropriate decisions.

The top management in Cairo has strong control over all sub-trade points. In other words centralization of decision making is adversely affecting the flexibility of ITPs in providing its services to registered companies.

In addition to this bureaucracy and excessive formalization of procedures in form of extensive paper work and detailed procedures have to be followed in delivering even the slightest simple services to companies.

Some supporting quotes;

‘Although we should rely more on electronic communication, our clients still have to come to our office with their enquiries’
‘I feel customers do not want to deal with us due to extensive paper work and routine procedures’

‘Companies lack trust in us’

**Services and objectives of ITPs**

According to the ITP managers, they all agreed that the main differences between ITPs and traditional TPOs lie in:

- Providing electronic trading opportunities through the electronic market www.eitpmart.co.eg
- Targeting SMEs specifically
- Wide Coverage of all Egyptian governorates
- Linkage to the WTO and ITC

Being a governmental organization

It is quite clear that the Egyptian government is in favour of trade and communication liberalization. Most of the governmental bodies are working hard to attract investments and provide the adequate infrastructure. It was argued that Export promotion is ranked top on the government's agenda, as it provides a main source of foreign currency. It helps in reducing the trade deficits as the imports of the country are soaring.

Although there are some pitfalls discussed that arise due to being a governmental organization. This ownership mode has its advantages in a developing country as Egypt. Being a governmental organization, the ITP has the official guarantee to get all needed trade information that they could pass to the companies. Information provision is a very valuable service provided by the ITP. And if not a governmental organization the ITP would not be able to have access to sensitive and up-to-date information.

Another issue is the trustworthiness of the organization. In a country developing as Egypt, having the support of the government gives the organization its creditworthiness and trustworthiness in the business environment.
It is also important to mention that it is far easier to settle dispute cases arising from trading opportunities concluded through the trade point because of the authority and linkage to different governmental bodies. These disputes would not have been resolved if it was a private organization as in other countries. Its public nature gives the ITP its legitimacy in the Egyptian market. Having mentioned all those benefits of being governmental, it was only fair to ask about any shortcomings they suffer from.

**Challenges and constraints**

There was anonymous agreement that the main constraint is a financial one. There is a consistent lack of sufficient financial resources needed to meet the preset targets and objectives. There is a considerable shortage in finance to better equip the offices, train employees and competitively compensate them. Highly skilled personnel are not attracted to work as they are offered very low salaries.

This again adversely affects the ITP and results in poor performance as well as lack of well trained staff. Not only this, but there is the problem of overstaffing. Due to being a governmental organization it is not possible to get rid of unneeded redundant staff. According to the new laws of employment in Egypt, employees are offered jobs on yearly contracts for a specified number of years.

Despite all the previously mentioned problems and constraints and the electronic nature of ITPs they are expanding.

Here are some quotes;

‘Expansion is important as direct contact is still the most effective means of communication. Customers prefer to come in direct contact with our employees.’

‘Most of the clients are small companies that still lack adequate electronic communications facilities.’

The managers agreed that they try to help them to make a better use of the latest communication technologies. So being present in different locations and especially in newly industrialized zones gives ITPs more scope to reach out for more disadvantaged small enterprises in respect to their export readiness and competitiveness.
In an attempt to explore the Managers’ perception of how successful they are in achieving their targets and objectives, they seemed to be more positive towards their accomplishments.

Here are the quotes

“We managed to achieve a lot in the last few years.”

“The number of registered companies has increased. We receive many more enquiries now.”

“We have a wider coverage of remote areas. In addition the number of successful completed electronic trading opportunities.”

"We do have a weakness in lacking adequate statistics to measure our performance. But we are planning to prepare quarterly reports of our achievements and progress. We are setting quantifiable targets that are to be reviewed on a regular basis"

Despite this overwhelming positive response, they all agreed that they never conducted a thorough assessment of their clients ‘needs, nor did they have done a user satisfaction survey. They even lacked a plan to promote and market the services we provide. There is a complete marginalization of SMEs point of view in assessing the usefulness of the services they provide and the effectiveness of ITPs in achieving their objectives.

Introducing membership fees to provide additional funding to the trade point and to improve its credibility and trustworthiness was suggested by 4 of the respondents. From their point of view, this would also reduce the number of inactive registered members that are not in need of the services provided.

In addition to these creating single windows in collaboration with other governmental and private trade promotion organizations is considered to be an important step towards the enhancement of the quality of services provided to SMEs and eliminate duplication in the promotion services.
6.2.2 The second interview phase (with SME managers)

The second phase of the Qualitative part of this study was in-depth interviews with a sample of SME managers that are registered with ITPs.

The main objective of this phase was to explore the perception of SMEs of trade promotion services in Egypt and those of International trade points in particular, their attitude towards the importance of trade promotion organizations and to what extent do they consider International trade points to be different and unique in the services they provide.

It was attempted to explore how SMEs find such form of trade intermediation useful in their process of venturing foreign markets and boosting their export competitiveness.

A convenience sampling method was adopted to select participants. Companies that have been dealing with ITPs for more than 5 years were chosen to be contacted, because this time scope would have given them the chance to have a complete picture of the different aspects of International trade points. A total of 100 requests were sent to potential participants, which have resulted in a total of 22 respondents agreeing to be interviewed.

The following table illustrates their profile:

<table>
<thead>
<tr>
<th>Size of firm</th>
<th>Sector</th>
<th>Location</th>
<th>Export Development stage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufacturing</td>
<td>Agriculture</td>
<td>Textiles</td>
</tr>
<tr>
<td>Small</td>
<td>7</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>medium</td>
<td>8</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Large</td>
<td>7</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 6.1 The profile of the enterprises of interviewed managers
While convenience sampling has the advantage of obtaining a large number of respondents fairly easily, this was not the case in this present study. The response rate was quite low (22%). This could be attributed to the fact that Managers of companies in Egypt are fairly reluctant to reveal any information about their companies.

From the table above, it is obvious that I have tried to include different Managers of different companies in this phase so that the findings will be to some extent representing a wide base of diverse companies.

The interviews were conducted by myself, the main researcher. All interviews were semi-structured interviews. A set of pre-determined questions was used to better the course of the interview, although several other points and issues were raised by the interviewees. Findings of these interviews are illustrated in the following section.

The following table illustrates their profile:

<table>
<thead>
<tr>
<th>Manager</th>
<th>Age group</th>
<th>Gender</th>
<th>Educational level</th>
</tr>
</thead>
<tbody>
<tr>
<td>firm of size</td>
<td>number of cases</td>
<td>&lt;30</td>
<td>30&lt;x&lt;45</td>
</tr>
<tr>
<td>Small</td>
<td>7</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Medium</td>
<td>8</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Large</td>
<td>7</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

**Table 6.2 The characteristics of interviewed managers**

The key points raised are:

**Attitude towards TPOs**

Trade promotion organizations are operating in Egypt since decades, they offer different services and assistance for companies to enhance their export competitiveness and ability to engage in exporting. Companies, which are the end user of such a service, have different and quite contradicting views towards TPOs.
Some find them useful and essential during the process of exporting, other find them a waste of resources and many are sceptic to deal with them.

Based on our interviewees we received opposing views, some of these views were,

‘I am a keen user of their services, due to their major importance as a catalyst for export promotion.’

‘I deal with them when I need their services only’

‘I rarely deal with them’

‘I do not use their services because it is useless’

‘I don’t deal with them because I do not wish to disclose any information about my enterprise’

‘I do not wish to deal with them due to the negative feedback I get from references’

**Perception of role of TPOs in Egypt**

In order to understand participants’ perception about the role of TPOs in Egypt and to assess the extent to which they are aware of different services offered by them a question about what comes to their mind when they hear TPO was asked. The majority of participants (15 out of 22) agreed on different roles that should be played by those organizations.

Trade facilitation was the first service mentioned, followed by providing useful and up-to-date information that companies could not access, acting as an intermediary between companies and foreign traders and helping them find sources of financing to their exports. Participants explained that they would like TPOs to focus on helping them overcome the major obstacles they face when trying to venture foreign markets. The main barriers to exporting SME managers face while exporting can be summarized as follows:

- The inability to market their products in the international market.
- Lack of knowledge of international markets, their needs and product specifications.
- The inability to reach any export opportunities and difficulty to reach target importers.
- The complexity of regulations and administrative procedures in Egypt to export the products.
- The lack of export financing
- The inability to produce according to the international standards for product specifications
- The Lack of qualified personnel to handle exporting procedures.

Perception of International trade Points versus traditional TPOs

The digital economy has, for all intents and purposes, created a whole new world for the trade promotion organizations. In many respects, the TPO is in much the same situation as its clients: it is now facing a new business proposition, and must respond with speed and efficiency, innovation and flexibility.

The digital economy is, in fact, requiring Trade promotion organizations and most specifically national trade promotion organization, to recreate, itself. The TPO must now cater to a growing client base, assist enterprises, which, through the Internet, now see the potential of the international market place and have a communications and business tool with which to develop this potential.

In addition to this they should change the content of their support through the provision of clients with advice on e-trade, e-markets and Internet marketing and develop its own e-awareness, e-competency and e-promotion programs. They should develop databases on clients and their needs/demands and create client feedback possibilities on the website. (ITC, 2000)

In this context International trade points are considered to be a new, unique form of TPOs. They only started operating in Egypt since the beginning of the 1990s. In particular, the objective of TPOs trade information services is termed by International Trade Center (ITC), as

“To assist the country’s businesses to explore business opportunities effectively by the provision of targeted market information which results in high levels of customer satisfaction” (ITC, 2001)

Respondents seemed to find no major differences in services provided by ITPs and traditional TPOs operating in Egypt. ITPs advocate that they differ in the sense that
they provide their services through major electronic networks, through providing trade opportunities through the electronic market www.eitpmart.com.eg. This enables companies all over the world to share in developing trade exchange by opening new markets for exchanging services and products.

Two of the interviewees weren’t aware of how this market place operates,

Here are some Quotes;

‘I never heard of this marketplace before, and I rarely communicate with ITPs using e-mails.’

‘I do not even use email in my business.’

‘ITPs only provide valuable statistical or financial information.’

Other respondents were aware of the existence of this system but rarely had a successful exporting opportunity through this network.

‘I know of this system, it used to work well 3 or 4 years ago but I had only had one trading opportunity before.’

‘I do not trust using such a system.’

‘I lack the skills to use such an advanced system.’

However, other respondents agreed on having undergone successful Electronic business opportunities through this market place.

Here are some quotes;

‘I have had one successful ETO 3 years ago.’

‘I have participated in a workshop through ITP for using and applying E-commerce, and I gained some knowledge concerning its importance. I managed to engage in a successful ETO afterwards.’
Almost all interviewees have used the services of other TPOs operating to enhance their export competitiveness, the major well known and widely used that were mentioned are,

- Chambers of commerce
- Businessmen associations
- The Centre for export development
- Centre for international trade training
- Export development fund
- The association of Egyptian exporters
- Foreign representative offices

Forty percent of the respondents shared the view that Chambers of commerce and the export development fund were among the highly and extensively used by SMEs. These effectively target SMEs and provide them with their necessary and needed services to facilitate exporting for them.

**E-commerce and the e-readiness of SMEs**

Since the digital era demands TPOs to reform themselves at all levels including their operating procedures, structure, client relations and services ITPs. By the same notion, enterprises are confronted with a new requirement and must respond with speed, efficiency, innovation and flexibility. In order to be able to benefit from and exploit new business opportunities in an electronic marketplace, enterprises need to be ready for this shift. Their e-readiness level will provide them with the base for such a tremendous shift.

In an attempt to explore the e-readiness level and awareness among SMEs in Egypt, we discovered that all small companies did lack the basis for participating in the digital economy. They had no e-mails and of course no websites, even their English language is quite poor, as for medium sized enterprises most of them had a website, an e-mail and fast speed internet. However, they were not aware of any laws covering cross border e-transactions between buyers and sellers.
Even large enterprises did lack this knowledge, and despite having been engaged in successful ETOs, they had no idea about regulations specific to Egypt for conducting electronic business.

Here are some Quotes;

‘We are a small company; we do not have a website or an e-mail’

‘Electronic transactions are not common in Egypt and we do not engage in them.’

‘We do not know anything about laws governing electronic commerce.’

‘Electronic trade is not well known for companies we only engage in traditional business.’

‘We use our website only as a marketing tool for our company.’

‘We do not have the financial resources to have our website created.’

‘We only engaged once in an ETO and we do not know anything about rules and regulations governing e-commerce in Egypt’

**Export development and ITPs**

To the surprise of the researcher smaller companies did not tend to benefit much of ITPs. All small companies interviewed had mostly a negative view towards TPOs in general and ITPs in particular. Apart from being mostly intenders, they did not support the fact that ITPs are targeting them efficiently to arouse their export awareness and introduce them to the major benefits they could attain from such a move outside the domestic market.

Here are some supporting quotes from small companies managers;

‘I have never been targeted by ITPs , I was the one trying to register my company due to word of mouth of other companies’

‘I did not attend any seminars organized by ITPs concerning exports and its importance to us.’
However, on the other end of the spectrum, large companies and mostly those regular exporters were very much supportive of ITPs and their services, they seemed to benefit from them as they are already well established as exporters and maybe understand the important role such a TPO may play and the unique services they potentially can provide.

Here are some quotes,

‘I used the services of the ITPs before, and got engaged in 2 successful ETOs’

‘I do think that ITPs offer valuable information to us in the course of our exporting processes

‘I have been contacted many times through e-mails that drew my attention to potential trading opportunities on several occasions.’

6.3 Summary of qualitative phase findings

6.3.1 Summary of findings of the first interview phase:

- There is a high degree of centralization of decision making in the central office. They lacked the required flexibility to act and respond.
- Excessive formalization causes delays in their performance, and this leads to waste of time and resources.
- There is a lack of adequate financial resources to better equip their offices with up-to-date technologies (there is a shortage in computers and office supplies), to provide training to their staff, to organize seminars for their customers, and to market their services in the private sector.
- There is a lack of confidence in their credibility as they are a governmental organization (Due to the lack of confidence between the private sector and the corrupted government in Egypt)

Many of the old sub-trade points mentioned deterioration in the services they provided ever since they have started in 1994. They started off well back then and their performance has dropped dramatically.

They lost their credibility among customers. They do not have a thorough marketing plan nor do they monitor their own performance and achievement of pre-set targets.
Their main strength of the provision of valuable information has faded away, as the intensive coverage and usage of the internet has facilitated the access to information by many small companies. They have also seized their operation in the sense that they reduced the number of conferences, seminars and workshops organized by them for SMEs. According to the researcher's observations, all offices visited were really neglected, and lacked the appropriate presentation.

Stiffs are reluctant to offer any help and support. They lacked an adequate updated database of companies. Even their marketing materials and brochures were outdated and not even available. I do think that the staff lacked the motivation and belief in what they need to deliver to their customers. No set targets are clear for them and the number of interested companies to register with them is going down.

6.3.2 Summary of findings of the second interview phase:

The second phase of the Qualitative part of this study consisted of in-depth interviews with a sample of SME managers that are registered with ITPs. A Convenience sampling method was used. The response rate was quite low (22, which could be attributed to the fact that Managers of companies in Egypt are fairly reluctant and sceptic to reveal any information about their companies. These interviews revealed the following about the Small and Medium sized enterprises’ experience while dealing with TPOs in Egypt and specifically ITPs,

- Participants when trying to define TPOs, mentioned that these are Organizations that offer Trade facilitation services, provide useful and up-to-date information that companies could not access otherwise as well as act as an intermediary between companies and foreign traders and helping them find sources of financing to their exports.

- Respondents seemed to find no major differences in services provided by ITPs and traditional TPOs operating in Egypt. More than 50 percent did not even know of the existence of the electronic market place created by ITPs.

- There has been mixed views about the attitude of companies towards the Trade promotion Organizations, some had a positive view towards their role in the exporting process , whereas others perceived them to be a kind of wasted efforts and resources.
- Small sized companies did not tend to benefit much of ITPs. All small companies interviewed had mostly a negative view towards TPOs in general and ITPs in particular. Apart from being mostly intenders, they did not support the fact that ITPs are targeting them efficiently to arouse their export awareness and introduce them to the major benefits they could attain from such a move outside the domestic market.

- In an attempt to explore the e-readiness level and awareness among SMEs in Egypt, we discovered that all small companies did lack the basis for participating in the digital economy. They had no e-mails and of course no websites, even their English language is quite poor, as for medium sized enterprises most of them had a website, an e-mail and fast speed internet

The feedback and Quotes given by Interviewees gave us general insights and ideas that helped in developing the structured questionnaire needed as an instrument to design a perceived usefulness index for the survey to be carried out in the quantitative phase of the study.
Chapter seven

7.1 Introduction

This chapter includes the analysis and outcome of the quantitative phase that was conducted to construct an index to measure the usefulness level of ITPs from the point of view of SMEs as target customers. To the researcher’s knowledge, it was the first time such a survey has been conducted in Egypt.

To establish a source of information on attitudes to international trade points as a unique form of Trade promotion organizations was the main target of the researcher.

International trade points are considered to be a unique and advanced form of Trade Promotion Organizations that aim at improving the export competitiveness of SMEs in developing countries. To this aim, they are supposed to use the latest communication technology and create an electronic market place, where disadvantaged small firms can easily venture global markets, find trading partners and engage in Electronic trading opportunities.

As there was no set and previously tested index for measuring such perception levels, a factor analysis was undergone. Exploratory research is indicated when a phenomenon is not well known and certainly when there are no reliable and valid quantitative measures developed. (Churchill, 1996)

After reducing data, the factor analysis yielded a 4 factor or component solution which were duly named: Trade facilitation, Information provision, Awareness creation and Electronic matching. Thus the index for measuring the usefulness of ITPs consists of four components, thus separating the main unique service of the International trade points in a separate component named electronic matching.

Using the non-parametric test of Friedman, an important finding was revealed; mainly the uniqueness of International trade points was not fully appreciated by its targeted customers. Traditional services in form of trade procedure facilitation and the provision of relevant and up-to-date information are still considered to be more useful and relevant.
This developed index differed for different companies, calculating the spearman correlation coefficient for the nine descriptive of firm characteristics, resulted in five being significantly positively correlated to the usefulness index, namely export involvement stage of the firm, its linkage to MNCs, its attitude towards TPOs, the experience of its manager and its e-readiness.

Subsequent to this, In this study the regression model has excluded the attitude of SMEs towards TPOs and the commitment of Managers, which were proven to be significantly and positively correlated with the dependent variable, and preserved the effect of the export involvement stage of the firm, its linkage to MNCs and its e-readiness level on its perceived usefulness of ITPs.

7.2 Quantitative analysis

A stratified random sample of 764 firms was selected from the sampling frame of 3825 firms provided by International trade points In Egypt. A preliminary version of the questionnaire was initially reviewed by three academics in the fields of export promotion programmes and export performance to evaluate the contents of the measures selected. The research instrument was pre-tested with exporters. A package including a personalised letter and a copy of the questionnaire was delivered to senior executives of each of the firms with a request to participate in the study and complete the survey.

The recipients were also instructed to pass it to the individual in the firm who was responsible for making international marketing decisions if he or she was uncomfortable in completing the questionnaire. Telephone follow-up was used immediately for a more personalised approach of soliciting participation. A total of 350 completed questionnaires were received (45% response rate) but 72 cases were excluded for gross incomplete responses, leaving 278 usable cases for analysis.

Non response can be a serious problem in survey research. Non response can bias the survey data, especially in social research where response rates are low. Non respondents may differ systematically from respondents in characteristics such as education, intelligence, motivation, and interest in the topic of the survey. However some recent studies suggest that the effect of non-response may not be as
pronounced as was once thought and that low response rates may not necessarily indicate bias (McCarty, 2003)

Despite this it has been suggested that non-respondents should not be ignored. If response rates remain below 75% one need to reasonably account for non-response bias. One of the convenient ways to do this is to compare early to late respondents. Research has shown that non-respondents are often similar to late respondents. Thus an approach to estimate the possible responses of non-respondents is to look at those of late respondents. Therefore, respondents were categorized into early and late groups and their responses were compared. (Ary et al., 2009)

The mean difference between the early and the late respondents’ responses to the questionnaire was found to be not significant indicating that the respondents are an unbiased sample of the population.

Almost all the respondents were directly involved in exporting. Fifty-seven percent of the respondents were managers or commercial officers in charge of export operation while 41% of the respondents were holding more senior positions such as Managing Director (26.6%), Chief Executive Officer (8%), and Director and General Manager (6.4%). The participation of these respondents who are involved in important export decision-making ensures the reliability of the information provided. Key respondent bias was not likely to have occurred, because managers responded to questions within their area of specialization.
7.2.1 Descriptive analysis: Company demographics

Table 7.1 Profile of the responding firms

<table>
<thead>
<tr>
<th>Descriptive</th>
<th>Number of cases</th>
<th>Classification</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>The size of the enterprise based on the number of employee</td>
<td>278</td>
<td>small (&lt; 50 employees)</td>
<td>111</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>medium (50&lt;x&lt;250 employees)</td>
<td>141</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-large enterprise (&gt;250)</td>
<td>25</td>
<td>9</td>
</tr>
<tr>
<td>Sector of firm</td>
<td>278</td>
<td>Agricultural</td>
<td>112</td>
<td>40.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intermediate</td>
<td>64</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manufacturing</td>
<td>102</td>
<td>36.7</td>
</tr>
<tr>
<td>Location</td>
<td>278</td>
<td>South</td>
<td>28</td>
<td>10.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>North</td>
<td>132</td>
<td>47.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Central (New industrial zones)</td>
<td>118</td>
<td>42.2</td>
</tr>
<tr>
<td>Export Development stage</td>
<td>278</td>
<td>Intender</td>
<td>96</td>
<td>34.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sporadic</td>
<td>106</td>
<td>38.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular</td>
<td>76</td>
<td>27.3</td>
</tr>
<tr>
<td>Export Intensity</td>
<td>278</td>
<td>Less than 20%</td>
<td>170</td>
<td>61.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Between 20% and 40%</td>
<td>59</td>
<td>21.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More than 40%</td>
<td>49</td>
<td>17.6</td>
</tr>
<tr>
<td>Linkage to MNCs</td>
<td>278</td>
<td>None</td>
<td>189</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderate</td>
<td>55</td>
<td>19.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>34</td>
<td>12.2</td>
</tr>
<tr>
<td>Table</td>
<td>Variable</td>
<td>Category</td>
<td>Count</td>
<td>Percentage</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>----------</td>
<td>-------</td>
<td>------------</td>
</tr>
<tr>
<td>#1</td>
<td>Attitude towards TPOs</td>
<td>Negative</td>
<td>71</td>
<td>25.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Neutral</td>
<td>154</td>
<td>55.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Positive</td>
<td>53</td>
<td>19</td>
</tr>
<tr>
<td>#2</td>
<td>Experience of Management in exporting</td>
<td>Low</td>
<td>119</td>
<td>42.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium</td>
<td>115</td>
<td>41.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>44</td>
<td>15.8</td>
</tr>
<tr>
<td>#3</td>
<td>E-readiness (Application of latest communication technology)</td>
<td>Low</td>
<td>125</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium</td>
<td>99</td>
<td>35.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>54</td>
<td>19.4</td>
</tr>
</tbody>
</table>

### 7.2.1.1. Size

The sample for the quantitative study included 278 small and medium sized enterprises located in different governorates in Egypt. The sample represents different sectors.

Size is constituted by small enterprises that represent 40% of the sample. These include all enterprises with less than 50 employees. Medium sized enterprises with more than 50 and less than 250 employees represented 51% of the sample whereas large enterprises with more than 250 employees represented only 9% of the sample.
7.2.1.2. Sector

The sample for the quantitative study included 278 SMEs located in different Egyptian governorates. The sample represents different sectors.

The enterprises can be classified into 3 main sectors: agricultural, intermediate and manufacturing. 40.3% of the sample was enterprises in the agricultural sector. The intermediate sector comprised 23% of the sample. As for the manufacturing sector this comprised all enterprises in the different manufacturing industries. 36.7% of the sample fall within this category. This classification was based on the fact that the manufacturing is being highly targeted by the government for enhancing its export competitiveness, for Egypt to widen its export base.
7.2.1.3 Location

The sample for the quantitative study included 278 small and medium sized enterprises located in different governorates in Egypt. The enterprises were categorized into three main locations: North, Central and south of Egypt. Enterprises located in the following governorates Alexandria, Tanta, Mansoura, Port Said and Kafr el sheikh were classified as located in North of Egypt.

These comprised 47.5% of the sample. Enterprises located in Business men city, 10th of Ramadan, Fayoum, Badr, Ismailia and Cairo were classified as located in the Central of Egypt. These comprised 42.4% of the sample.

Enterprises located in Beni suif, Asiu and Menia were classified as located in the South of Egypt. These comprised 10.1% of the sample.
7.2.2 Descriptive analysis: Measures of export development

7.2.2.1 Export involvement stage

The enterprises included in the study fall into different export development stages. Enterprises in the early stage of export development that are still intending to export and trying to explore means of exporting are classified as intenders. 34.5% of the sample is intenders.

Enterprises that do not frequently export their products are classified as sporadic exporters. 38.1% of the sample falls into this category. As for those that regularly export their products and have a clear set export plans were classified as regular exporters. This category comprised 27.3% of the sample.

7.2.2.2 Export Intensity

Export intensity was measured by the percentage of production of each enterprise that is targeted for exporting. The enterprises are classified into 3 main categories.

All enterprises with exports less than 20% of their total sales were classified within the low intensity category. These comprised 61.2% of the sample. Enterprises with their exports reaching between 20% and 40% of their sales were categorized as moderate. 21.2% of the sample falls within this category. As for enterprises exporting more than 40% of their total sales, these were classified as high intensive exporters. Only 17.6% of enterprises are intensive exporters.
7.2.2.3 Linkage to Multinational Corporations (MNCs)

The majority of the respondent companies have no connection with multinational corporations. They are by no means linked to MNCs. This comprises 68% of the sample. 19.8% of the sample comprises enterprises that have moderate linkage to MNCs. A small number of enterprises are highly linked to MNCs. These are only 12.2% of the sample.

7.2.2.4 Attitude towards Trade Promotion Organizations

The enterprises in the sample had different attitudes towards dealing with Trade promotion organizations. Most of them, 55.5% of the sample had a neutral attitude towards TPOs; they had the view that dealing with those organizations added no value to their organizations. 25.5% had a negative attitude towards TPOs they had a negative experience at one point in time while dealing with those organizations.

Only 19% of the sample had a positive attitude towards TPOs. They have engaged in exporting experience with the help of ITPs.

7.2.2.5 Experience of managers in exporting

The Managers of the enterprises in the sample had different levels of experience in exporting. Most of them, 42.8% of the sample had a low level of experience; 41.4% had a moderate level and only 15% of the sample had a high level of experience

7.2.2.6 E-readiness of SMEs (Application of latest Information and Communication Technology)

The enterprises in the sample had different levels of applying the latest technologies. Most of them, 45% of the sample had a low level of technology application; 35.6% had a moderate level and only 18% of the sample had a high level of technology application
7.3 Research Question seven

What is the perceived usefulness of Egyptian ITPs in enhancing exports of SMEs in Egypt?

In order to answer this question a survey has been conducted to capture the level of usefulness of ITPs in enhancing export of SMEs in Egypt. In this section, I aimed to construct an index to measure the usefulness level of ITPs from the point of view of SMEs as target customers.

A case in point is provided by this study of the impact of international trade points on exporters. ITPs are most appropriately measured in soft management dimensions rather than hard performance measures. Thus, impact at the firm would not appear as sales, but the adequacy of export promotion captures both, the view of services from the firm's perspective as well as an overall attitude towards the set of export support that is presently available to the business community.

The measures were used were mostly perceptual rather than financial in order to avoid the usual problem of respondents to be reticent to give financial data. As the study is conducted in Egypt, Egyptian enterprises are highly sceptic of revealing any financial information related to their volume of exports or export growth rates. Thus it was the only option to revert to this alternative. In support of this view, prior studies have found that perceptual measures are highly correlated with objective financial achievements. (Dess and Robinson, 1984; Geringer and Hebert, 1991). Furthermore this methodology was applied by former researchers. (Woodcock et al., 1994; Brouthers and Xu, 2002; Luo et al., 2001)
7.3.1 Factor analysis

Exploratory research is always used when there is a lack of knowledge about a given phenomenon (Churchill, 1996). It is highly recommended when there are reliable and valid quantitative measures available for a construct. (Patton, 1980)

The in-depth interviews initially conducted with the Head of the trade points, and with decision makers in different exporting companies helped to examine the appropriateness of conceptualizing Trade point usefulness along conceptual dimensions that are used as part of a single construct.

Factor analysis takes a large set of variables, looks for clumps among the inter-correlations between them and reduces these into smaller sets of factors. This study used explanatory factor analysis to be able to explore the inter-relationships among the set of variables. As this was the first study in Egypt to explore the usefulness of ITPs as a non-traditional unique form of TPOs, there was no previously tested measurement index.

Apart from this, during the course of the pilot testing the questionnaire has been criticized of being too long and thus some phrases or statements have been removed, but still there were 77 statements left. So factor analysis was mainly used to reduce the data and to group statements into subsets that are common and related. Other than this we aimed to remove unnecessary or not important statements that are somehow redundant.

There are two main factors to consider in determining whether the data is suitable for factor analysis: sample size and the power of the relationship among the items of a scale. The sample size should be large and the coefficients in the correlation matrix should be greater than 0.3. (Pallant, 2001) These two conditions have been fulfilled where the sample size includes 278 cases and through inspecting the correlation matrix coefficients are greater than 0.3. Exploratory factor analysis is a good technique for studying the dimensionality of the scale either when it is one-dimensional or multidimensional. (Churchil, 1979; Spector, 1992)
77 statements capturing the perceived usefulness measured by 6 folders corresponding to the main areas of expertise offered by ITPs were developed by the researcher;

These are:

1- The development of export awareness

2-Provision of trade related information.

3- Provision of trade facilitation services

4- Provision of Electronic Trading Opportunities (ETOs).

5- Facilitating the establishment of Small and medium sized enterprises.

6- The dissemination of e-commerce concepts and applications.

The 77 attitude statements have been included in an exploratory factor analysis to assess the dimensionality of their domains. The scree plot for the perception scale resulted in 4 factors or components for the perceived usefulness of ITPs. The loadings of the rotated matrix are shown in (table 7.2)
Table 7.2  the results of factor analysis (rotated component matrix)

<table>
<thead>
<tr>
<th>variables</th>
<th>Factor1</th>
<th>Factor2</th>
<th>Factor 3</th>
<th>Factor4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Var3</td>
<td></td>
<td>0.672</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var7</td>
<td></td>
<td>0.774</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var8</td>
<td></td>
<td>0.835</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var9</td>
<td>0.873</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var10</td>
<td>0.869</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var11</td>
<td>0.882</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Var12</td>
<td>0.842</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var13</td>
<td>0.643</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var14</td>
<td>0.610</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var19</td>
<td></td>
<td>0.430</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var22</td>
<td>0.871</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var25</td>
<td></td>
<td>0.383</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var27</td>
<td>0.368</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var28</td>
<td>0.414</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var30</td>
<td></td>
<td>0.410</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var34</td>
<td></td>
<td>0.728</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var36</td>
<td></td>
<td>0.430</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var37</td>
<td>0.697</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var38</td>
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<td>0.641</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var39</td>
<td>0.644</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var40</td>
<td>0.676</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var43</td>
<td>0.720</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var44</td>
<td>0.548</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Var45</td>
<td>0.635</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 7.3 summarizes the results of factor analysis using Varimax rotation inclusive of factor loadings, reliability, eigenvalues and cumulative variance. Based on the results demonstrated on table 7.3 factors have emerged capturing the dimensionality of the usefulness index being created. These are shown below according to the results of factor analysis as previously mentioned.

**Extraction method: Principal Component Analysis (PCA)**

** p< 0.01

<table>
<thead>
<tr>
<th>Var</th>
<th>0.410</th>
</tr>
</thead>
<tbody>
<tr>
<td>Var 5</td>
<td></td>
</tr>
<tr>
<td>Var 52</td>
<td>0.649</td>
</tr>
<tr>
<td>Var 53</td>
<td>0.545</td>
</tr>
<tr>
<td>Var 54</td>
<td>0.614</td>
</tr>
<tr>
<td>Var 55</td>
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</tr>
<tr>
<td>Var 56</td>
<td>0.694</td>
</tr>
<tr>
<td>Var 57</td>
<td>0.768</td>
</tr>
<tr>
<td>Var 58</td>
<td>0.674</td>
</tr>
<tr>
<td>Var 59</td>
<td>0.654</td>
</tr>
<tr>
<td>Var 60</td>
<td>0.616</td>
</tr>
<tr>
<td>Var 63</td>
<td>0.939</td>
</tr>
<tr>
<td>Var 64</td>
<td>0.864</td>
</tr>
<tr>
<td>Var 69</td>
<td></td>
</tr>
<tr>
<td>Var 73</td>
<td>0.730</td>
</tr>
<tr>
<td>Var 74</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Eigenvalue</th>
<th>27.82</th>
<th>9.545</th>
<th>4.302</th>
<th>3.194</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of variance</td>
<td>36.133</td>
<td>12.396</td>
<td>5.586</td>
<td>4.147</td>
</tr>
<tr>
<td>Cumulative variance</td>
<td>36.133</td>
<td>48.528</td>
<td>54.115</td>
<td>58.262</td>
</tr>
<tr>
<td>Alpha cronbach</td>
<td>0.8394</td>
<td>0.7664</td>
<td>0.7311</td>
<td>0.7447</td>
</tr>
</tbody>
</table>

Kaiser Meyer Ohlin 0.788

Bartlett test of Sphericity 14482.8**
The factor analysis yielded a 4 factor or component solution. Grouping factors lead to separating statements which suppose to be under the same general opinion. Those factors were duly named: Trade facilitation, Information provision, Awareness creation and Electronic matching. The total variance explained is 58.26%.

**Table 7.3 Conceptual and operational definitions of the 4 factor solution**

Different statements were grouped together and named as follows:

<table>
<thead>
<tr>
<th>Conceptual definition</th>
<th>Operational definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Trade Facilitation</td>
<td>The scale for this item consists of 16 statements reflecting the perception of SMEs of how well Trade points helped them in facilitating the procedures related to the exporting process.</td>
</tr>
<tr>
<td></td>
<td>X13. Due to your export awareness you have set a clear and detailed export plan.</td>
</tr>
<tr>
<td></td>
<td>X14. Through the ITP you can get information on the recent international trade agreements.</td>
</tr>
<tr>
<td></td>
<td>X27 All information you acquire is beneficial to your enterprises in the different stages of the exporting process</td>
</tr>
<tr>
<td></td>
<td>X28. The reply to your enquiries is prompt and fast.</td>
</tr>
<tr>
<td></td>
<td>X37. The ITP has conducted a customized market research for you to identify your target customers and their needs.</td>
</tr>
<tr>
<td></td>
<td>X39. The ITP helped you in penetrating unfamiliar foreign markets.</td>
</tr>
<tr>
<td></td>
<td>X40. Due to the existence of ITPs, you do not need to obtain foreign representation or set up foreign branches.</td>
</tr>
<tr>
<td></td>
<td>X43. The ITP sometimes act as an intermediary between you and the creditors.</td>
</tr>
<tr>
<td></td>
<td>X44. Your transaction costs are lowered due to the usefulness of the free-of-charge services provided by ITPs.</td>
</tr>
<tr>
<td></td>
<td>X45. The ITP offered to translate all official letters and documents related to exporting.</td>
</tr>
<tr>
<td></td>
<td>X52. The ITP provides an electronic database of local and international companies classifieds according to the different commodity sectors.</td>
</tr>
<tr>
<td></td>
<td>X53. ETOs offered through the ITP are accurate and true.</td>
</tr>
<tr>
<td></td>
<td>X54. The ITP personnel follow up with you on the opportunities till</td>
</tr>
<tr>
<td>X58.</td>
<td>You can always refer to the ITP if any problems arise while concluding an export opportunity.</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>X59.</td>
<td>The ITP is always capable of resolving problems and obstacles arising while dealing with the foreign companies.</td>
</tr>
<tr>
<td>X60</td>
<td>The ITP helped in preparing the feasibility study for your enterprise through the provision of economic data and studies.</td>
</tr>
</tbody>
</table>

These statements have the highest loadings on the first factor, which was named trade facilitation. This first significant extracted factor in study has an Eigenvalue of 27.82 and explains about 36% from the variance of dimension of the usefulness index.
<table>
<thead>
<tr>
<th>Conceptual definition</th>
<th>Operational definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2. Information Provision</strong></td>
<td>The scale for this item consists of 8 statements reflecting the perception of SMEs of how well Trade points helped them in acquiring useful and reliable information.</td>
</tr>
<tr>
<td>(The extent to which trade points are capable of providing up to date, accurate, useful and reliable information.)</td>
<td>X9 You have been sent guiding brochures to develop your export awareness.</td>
</tr>
<tr>
<td></td>
<td>X10 You have participated in training courses on the different aspects and procedures of the exporting process.</td>
</tr>
<tr>
<td></td>
<td>X12 Training courses are well organized and add value to your export personnel, in terms of gaining knowledge on how to carry out international transactions and handle export procedures.</td>
</tr>
<tr>
<td></td>
<td>X22 Through the ITP you can get information on different banks and the services they provide to exporters.</td>
</tr>
<tr>
<td></td>
<td>X38 The outcome of the market research conducted for you is accurate and reliable.</td>
</tr>
<tr>
<td></td>
<td>X51 You are regularly updated on new ETOs through e-mails, fax or SMS dissemination.</td>
</tr>
<tr>
<td></td>
<td>X63 The ITP helped you in identifying sources of financing the establishment of your project.</td>
</tr>
<tr>
<td></td>
<td>X64 The ITP provided you with essential information on the new industrial zones and the benefits of locating your enterprise in them.</td>
</tr>
</tbody>
</table>

These statements have highest loadings on the second factor which was named information provision. This second significant extracted factor in study has an Eigenvalue of 9.545 and explains about 12.4% from the variance of dimension of the usefulness index.
<table>
<thead>
<tr>
<th>Conceptual definition</th>
<th>Operational definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Export Awareness</td>
<td>The scale for this item consists of 6 statements reflecting the perception of SMEs of how well Trade points helped them in arousing their awareness of the importance of exporting</td>
</tr>
<tr>
<td></td>
<td>X3 As a non-exporter you have been encouraged to start engaging in exporting. You have been sent guiding brochures to develop your export awareness.</td>
</tr>
<tr>
<td></td>
<td>X7. As an already existing exporter you have been encouraged to explore new markets and new export opportunities.</td>
</tr>
<tr>
<td></td>
<td>X8. Based on the development of your export awareness you have started incorporating exporting as an integral part of your company’s strategy.</td>
</tr>
<tr>
<td></td>
<td>X11. If it wasn’t for the ITP you would have not been able to recognize and identify the benefits of exporting to your enterprise.</td>
</tr>
<tr>
<td></td>
<td>X30 You can always ask for customized information or studies specially tailored for your enterprise.</td>
</tr>
<tr>
<td></td>
<td>X57 You have engaged in ETOs that otherwise wouldn’t have been possible for you to reach</td>
</tr>
</tbody>
</table>

These statements have the highest loadings on the third factor, which was named export awareness creation. This third significant extracted factor in the study has an Eigenvalue of 4.3 and explains about 5.58% from the variance of dimension of the usefulness index.
<table>
<thead>
<tr>
<th>Conceptual definition</th>
<th>Operational definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4. Electronic Matching</strong></td>
<td>The scale for this item consists of 9 statements reflecting the perception of SMEs of how well Trade points helped them in acquiring electronic trading opportunities through their electronic market <a href="http://www.eitpmart.com.eg">www.eitpmart.com.eg</a></td>
</tr>
<tr>
<td>(The extent to which Trade points are capable of providing the adequate electronic exporting opportunities needed for SMEs to reach foreign markets)</td>
<td>X19 Through the ITP you can get information on Transportation services, and their prices</td>
</tr>
<tr>
<td></td>
<td>X25 Information provided on the <a href="http://www.eitpmart.com.eg">www.eitpmart.com.eg</a> is always up-to-date and accurate</td>
</tr>
<tr>
<td></td>
<td>X34 The ITP helped you in promoting your products through electronic networks</td>
</tr>
<tr>
<td></td>
<td>36 The ITP helped you in promoting your products through the distribution of your electronic catalogues in the international conferences it participates in.</td>
</tr>
<tr>
<td></td>
<td>X55 Published ETOs are translated into the Arabic language as well.</td>
</tr>
<tr>
<td></td>
<td>X56 The ETO system operated by the ITP is well organized and adequately managed.</td>
</tr>
<tr>
<td></td>
<td>X69 You have participated in workshops introducing the applications of e-commerce.</td>
</tr>
<tr>
<td></td>
<td>X73 You have used the help of ITP in establishing your electronic catalogue.</td>
</tr>
<tr>
<td></td>
<td>X74 Electronic catalogues are easily accessible on-line at any time for all local and international companies.</td>
</tr>
</tbody>
</table>

These statements have the highest loadings on the fourth factor, which was named electronic matching. This fourth significant extracted factor in study has an Eigenvalue of 3.2 and explains about 4.2% from the variance of dimension of the usefulness index.

The Kaiser-Meyer-Olkin measure of the sampling adequacy is 0.788 which is considered satisfactory and the data is thus suitable for factor analysis. *(Sharma, 1996)* Furthermore, the Bartlett test of sphericity is highly significant (p < 0.00) which implies that the correlation matrix is, therefore, appropriate for factoring. *(Sharma, 1996)*
7.3.2 Reliability test

The factors obtained were further tested using the Cronbach alpha for reliability. Reliability refers to the consistency of a measure of a given concept. (Bryman, 2004) The reliability of a certain scale specifies the extent to which it does not include random error. (Malhotra, 2003; Pallant, 2001).

In the context of survey research, reliability refers to the question of whether the answers of respondents can be trusted and to the ability of the measuring instrument to report the same value in successive observations of a given case. (Babbie and Halley, 1995) Reliable instruments are vigorous; they work well at different times under different conditions. This dissimilarity of time and condition is the basis for different perspectives of reliability mainly stability, similarity and internal consistency. (Cooper and Schindler, 2003)

The main aspect of reliability which concerns this study is internal consistency, which is the extent to which items of a scale hang together and the degree to which these indicators that constitute the scale are consistent. Cronbach’s alpha (α) is considered the most frequently used measure of internal reliability relevant to multiple-item scales (Bryman, 2004)

According to Churchill (1979), it should be the first measure to use for assessing the quality of an instrument. Cronbach’s alpha depends on the inter-item correlation and calculates the average of all possible split-half reliability coefficients. (Schlegelmilch et al, 1996).

The alpha coefficient will have values between 0 and 1. 1 denotes perfect internal reliability and 0 represents no internal reliability. The figure 0.8 is typically employed for an acceptable level of internal reliability, and the reliability of 0.7 or higher is considered to be satisfactory in most social science studies. (Nunnally, 1978)

As shown in (table 6.3), the reliability values ranged from 0.73 to 0.83. All of which are greater than 0.70 indicating that all scales are reliable.
7.3.3 Validity

The validity of a measure refers to the degree to which it is able to accurately measure what it should. (Pallant, 2001; Bryman 2004) Although reliability and Validity are analytically different, they are related because validity assumes reliability. As a rule of thumb, if a measure or scale is not reliable, then it is not valid. The problem however is the lack of indicators of validity. Rather the validation of a scale depends on collecting empirical evidence about its use. (Pallant, 2001)

The main types of validity are criterion, content and construct validity. Criterion validity is about the relationship between scale scores and some specified, measurable criterion. Content validity refers to the adequacy with which a measure has been sampled from the domain of content. It involves a group of judges or experts to evaluate the degree to which items measure the intended instructional objectives or content. Construct validity, however, involves testing a scale in terms of theoretically derived hypotheses.

In social sciences, most attributes are not directly observable. It is not possible to directly observe the degree of correspondence between a variable and an obtained measure. To make judgments about validity of a measurement, the researcher has to define the constructs in an observable manner called operationally defined. One way is to ask experts to help judge the degree to which a particular instrument seems to measure what it is aimed to, i.e. judgmental validation. (Brymann, 2004; Teddie and Tashakkori, 1998)

In the pilot phase of his study judgmental validation has been used. The survey instrument has been subjected to informal piloting. The questionnaire was first piloted on a number of colleagues, University lecturers who have interest in the field, who have provided their input to enhance the quality of the survey instrument. Second it was piloted on 40 Managers to allow for any last modifications and to ensure that the research instrument is well designed and there are no overlapping categories or inadequately phrased statements. The piloting helped us a great deal in changing some of the wording of statements. They also gave a feedback about time needed for its completion.
The one main drawback that has arisen from the piloting stage was the length of the questionnaire. Some statements and phrases have been eliminated as it is preferred that questionnaires should be as short as possible, however it included only closed questions for easier response as well as to make coding easily for subsequent analysis. (Sekaran, 2003)

Based on the factor analysis results, the index for measuring the perceived usefulness of ITPs, can be stated as follows;

**Perceived usefulness** = \{trade facilitation, information provision, Export awareness creation, Electronic matching\}

### 7.4 Research question six

*To what extent do SMEs perceive ITPs to be unique and different from traditional TPOs in developing countries?*

The uniqueness of the global ITP Network, combining over 70 countries with an efficient e-platform, is a valuable asset for SMEs around the world. This is particularly of great opportunity to SMEs in developing countries. The network facilitates rapid communication among Trade Points for the advantage of their registered firms and increases the reliability of the information received as well as engaging in electronic trading opportunities which enables them to venture foreign markets at a reasonably low cost.

This is what makes ITPs really special and unique as compared to other traditional TPOs. Despite the fact that ITPs offer SMEs most common well known export promotion services as information provision, facilitation of trade procedures and boosting their export competitiveness to reap the benefits of engaging in foreign trade, they put a great value on this unique service they advocate they provide. Bearing this in mind, we aim to see how SMEs in Egypt appreciate such an effort. Are SMEs really finding this uniqueness that effective, are these in a stage to benefit from such an advanced medium of trade.

To answer this, the 4 components of the perceived usefulness index were compared to each other. To test whether the usefulness levels of the 4 components differed the
non-parametric test of Friedman was used (Table 7.4). The results indicate that the chi square was 813.72 (p<0.01), so we can conclude that there were significant differences and the respondents ranked trade facilitation as the most useful service followed by information provision and awareness creation. Electronic matching, which is unique service was ranked last, indicating that it has not been appreciated by SMEs.

Table 7.4 Results of Friedman test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade facilitation</td>
<td>3.97</td>
</tr>
<tr>
<td>Information provision</td>
<td>2.91</td>
</tr>
<tr>
<td>Awareness creation</td>
<td>1.54</td>
</tr>
<tr>
<td>Electronic matching</td>
<td>1.47</td>
</tr>
<tr>
<td>Chi square</td>
<td>813.722</td>
</tr>
<tr>
<td>Asymp. Sig</td>
<td>0.000</td>
</tr>
</tbody>
</table>

As can be depicted from the table, SMEs found trade facilitation services of ITPs to be very useful as compared to other services. SMEs are in a great disadvantage, when trying to venture foreign barriers. According to this study, Egyptian SMEs revealed the obstacles they while face trying to export their products. These barriers were ranked according to their degree of severity.
Despite the persistent governmental efforts to liberalize trade and facilitate procedures, still Enterprises are facing high levels of bureaucratic hindrances and regulations. Apart from the traditional tariff and non-tariff barriers, red tape procedures for exports and imports remain high and costly in Egypt. In 2007, the former requested 20 days and the latter 25 days costing an extra 1000 dollars to the value of imported goods. Yet, between 2006 and 2009, the number of days to export has dropped from 27 to 15 and from 29 to 18 for imports and the number of documents needed for exports and imports decreased from 8 to 6 documents. Moreover Egypt still has a long way to go to facilitate procedures for business. (Zaki, 2008)
Thus it was expected that SMEs ranked the service offered by ITPs in the form of trade facilitation as the most useful to them. This is however a traditional conventional service provided by other TPOs as well that were also mentioned by SMEs, such as Chambers of commerce, Businessmen associations, The Centre for export development, Centre for international trade training, Export development fund, the association of Egyptian exporters and foreign representative offices.

Subsequent to this, SMEs ranked Information provision as the second most useful service, that help them overcome the lack of information access facilities in developing countries. From previous sources of literature, Informational barriers refer to the difficulty in identifying, selecting, and contacting international markets due to information inefficiencies (Morgan and Katsikeas, 1997; Katsikeas and Morgan 1994).

In this context the main barriers are; locating and analyzing foreign markets, identifying foreign business opportunities, acquisition of trade related information and communicating with trading partners. These barriers were rated highly by both exporters and non-exporters, stressing their critical effect on management export decisions.

According to this study, the lack of information as a main barrier to exporting was identified by SMEs to be a major barrier to exporting with 53.2% of the sample acknowledging it as a severe barrier to exploring foreign markets. It was considered to be the 2nd major barrier after lack of finance that hinders SMEs from venturing to enter foreign markets. In a previous study, Julien & Ramangalahy (2003) conclude that information is positively affecting export performance through competitive strategy. Years earlier, Donthu & Kim (1993) noticed an overall increase in the number of information sources that were sought by firms to improve their export performance. Thus acquisition of relevant and reliable information is to be considered as a key determinant affecting the exporting decisions of firms.

The important point emerging from this study is that Electronic matching was deemed useful by SMEs, this can be easily attributed to the fact that most of the
respondents were not e-ready because of their poor e-infrastructure, lack of awareness and human resources limitations. SMEs development in general and their e-readiness in particular will be subject to the influence of conventional economic challenges as the legal infrastructure and financial limitations. To support this finding, it was found out that the average real ETOs any firm has engaged in during the year 2008, was 2.5 which is quite low. Table7.18 gives the actual number of real electronic export opportunities through Trade points as stated by SMEs.

The main reason behind this poor performance can be attributed to different factors. The most important one is the level of e-readiness in Egypt. In different quantitative and qualitative studies, Egypt’s e-readiness has been rated as modest. The McConnell qualitative studies (2000 and 2006), recommended that improvement is needed for e-leadership and information security, and significant development is required in connectivity, human resources and e-business environment.

Rizk has concluded in a study conducted on SME e-readiness in Egypt that, in mostly all studied firms, ICTs are mostly used for traditional purposes, as financial, administrative and human resource management as well as production techniques applied. Thus there is quite a wide awareness of the role of ICT for conventional use in management then production. Nevertheless firms lack awareness of the potential advantages of innovative ICT in the fields of marketing and export promotion. Indeed, ICT use in management and production is far more significant than its application for marketing. (Rizk, 2003)

Despite the uniqueness of the International trade points in providing SMEs with the electronic market www.eitpmart.com.eg, most SMEs had the view that such a new and differentiated service by a non-traditional TPO was not useful to them as compared to more widely offered services. While firms may be aware of export promotion tools and programs, their familiarity and usage level are less than encouraging. Firms might be aware of the existence of such an opportunity, but are unwilling to invest in time and resources to understand and overcome their e-readiness barrier to capture the benefits of such an incentive.

It might be the passive behaviour of firms to approach such services bearing in mind they might be insufficient or inadequate for their own export problems.
However, Globalization and integration of International Economy got a stimulus with the advent of Internet. Internet gives a new concept of wired and inter-linked world and now physical distances are no more a major obstacle. Today world has shrunk into a virtual village connected digitally, accessible just by a click of mouse.

7.5 Research Question seven

*How can the differences in SMEs perceptual usefulness of ITPs be explained?*

*Are there any related factors that affect the ability of SMEs to benefit from services of EITPs?*

7.5.1 Research Hypotheses

The following research hypotheses have been developed to answer the 8th question of our research questions.

According to *Lind et al. (2002)* and *Donald and Pamela (2003)*, correlation analysis is required in precedence of regression analysis. Correlation analysis is used to measure the strength and direction of the relationship or association between two variables. The coefficient of correlation, Spearman’s rank order correlation, is used as the non-parametric alternative and designed for the ordinal scale variables (*Pallant, 2001; Lind et al., 2002; Sekran, 2003*).

Values of correlation coefficients less than 0.3 (ignoring the sign) represent a weak correlation between two variables; greater than 0.3 but less than or equal 0.5 (ignoring the sign) represent a moderate correlation between the two variables. The significance of the correlation coefficient is strongly influenced by the sample size. In a small sample, there could be moderate correlations that do not reach statistical significance at the 0.05 level. In large samples with a sample size exceeding 100, however, very small correlations may be statistically significant (*Pallant, 2001*). In general the correlation significance shows if the relationship between two variables should be considered. (*Lindl et al., 2002*) If the significance of the correlation coefficient is greater than 0.05 then the null hypothesis is not rejected and the relationship is not significant. However, if the significance of the correlation coefficient is equal to or less than 0.05 then the null hypothesis is rejected and the relationship is significant and should be considered.
Regression analysis is used however, to measure the causal relationship and indicate the significance of the model. Regression analysis is used to define the linear relationship between two variables and help the researcher estimate the value of the dependent variable based the independent variables. (Lind et al., 2002)

To proceed with the regression analysis, we use the variables which were proven to be significantly correlated in the correlation analysis.

First Hypothesis:

**H1) Firm related characteristics will have a significant effect on their perceived usefulness of ITPs.**

According to literature, Gencturk and Kotabe (2001) argue that export promotion services will not automatically lead to improved exports as other firm actions are still needed therefore and firm characteristics can also impact firm’s knowledge and usage of EPO activities.

This hypothesis can be split into the following:

**H1a) The size of the firm will affect its perceived usefulness of ITPs**

Being more at a disadvantage when it comes to exporting, smaller firms tend to perceive ITPs to be more useful than larger firms. Results of correlation analysis which is used to test the correlation between the size of the firm and its perceived usefulness if ITPs are shown in table (7.5)
Table 7.5 Correlation between size of the firm and the 4 components of its perceived usefulness if ITPs

<table>
<thead>
<tr>
<th>Size of firm</th>
<th>Perceived usefulness if ITPs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor 1</td>
</tr>
<tr>
<td></td>
<td>(Trade facilitation)</td>
</tr>
<tr>
<td>P</td>
<td>0.097</td>
</tr>
<tr>
<td>Significance</td>
<td>0.107</td>
</tr>
</tbody>
</table>

It can be depicted from the table that the significance of correlation is greater than 0.05 between size and each of the 4 components of the perceived usefulness index of ITPs. Therefore, there is no correlation between them and hence there is no effect.

**H1b) The sector of the firm will affect its perceived usefulness of ITPs.**

Sometimes the government programs of export promotion are directed towards some sectors rather than others. So firms in the manufacturing sector, which are primarily targeted by the government, are expected to perceive ITPs to be more useful than other firms.

Results of correlation analysis which is used to test the correlation between the size of the firm and its perceived usefulness if ITPs are shown in table (7.6)
Table 7.6 Correlation between sector of the firm and the 4 components of its perceived usefulness of ITPs

<table>
<thead>
<tr>
<th>Sector of firm</th>
<th>Perceived usefulness if ITPs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor 1</td>
</tr>
<tr>
<td>Trade facilitation</td>
<td>0.072</td>
</tr>
<tr>
<td>Information provision</td>
<td>0.232</td>
</tr>
</tbody>
</table>

It can be depicted from the table that the significance of correlation is greater than 0.05 between the sector and each of the 4 factors or components of the perceived usefulness of ITPs. Therefore, there is no correlation between them and hence there is no effect.

H1c) the location of the firm will affect on its perceived usefulness of ITPs.

Firms in remote disadvantaged locations in the country are expected to perceive ITPs to be more useful than other firms located near the major cities or newly industrialized zones.

Results of correlation analysis which is used to test the correlation between the location of the firm and its perceived usefulness if ITPs are shown in table (7.7)

Table 7.7 Correlation between location of the firm and its perceived usefulness of ITPs

<table>
<thead>
<tr>
<th>Sector of firm</th>
<th>Perceived usefulness if ITPs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor 1</td>
</tr>
<tr>
<td>P</td>
<td>0.097</td>
</tr>
<tr>
<td>Significance</td>
<td>0.105</td>
</tr>
</tbody>
</table>
It can be depicted from the table that the significance of correlation is greater than 0.05 between the sector and each of the 4 factors or components of the perceived usefulness of ITPs. Therefore, there is no correlation between them and hence there is no effect.

**H1d) The e-readiness of the firm will affect its perceived usefulness of ITPs.**

The more the firm is aware and applying the latest means of communication technology, the higher its perceived usefulness of ITPs will be.

Results of correlation analysis which is used to test the correlation between the e-readiness of the firm and its perceived usefulness if ITPs are shown in table (7.8)

**Table 7.8 Correlation between e-readiness of the firm and its perceived usefulness if ITPs**

<table>
<thead>
<tr>
<th>E-readiness of firm</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P</strong></td>
<td>0.104</td>
<td><strong>0.139</strong>*</td>
<td><strong>0.133</strong>*</td>
<td><strong>0.132</strong>*</td>
</tr>
<tr>
<td><strong>Significance</strong></td>
<td>0.083</td>
<td>0.021</td>
<td>0.027</td>
<td>0.028</td>
</tr>
</tbody>
</table>

It can be depicted from the table that the significance of correlation is greater than 0.05 between the e-readiness and the 1st factor or components of the perceived usefulness of ITPs, which is named trade facilitation. Therefore, there is no correlation between them and hence there is no effect.

The correlation analysis indicates that the e-readiness of the firm and the other 3 factors or components of the perceived usefulness are positively correlated and the coefficients of correlations are 0.139, 0.133 and 0.132 respectively for each of them. These correlation coefficients indicate weak relationships between the e-readiness of the firm and each of those 3 components named Information provision, awareness...
creation and electronic matching. However, as the significances are less than 0.05 a significant relationship exists and should be taken into consideration. These positive correlations explain that, firms that apply a higher level of communication technology perceive the services of the ITP named as Information provision, awareness creation and electronic matching to be more useful.

The expansion of e-commerce is imposing remarkable changes in the global markets faced by SMEs. The Internet is motivating many SMEs to develop their websites, despite being unsure about the future of their industries. The internet rather provides an economic way to access buyers around the world. Nevertheless, it is quite vital for SMEs to develop their internal technical and cultural resources, to be able to take on foreign markets effectively. SMEs with in-house competence will probably be more dedicated than those who outsource them.

Second Hypothesis

H2) The measures of export development of the firm have a significant effect on their perceived usefulness of ITPs.

H2a) The export involvement stage of the firm will affect its perceived usefulness of the ITP.

The more the firm is involved in exporting, the higher its perceived usefulness of ITPs will be. Results of correlation analysis which is used to test the correlation between the export involvement of the firm and its perceived usefulness if ITPs are shown in table (7.9)
Table 7.9 Correlation between export development stage of the firm and its perceived usefulness if ITPs

<table>
<thead>
<tr>
<th>Export involvement stage</th>
<th>Perceived usefulness if ITPs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor 1</td>
</tr>
<tr>
<td>P</td>
<td>0.185*</td>
</tr>
<tr>
<td>Significance</td>
<td>0.002</td>
</tr>
</tbody>
</table>

The correlation analysis indicates that export involvement stage of the firm and the 4 factors or components of the perceived usefulness are positively correlated and the coefficients of correlations are 0.185, 0.188, 0.145 and 0.145 respectively for each of them. These correlation coefficients indicate weak relationships between the stage of export involvement of the firm and each of those 4 components named Trade facilitation, Information provision, awareness creation and electronic matching. However, as the significances are less than 0.05 a significant relationship exists and should be taken into consideration.

These positive correlations explain that, firms that are regular exporters perceive the services of the ITP named as Trade facilitation, Information provision, awareness creation and electronic matching to be more useful than intender companies who are at an early stage of export development.

This finding is in line with previous studies, Genctürk and Kotabe (2001) found that public export assistance programs contributed to export success, however this contribution depended largely on the dimension of export performance being assessed; EPO services did not increase firm exports, but promoted the overall competitive position of firms. The most important finding however was that highly committed exporters were the main beneficiaries of the cost-saving benefits that can be accessed through EPOs, whereas firms in their early stages of exporting did not benefit a lot due to their inability to capitalize on these services.
**H2b) The export intensity of the firm will affect its perceived usefulness of the ITP.**

The higher the intensity of exporting the firm has, the higher its perceived usefulness of ITPs will be.

Results of correlation analysis which is used to test the correlation between the export intensity of the firm and its perceived usefulness if ITPs are shown in table (7.10)

**Table 7.10 Correlation between export intensity of the firm and its perceived usefulness if ITPs**

<table>
<thead>
<tr>
<th>Perceived usefulness if ITPs</th>
<th>Export Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor 1</td>
</tr>
<tr>
<td><strong>P</strong></td>
<td>0.164*</td>
</tr>
<tr>
<td><strong>Significance</strong></td>
<td>0.006</td>
</tr>
</tbody>
</table>

It can be depicted from the table that the significance of correlation is greater than 0.05 between the export intensity and the 2nd and 3rd factor or components of the perceived usefulness of ITPs, which are named Information provision and export awareness. Therefore, there is no correlation between them and hence there is no effect. The correlation analysis indicates that the export intensity of the firm and the other two factors or components of the perceived usefulness are positively correlated and the coefficients of correlations are 0.164 and 0.163 respectively for each of them. These correlation coefficients indicate weak relationships between the export intensity of the firm and each of those two components named Trade facilitation and electronic matching. However, as the significances are less than 0.05 a significant relationship exists and should be taken into consideration.

These positive correlations explain that, firms with high export intensity perceive the services of the ITP named as Trade facilitation and electronic matching to be more useful for them as they already benefit from the trade facilitation services ITPs
provide throughout the process of exporting, as well as benefiting from the electronic matching services through which they can acquire real exporting opportunities.

**H2c) The linkage of the firm to MNCs will affect the firm’s perceived usefulness of the ITP.**

According to the empirical literature, countries that have a solid base of linkage between SMEs and large enterprises have achieved high export growth rates. On the contrary, countries unable to achieve these linkages have experienced slow growth in exports. (*El-Gamal et al., 2002*).

The more the firm is actively linked to large enterprises, the higher its perceived usefulness of ITPs will be. MNCs create linkages when they are directly involved in relationships with other firms in the host economy. Linkages to MNCs represent inter-firm transactions, interactions and on-going relationships with the firms in the host country. Through these linkages, MNEs can have a positive spillover effect on the output, capability development and productivity of small partner firms. (*Forsgren et al., 2005; UNCTAD, 2006*)

Results of correlation analysis which is used to test the correlation between the linkage of the firm and its perceived usefulness if ITPs are shown in table (7.11).

**Table 7.11 Correlation between linkage of firms to MNCs and its perceived usefulness if ITPs**

<table>
<thead>
<tr>
<th>Perceived usefulness if ITPs</th>
<th>Linkage to MNCs</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>P</strong></td>
<td>0.153*</td>
<td>0.152*</td>
<td>0.166*</td>
<td>0.170*</td>
</tr>
<tr>
<td></td>
<td>Significance</td>
<td>0.010</td>
<td>0.011</td>
<td>0.005</td>
<td>0.004</td>
</tr>
</tbody>
</table>

The correlation analysis indicates that the Linkage of the firm to MNCs of the firm and the 4 factors or components of the perceived usefulness are positively correlated.
and the coefficients of correlations are 0.153, 0.152, 0.166 and 0.170 respectively for each of them. These correlation coefficients indicate weak relationships between the linkage of the firm to MNCs and each of those 4 components named Trade facilitation, Information provision, awareness creation and electronic matching. However, as the significances are less than 0.05 a significant relationship exists and should be taken into consideration.

These positive correlations explain that, firms that are actively linked perceive the services of the ITP named as Trade facilitation, Information provision, awareness creation and electronic matching to be more useful than companies who are not linked to MNCs.

**H2d) The attitude of the firm towards TPOs will affect its perceived usefulness of ITPs.**

Some firms have a negative attitude towards the use of TPOs in general. The more the firm has a positive attitude towards TPOs, the higher its perceived usefulness of ITPs will be.

Results of correlation analysis which is used to test the correlation between the attitude of the firm of the firm and its perceived usefulness if ITPs are shown in table (7.12)

<table>
<thead>
<tr>
<th>Perceived usefulness if ITPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude of firm</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>P</td>
</tr>
<tr>
<td>Significance</td>
</tr>
</tbody>
</table>

It can be depicted from the table that the significance of correlation is greater than 0.05 between the attitude and the 1st, 2nd and 4th factor or components of the
perceived usefulness of ITPs, which are named trade facilitation, information provision and electronic matching. Therefore, there is no correlation between them and hence there is no effect.

The correlation analysis indicates that the attitude of the firm management and the 3rd factor or component of the perceived usefulness is positively correlated and the coefficient of correlations is 0.171. This correlation coefficient indicates weak relationships between the attitude of the firm and awareness creation. However, as the significance is less than 0.05 a significant relationship exists and should be taken into consideration.

This positive correlation explains that, firms that a positive attitude towards TPOs perceive the service of the ITP named as awareness creation to be more useful than firms with a negative attitude towards TPOs. This indicates that firms who have the potential and commitment to deal with TPOs are more subject to improving their export awareness to engage in exporting activities later on.

**H2e) the experience and commitment of the manager of the firm to exporting will affect its perceived usefulness of the ITP.**

The more experience the manager of the firm has, the higher its perceived usefulness of ITPS. Studies on SME exporting highlight the importance of management behaviours to performance. It recognizes the importance of management commitment. The commitment of management ranges from the overall orientation of managers up to their strategic or marketing initiative. *(Leonidou et al., 1998)*

High levels of commitment are positively linked to export performance, different studies have shown. Thus it is not only vital to have a comprehensive exporting plan, rather it is more critical to devote the adequate resources for its execution.

Results of correlation analysis which is used to test the correlation between the manager’s experience and the firm’s perceived usefulness if ITPs are shown below
Table 7.13 Correlation between Manager’s experience and commitment and firm’s perceived usefulness if ITPs

<table>
<thead>
<tr>
<th>Manger’s experience</th>
<th>Perceived usefulness if ITPs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor 1</td>
</tr>
<tr>
<td>P</td>
<td>0.139*</td>
</tr>
<tr>
<td>Significance.</td>
<td>0.020</td>
</tr>
</tbody>
</table>

It can be depicted from the table that the significance of correlation is greater than 0.05 between Manager’s experience and the 2nd and 3rd factor or components of the perceived usefulness of ITPs, which are named Information provision and export awareness. Therefore, there is no correlation between them and hence there is no effect.

The correlation analysis indicates that the Manager’s experience of the firm and the other 2 factors or components of the perceived usefulness are positively correlated and the coefficients of correlations are 0.139 and 0.192 respectively for each of them. These correlation coefficients indicate weak relationships between the export intensity of the firm and each of those two components named Trade facilitation and electronic matching. However, as the significances are less than 0.05 a significant relationship exists and should be taken into consideration.

These positive correlations explain that, firms with experienced Managers tend to perceive the services of the ITP named as Trade facilitation and electronic matching to be more useful for them as they already benefit from the trade facilitation services ITPs provide throughout the process of exporting, as well as benefiting from the electronic matching services through which they can acquire real exporting opportunities.

To be able to answer the research question, and proceed with the regression analysis to examine which factors contribute to the variance in perceived usefulness levels
among SMEs, the correlation between the 9 descriptive (company demographics and its measures of export development) and the perceived usefulness as a composite measure comprising the 4 factors are presented below

Table 7.14 Correlation between the 9 descriptive and the perceived usefulness of ITP

<table>
<thead>
<tr>
<th></th>
<th>Perceived usefulness of ITP services</th>
<th>p</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>0.041</td>
<td>0.497</td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>0.060</td>
<td>0.316</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>-0.001</td>
<td>0.985</td>
<td></td>
</tr>
<tr>
<td>Export development stage</td>
<td>0.171</td>
<td>0.004*</td>
<td></td>
</tr>
<tr>
<td>Export intensity</td>
<td>0.084</td>
<td>0.164</td>
<td></td>
</tr>
<tr>
<td>Linkage to MNCs</td>
<td>0.145</td>
<td>0.012*</td>
<td></td>
</tr>
<tr>
<td>Attitude towards TPOs</td>
<td>0.127</td>
<td>0.034*</td>
<td></td>
</tr>
<tr>
<td>Managers’ exporting exp.</td>
<td>0.148</td>
<td>0.015*</td>
<td></td>
</tr>
<tr>
<td>E-readiness</td>
<td>0.140</td>
<td>0.019*</td>
<td></td>
</tr>
</tbody>
</table>

The correlation analysis indicates that export involvement stage of the firm, its linkage to MNCs, its attitude towards TPOs, the experience of its manager and its e-readiness and the perceived usefulness of ITPs are positively correlated and the coefficients of correlations are 0.171, 0.145, 0.127, 0.148 and 0.140 respectively for each of them. These correlation coefficients indicate weak relationships between those measures of export development of the firm and the composite measure of perceived usefulness of ITPs. However, as the significances are less than 0.05 a significant relationship exists and should be taken into consideration. These positive correlations explain that, firms that are regular exporters perceive the services of the
ITP to be more useful than intender companies who are at an early stage of export development. Firms that are actively linked to MNCs perceive the services of the ITP to be more useful than firms that have low linkage to MNCs,

Firms that a positive attitude towards TPOs perceive the service of the ITP to be more useful than firms with a negative attitude towards TPOs. This indicates that firms who have the will to deal with TPOs are more subject to improving their export awareness to engage in exporting activities later on. Firms with experienced Managers tend to perceive the services of the ITP to be more useful than firms with less experienced managers in exporting activities.

These findings are in line with previous studies. Researchers argued that the use of EPOs by firms varies with their degree of internationalisation. The higher the export involvement, the greater their access to and usage of EPOs, and thus consequently an enhanced export performance (Gencturk and Kotabe, 2001).

Despite the validity of this argument, it could be argued that highly committed exporters are in a better position to access secondary support sources with their established organisational and managerial structures, but the real need for export support is far more critical greater for intenders or sporadic exporters, as these perceive the intensity of export hurdles to be unaffordable (Ali, 1998, (Samiee and Walters, 1990)

They are expected to depend on readily available external expertise and knowledge that is provided by EPOs to overcome their limitations. (Bilkey and Tesar 1977)

If highly export involved firms are the real beneficiaries of the government export promotion programs, this means that these programs are not targeting those who need their assistance the most.
7.5.2 Regression analysis

Since it was proved that export involvement stage of the firm, its linkage to MNCs, its attitude towards TPOs, the experience of its manager and its e-readiness are positively correlated to perceived usefulness of ITP services; multiple regression has been used to test their effect.

Thus we can say that

**Perceived usefulness of ITP** = f (export involvement stage of the firm,

(trade facilitation, its linkage to MNCs, its e-readiness level,

Information provision, the exporting experience of its manager)

Export Awareness creation,

Electronic matching)

Regression analysis is used to develop the regression model which defines the relationship between two variables and help the researcher estimate the value of the dependent variable based on that of the independent variable. *(Lind et al., 2002)*

Multiple regression is, however used whenever there are multiple independent variables The independent variables may be quantitative or qualitative, and the effect of only one single variable may be measured with or without the effects of the other variables. Moreover, the relationships may be nonlinear *(Cohen et al., 2003)*

To conduct a multiple regression, some conditions must apply to the data. The sample should be randomly drawn form a well defined sample. This is a basic requirement for all statistical work if we want to draw any kind of general inference. In addition, the dependent variable should be measured on an interval, continuous scale. But in practice an ordinal ranking or rating scale is good enough.

The independent variables should be measured on a ratio, interval, or ordinal scale. A nominal variable is also valid but only if it is dichotomous, which means there are only two categories for this variable and it is described using a dummy variable.
Moreover, we should have a large sample where the number of cases is substantially exceeding the number of independent variables. You must have at least five times as many participants as independent variables and it is preferable to have a ratio of 10:1.

Regression analysis is used to measure the cause and effect relationship and it indicates whether or not the model is significant. To use regression analysis, we use the variables which were proven to be significantly correlated. And the regression method used in this research study is the stepwise method. To judge the significance of the model, one of either value could be used;

R Square (R2) is the square of the correlation measure and indicates the percentage of the variance in the dependent variable which is explained by the model. In other words it reflects how good the independent variables can predict the dependent variable. However, R square tends to overestimate the success of the model when it is applied in practice, thus another value is calculated which takes into account the number of independent variables and the sample size. This is the adjusted R Square value which is a better indication for the success of the model.

R2 is also known as the coefficient of determination and is used when the model is needed in future forecasts. To judge whether or not the whole model in general is significant, the general F-test is used. F which is the value used to interpret and explain the relationship between variables, it is considered the main value required to test the significance of the model in this research study. (Gupta, 2000; Cooper and Schindler, 2003).

If the significance is $\leq 0.05$, then the model is significant and there are true relationships between the dependent and the independent variables which should be taken into consideration, however if the F-significance is greater than 0.05, then the model is insignificant.

In regression analysis, the order in which the independent variables are entered into or taken out of the model is determined according to the strength of their correlation with the dependent variable. Actually there are different methods, called forward selection, backward selection and stepwise selection.
Stepwise is the most sophisticated method, where each independent variable is entered one after the other and its value assessed. If adding the variable contributes to the model then it is retained, but all other variables in the model are then re-tested to see if they are still significantly contributing to the success of the model or else they are removed. Thus, the advantage of this method is that it gives the smallest possible set of independent variables.

To properly apply linear or multiple regression, the following conditions must be met (Gupta, 2000; Lind et al., 2002; Cooper and Schindler, 2003; Ragheb, 2005):

*Normality*

The histogram and the normal probability plot are used as informal tests and the Kolmogorov-Smirnov (K-S) as a formal to test the Normality. To test the normality for the residuals, the informal tests (histogram and the PP Plot) are used because the sample is considered to be large. To judge the normality of the residuals in the histogram, all or the majority of the bars should lie under the curve. Normality indicates that for each value of the independent variable, there is a group of dependent values that follow normal distribution.

*Multicollinearity*

Independent variables chosen to be included in the model can be correlated with the dependent variable, but should not be significantly correlated with each other. The term multicollinearity is used to describe the situation there is high correlation between two or more independent variables. Multicollinearity causes problems when trying to draw inferences about the relative contribution of each independent variable.

Collinearity can be shown from the tolerance values that can vary between 0 and 1. The closer to zero the tolerance value is for a variable, the stronger the relationship between this and the other independent variables. The Variance inflation factor (VIF) is an alternative measure of collinearity, which is the reciprocal of tolerance in which a large value indicates a strong relationship between predictor variables. If the value of the VIF is < 10, then this indicates that there is no multicollinearity.
Also, multicollinearity can be checked using the condition index. If the value of the condition index is less than 10, then there is no multicollinearity between independent variables; if the value is between 10 and 30 then there is insignificant multicollinearity and if its value is greater than 30 then there is severe multicollinearity that should be considered. (Gupta 2000, Lind et al, 2002; Cooper and Schindler, 2003; Ragheb, 2005)

In our developed regression model, the dependent variable is a composite of the 4 developed dimensions of the factor analysis. It is an ordinal variable.

The independent variables, described above as the descriptive, they are ordinal and were used in the model (X1…..X5), Those variables are the ones proved to be significantly correlated to our dependent variable.
Table 7.15 Descriptive statistics of model variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>Linkage to MNCS</td>
<td>1.44</td>
<td>0.707</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>X2</td>
<td>Communication technology application</td>
<td>1.69</td>
<td>0.718</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>X3</td>
<td>Attitude towards TPOs</td>
<td>2.01</td>
<td>1.376</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>X4</td>
<td>Export Development stage</td>
<td>1.92</td>
<td>0.784</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>X5</td>
<td>Management commitment to exporting</td>
<td>1.73</td>
<td>0.717</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

In this study the regression model has excluded the attitude of SMEs towards TPOs and the commitment of Managers, which were proven to be significantly and positively correlated with the dependent variable, and preserved the effect of the export involvement stage of the firm, its linkage to MNCs and its e-readiness level on its perceived usefulness of ITPs.

The stepwise regression method used has revealed three different models,

Model 1, which included only export development stage accounted for 22.5% of the variance, as the Adjusted R2 was 0.225. The inclusion of

Linkage to MNCs into model 2 resulted in an additional 17.4% of the variance being explained as the R2 was 0.399. The final model 3 also included e-readiness (application of communication technology), and this model accounted for 40.8% of the variance with an adjusted R2 of 0.408. This is quite a fair explanation of the variance in the dependent variable.
Thus, the final model that emerged from the Stepwise analysis includes three independent variables.

**Table 7.16 Model significance**

Export development stage, linkage to MNES and e-readiness: independent variables

SME’s perceived usefulness of ITPs: dependent variable

<table>
<thead>
<tr>
<th>Model (Effect of Export development stage, linkage to MNES and e-readiness on SME’s perceived usefulness of ITPs)</th>
<th>F</th>
<th>significance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>64.6</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The F-value is equal to 64.6 and the significance is 0.000 which is less than 0.05. Therefore the model is true and significant concerning the effect of the firm’s linkage to MNCs, its e-readiness level and its export involvement stage on its perceived usefulness of ITPs. According to the least squares methods, the residuals of this model are normally distributed since that the majority of the bars are within the normal curve. Therefore, the residuals are normally distributed.

It can be deducted from table of coefficients that the significance values are 0.000, 0.007 and 0.021, and the t values are 11.819, 2.701 and 2.315 respectively for the effect of export development stage, linkage to MNEs and e-readiness on the perceived usefulness of ITPs. The significance values are less than 0.05; therefore, the model is significant.
Table 7.17 Coefficients table

Export development stage, linkage to MNES and e-readiness: independent variables

SME’s perceived usefulness of ITPs: dependent variable

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>T</th>
<th>significance</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export development stage</td>
<td>7.906</td>
<td>11.819</td>
<td>0.000</td>
<td>0.502</td>
<td>1.99</td>
</tr>
<tr>
<td>Linkage to MNEs</td>
<td>4.130</td>
<td>2.701</td>
<td>0.007</td>
<td>0.305</td>
<td>3.27</td>
</tr>
<tr>
<td>e-readiness</td>
<td>2.851</td>
<td>2.315</td>
<td>0.021</td>
<td>0.137</td>
<td>7.2</td>
</tr>
</tbody>
</table>

The beta (B) coefficients are 7.906, 4.130 and 2.851. The values have positive signs indicating positive relationships between export development stage, linkage to MNEs and e-readiness of SMEs on the perceived usefulness of ITPs.

The export development stage of the firm has the greatest effect as it has the largest beta value, followed by linkage and finally e-readiness. As for the multicollinearity statistics, the tolerance levels are all below 1 and the VIF values are less than 10, which indicate both that there is no multicollinearity problem.

To sum up, the data were analysed by multiple regression, using export development stage, linkage to MNEs and e-readiness as regressors. The regression was a rather a fair fit with $R^2_{adj} = 40.8\%$, but the overall relationship was significant ($F_{3,274} = 64., p < 0.05$). With other variables held constant, Perceived usefulness scores were positively related to export development stage, linkage to MNEs and e-readiness. The effect of the 3 was significant.
7.6 Research Question eight

To what extent are EITPs capable of providing SMEs with real export opportunities (ETOs)? What are the factors that could contribute to the variance between SMEs in engaging in successful EPOs?

It has been found out through the questionnaire based survey that the respondents have successfully engaged in real export opportunities through ITPs. Each respondent has indicated the number of successful ETOs that he has engaged in the given year (2008). The following table reflect those responses and the percentage of corresponding SMEs. The average amount of ETOs per firm is 2.5.

Table 7.18 Actual number of real electronic Trading Opportunities

<table>
<thead>
<tr>
<th>Amount of successful ETOs</th>
<th>Percentage of SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15.2</td>
</tr>
<tr>
<td>2</td>
<td>33.1</td>
</tr>
<tr>
<td>3</td>
<td>38.1</td>
</tr>
<tr>
<td>4</td>
<td>8.1</td>
</tr>
<tr>
<td>5</td>
<td>7.2</td>
</tr>
<tr>
<td>6</td>
<td>1.1</td>
</tr>
<tr>
<td>7</td>
<td>0</td>
</tr>
</tbody>
</table>

To be able to answer this research question, we start with computing the pearsons correlation coefficients between the nine descriptive (company demographics and its measures of export development) determined before and the amount of successful ETOs firms have engaged in through the ITPs in a given year (2008). Using Correlation we aim to determine those factors that are significantly correlated to the number of ETOs.
Table 7.19 Correlation between the 9 descriptive and the amount of successful ETOs firms have engaged in

<table>
<thead>
<tr>
<th></th>
<th>Successful electronic trading opportunities</th>
<th>p</th>
<th>significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td></td>
<td>0.090</td>
<td>0.136</td>
</tr>
<tr>
<td>Sector</td>
<td></td>
<td>0.016</td>
<td><strong>0.007</strong>*</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td>0.049</td>
<td>0.412</td>
</tr>
<tr>
<td>Export development stage</td>
<td></td>
<td>0.307</td>
<td><strong>0.000</strong>*</td>
</tr>
<tr>
<td>Export intensity</td>
<td></td>
<td>0.475</td>
<td><strong>0.000</strong>*</td>
</tr>
<tr>
<td>Linkage to MNCs</td>
<td></td>
<td>0.037</td>
<td>0.548</td>
</tr>
<tr>
<td>Attitude towards TPOs</td>
<td></td>
<td>0.147</td>
<td><strong>0.014</strong>*</td>
</tr>
<tr>
<td>Managers’ exporting exp.</td>
<td></td>
<td>0.392</td>
<td><strong>0.000</strong>*</td>
</tr>
<tr>
<td>E-readiness</td>
<td></td>
<td>0.087</td>
<td>0.148</td>
</tr>
</tbody>
</table>

The correlation analysis indicates that the sector, the export involvement stage of the firm, its export intensity, its attitude towards TPOs and the exporting experience of its manager are positively correlated with the amount of successful ETOs and the coefficients of correlations are 0.162, 0.307, 0.475, 0.147 and 0.392 respectively for each of them. These correlation coefficients indicate moderate if not weak. However, as the significances are less than 0.05 a significant relationship exists and should be taken into consideration. These positive correlations explain that, firms operating in the manufacturing sector were able to engage in more ETOs than firms in more traditional agricultural and intermediate sectors that are not highly targeted by export promotion policies. Moreover, firms that are regular exporters and those with high intensity of exports were able to engage in more successful ETOs than intender
companies who are at an early stage of export development or with low export intensity. Firms that have a positive attitude towards TPOs were also able to engage in more successful ETOs than firms with a negative attitude towards TPOs. This indicates that firms who have the will to deal with TPOs are more subject to engage in exporting and boost their export records. Firms with more experienced Managers in exporting were rather more capable in engaging in successful ETOs than firms with less experienced managers in exporting activities.

These findings are in line with previous studies. Researchers pointed out that the use of export promotion programs differs with the degree of internationalisation. Higher export involvement facilitates for firms to have greater access to and usage of export promotion programs which will subsequently lead to enhanced export performance (Gencturk and Kotabe, 2001). Since it was proved that sector of the firm, its export involvement stage and the level of export intensity, its attitude towards TPOs, the experience of its manager are positively correlated to perceived usefulness of ITP services; multiple regression has been used to test their effect.

Thus we can say that

**Amount of successful ETOs = f (sector, export involvement stage of the firm, the export intensity, the attitude towards TPOs, the exporting experience of its manager)**

Using stepwise regression, the four models have been revealed, however, they excluded the export development stage that has proven to be significantly and positively correlated with the dependent variable, and preserved the effect of the sector, export intensity of the firm, attitude towards TPOs and manager exporting experience.

Model 1, which included only export intensity accounted for 9.4% of the variance as the adjusted R2 was 0.094. The inclusion of the sector into model 2 resulted in an additional 8% of the variance being explained (R2 = 0.164).

Model 3 also included managers export intensity this model accounted for 23.8% of the variance with an adjusted R2 of 0.238. The final model which also included the
attitude towards TPOs, explains almost 30% of the variance. This is quite a weak explanation of the variance in the dependent variable.

Thus, the final model to emerge from the Stepwise analysis contains only four independent variables.

**Table 7.20 Model significance 2**

Sector, Export intensity, attitude towards TPOs, Manager’s export experience: independent variables

Amount of successful ETOs: dependent variable

<table>
<thead>
<tr>
<th>Model (Effect: Sector, Export intensity, attitude towards TPOs, Manager’s export experience)</th>
<th>F</th>
<th>significance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30.1</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The F-value is equal to 30.14 the significance is 0.000 which is less than 0.05. Therefore the model is true and significant concerning the effect of: Sector, Export intensity, attitude towards TPOs, Manager’s export experience. According to the least squares methods, the residuals of this model are normally distributed since that the majority of the bars are within the normal curve. Therefore, the residuals are normally distributed.

It can be deducted from table of coefficients that the significance values are 0.000, for Sector, Export intensity, attitude towards TPOs, Manager’s export experience. The significance values are less than 0.05; therefore, the model is significant.
Table 7.21 Coefficients table 2

Sector, Export intensity, attitude towards TPOs, Manager’s export experience: independent variables
Amount of success ETOs: dependent variable

<table>
<thead>
<tr>
<th>Collinearity statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Attitude towards TPOs</td>
</tr>
<tr>
<td>Export intensity</td>
</tr>
<tr>
<td>Management experience</td>
</tr>
<tr>
<td>Sector</td>
</tr>
</tbody>
</table>

The beta (B) coefficients are 0.245, 0.291, 0.320 and 0.371. The values have positive signs indicating positive effect on the amount of successful.

The sector of the firm has the greatest effect as it has the largest beta value, followed by Management experience. As for the multicollinearity statistics, the tolerance levels are all below 1 and the VIF values are less than 10, which indicate both that there is no multicollinearity problem.

To sum up, the data were analysed by multiple regression, using sector, export intensity, management exporting experience and attitude towards TPOs as regressors. The regression was a rather weak fit with an $R^2_{adj}$ of 30%, but the overall relationship was significant ($F_{3,274} = 30.1, p < 0.05$). With other variables held constant, the amount of successful ETOs was positively related to sector, export intensity, managers’ export experience and attitude towards TPOs. The effect of the 4 factors was significant.

Based on the findings of both regression models, we can conclude that the stage of the export development or the export intensity of the respondent SMEs are the main critical factors contributing to the success of ITPs as perceived by SMEs themselves.
Whether using the amount of successful export opportunities engaged in by SMEs in a given year, or the perceived usefulness construct, as a measure for effectiveness of ITPs, the most important finding suggests that ITPs are rather targeting already successful exporting firms in successful sectors. Although these were able to provide SMEs with real opportunities for exporting still as already being committed exporters, these firms might have sought these opportunities through other channels. Thus, these activities do not reveal the real targets of enhancing exports that would not otherwise happen. Furthermore, Export promotion organizations’ managers do not like to be linked with failure. They find it more fruitful, convenient and cost effective to target these customers rather than to go the extra mile and focus on the needs of firms at the early stages of their internationalization.

We can therefore conclude that the findings of the quantitative analysis are in line with earlier empirical studies that also pointed out that TPOs are marketing their services and offering their help to those who are not in desperate need for it, because if already successful exporters are the main beneficiaries of these organizations, how would potential exporters or those who are trying to increase their export volume apparently be supported and urged into exporting that would not be possible if firms are on their own to decide. In research there needs to be a stronger link between empirical efforts and concrete program objectives.
7.7 Summary of findings

Mixed model research design has been used in this study for the purpose of triangulation. According to some methodologists convergent validity can be achieved when findings of one measure are compared to other findings of the same concept which are developed through other methods. (Teddie and Tashakkori, 1998; and Jack and Raturi, 2006)

Data has been collected and analyzed both qualitatively and quantitatively. Two qualitative phases have been used in form of semi-structured interviews. Subsequent to this a quantitative phase followed in terms of a survey. Results of the qualitative methods and the quantitative methods together have almost achieved common conclusions which strengthen the results and reflect triangulation.

Based on the qualitative study, we can conclude that International trade points being a governmental organization, in a developing country like Egypt is suffering from high degree of bureaucracy and formalization. This in turn means that it lacks Autonomy. The lack of autonomy hinders the ITP from effectively accomplishing its tasks and realizing its objectives in a constantly changing business environment and the rapidly changing needs and wants of their customer companies.

Allocation of funds for ITPs is only made from public funds, no other sources of finance is available. The sources of financing are limited and there is limited if no flexibility for expanding the budget allocated for the trade point. This leaves the trade point with inadequate budget again not sufficient to provide the services they offer in the most efficient way, nor to be equipped with the up-to-date adequate computers and office supplies and efficient and trained personnel to manage the work.

One other disadvantage of being a governmental organization is the centralization of decision making within trade points. Despite their wide coverage in Egypt from its North to South, all decisions have to be taken centrally in the main office in Cairo. This again means lack of flexibility, waste of time and effort and resources.

Despite all of this ITPs are expanding in Egypt. Expansion is important as direct contact is still the most effective means of communication. Small companies still
lack adequate electronic communications facilities. Its presence in different locations and especially in newly industrialized zones gives it more scope to reach out for more disadvantaged small enterprises in respect to their export readiness and competitiveness.

On the other hand, the ITP has the official guarantee to get all needed trade information that they could pass to the companies. And if not a governmental organization the ITP would not be able to have access to sensitive and up-to-date information. Another important issue is the trustworthiness of the organization. In a country developing as Egypt, having the support of the government gives the organization its creditworthiness and trustworthiness in the business environment, while being able to settle dispute cases arising from trading opportunities concluded through the trade point because of the authority and linkage to different governmental bodies. Its public nature gives the ITP its legitimacy in the Egyptian market

The second phase of the qualitative study was a series of 20 semi-structured interviews with selected Managers of SMEs through convenience sampling. The main objective of this phase was to explore the perception of SMEs of trade promotion services in Egypt and those of International trade points in particular, their attitude towards the importance of trade promotion organizations and to what extent do they consider International trade points to be different and unique in the services they provide. These interviews helped in the design of the questionnaire used for the survey in the subsequent quantitative phase.

In summary, we discovered that Managers of SMEs do not appreciate the uniqueness of the ITPs in offering the possibility of electronic matching through its electronic market www.eitpmart.com.eg. They perceive ITPs to be a replicate of other traditional TPOs operating in Egypt since decades in the sense that they value the other services they provide in form of facilitating export procedures and providing useful information. This result is supported later on in the quantitative phase which was conducted on a larger scale. Firms still lack the adequate infrastructure and e-readiness to fully appreciate such an advanced and important shift in conducting business internationally.
Apart from these findings, SMEs still face different obstacles and barriers while venturing foreign markets, many are still intenders, particularly as they are disadvantaged in size and still lack financing means.

This again was supported by the findings of the survey conducted later on. Most of the SMEs in Egypt find no adequate sources of financing to be able to finance their exports. ITPs do not help much in this direction, they only offer advice but not real funding opportunities.

Smaller companies did not tend to benefit much of ITPs. All small companies interviewed had mostly a negative view towards TPOs in general and ITPs in particular. Apart from being mostly intenders, they did not support the fact that ITPs are targeting them efficiently to arouse their export awareness and introduce them to the major benefits they could attain from such a move outside the domestic market. This again was supported by the findings of the quantitative phase, in the sense that ITPs are not targeting the disadvantaged companies, the small ones or the export intenders.

The quantitative survey revealed that size is not by any means correlated to the perceived usefulness of ITPs and to the amount of successful export opportunities firms have engaged in. Thus, ITPs do not have a set target in approaching the smaller disadvantaged companies. And apart from this they find easier maybe and more convenient to approach well established exporters whereas they should be focusing more on intenders and sporadic exporters.

The factor analysis yielded a 4 factor or component solution which were duly named: Trade facilitation, Information provision, Awareness creation and Electronic matching. The total variance explained is 58.26%.

SMEs in Egypt found that the usefulness levels of the 4 components differed, so we can conclude that there were significant differences and the respondents ranked trade facilitation as the most useful service followed by information provision and awareness creation. Electronic matching was ranked last indicating the poor performance of the trade points in boosting exports of SMEs through non-traditional means of export promotion. Although this has been advocated to be its main point of
uniqueness and differentiation from other non-traditional TPOs, it has been found the least useful and efficient attribute of the ITPs in Egypt.

As for the firm related factors that contribute to the variation in the perceived usefulness level rendered by SMEs, the Stepwise Multiple regression analysis has excluded the attitude of SMEs towards TPOs and the commitment of Managers, which were proven to be significantly and positively correlated with the dependent variable, and preserved the effect of the export involvement stage of the firm, its linkage to MNCs and its e-readiness level on its perceived usefulness of ITPs. We can conclude that the export development stage of the firm has the greatest effect as it has the largest beta value, followed by its linkage to MNEs and finally its e-readiness level.

When using the amount of successful ETOs as a measure for ITPs success in enhancing exports of Egyptian SMEs, the average amount of successful export opportunities was 2.5 per firm. The amount of successful ETOs differed along different firms. Using stepwise multiple regression, a model revealed that from the descriptive that were significantly correlated to the amount of ETOs as a dependent variable, four descriptive emerged to have a significant positive effect.

With other variables held constant, the amount of successful ETOs was positively related to sector, export intensity, managers’ export experience and attitude towards TPOs. The effect of the 4 factors was significant.

We can thus argue that The Quantitative phase yielded some interesting results that were to a great extent supportive to the preceding qualitative findings.
Chapter eight

Conclusion and Recommendations

This Chapter critically assesses the research study and provides a comparison of its findings with previous studies. Recommendations for policy makers, international trade points and enterprises are also suggested. Moreover the contribution of the study to the literature and practice are reflected upon with pointing out the limitations encountered in the study. Finally some recommendations are suggested with some prospective ideas for future research.

8.1 Overview of the research study

Export promotion support to the business community has been available in developed countries since the turn of the century. With the increased globalization move and internationalization of trade, firms in developing countries were pressured to venture foreign markets. Ever since the last decades export promotion organizations, are having wide spread impact in the developing world to help disadvantaged firms compete internationally.

Availability of support services markedly increased in the past twenty years and research attention focused on them over the past decade. Institutions responsible for the development and management of export promotion systems are in some countries governmental and in others private sector organizations or a mixture of both. These have begun to review their export support activities in light of objectives and point of views of their target customers. Researchers, on the other hand, began investigating export promotion programs and their role in the firm. (Czinkota, 1982; Seringhaus, 1985). The complexity of international business and the shortness of expertise can position a firm at a competitive disadvantage. SMEs are the main disadvantaged in this context although they constitute a vital part and are often a significant player in the economies of different countries.

Nowadays it is argued that the significant feature in competing in the global market is expertise and knowledge accumulation. Trade promotion systems are a broad
response to business needs for greater expertise. Export support organizations should be geared at raising the competitive competencies of firms.

To sum up, specific goals underlying export promotion can now be summarized as, to arouse interest for export in the business community as well as develop the awareness of potential firms of the availability of export opportunities, to assist firms in the course of development and preparation of their export plans, and to facilitate for firms to acquire expertise and know-how to venture international markets.

While the role and objectives of export promotion are apparent, research throughout the last years intended to explore how export support is utilized. Empirical studies that are conducted in a single country framework appeared in the early 1980s (Czinkota 1983). Through reviewing different pragmatic studies concerned with government export support, it is concluded that objective measures of effectiveness of export assistance are insufficient. It is more comprehensive to use behavioural to have a more comprehensive view of how export support influences a firm. Consequently, support may affect export activities over time, nevertheless, identifying such impact is quite challenging. Supporting these findings, is the suggestion that theoretical or methodological problems may contribute to or account for many of the findings reported in empirical studies (Seringhaus, 1986).

A case in point is provided by this study of the impact of international trade points on exporters. ITPs are most appropriately measured in soft management dimensions rather than hard performance measures. Thus, impact at the firm would not only appear as sales, rather the competence of export promotion captures both, the generated amount of export opportunities as well as perception of the usefulness of services from the firm's perspective as related to its needs. In a developing country like Egypt, respondents to surveys are reluctant and to a great extent sceptic to reveal any financial information. In this context it was only feasible to revert mostly to use perceptual measures rather than financial ones to evade such a problem. Perceptual measures were found to be highly correlated to objective financial achievement. (Dess and Robinson, 1984; Geringer and Hebert, 1991)
This is not the only study to follow such methodology, it has been applied in prior research. (Brouthers and Xu, 2002, Luo et al., 2001; Nitisch et al., 1996 and Woodcock et al., 1994).

Nowadays the increasing international competitiveness places greater demands on exporters, thus requiring more specific and tailored programs and suggest that they should be involved in the design of export promotion programs, the exporting phase as well as subsequent expansion of export markets. Export support, as pointed out earlier, is largely aimed at enhancing skill and expertise in the firm. The comparison of how firms view various sources of skill suggests several implications. More support for new exporters is needed to assist them with planning and preparing for their market entry. Whereas, extensive and consistent facilitation of trade procedures is highly appreciated for those seeking to further expand or develop markets.

8.2 Discussion of results

8.2.1 Public versus private administration of Trade promotion organizations

Based on the qualitative results, we can conclude that International trade points as a form of public trade promotion organization suffer heavily from bureaucratic procedures, centralization of decision making and overstaffing with political appointees who lack the knowledge and expertise in export marketing. There is an apparent high degree of centralization of decision making in the main office. Sub trade points lack the required flexibility to act and respond and excessive formalization causes delays in their performance, and this leads to waste of time and resources.

In addition to this, there is a lack of adequate financial resources to better equip their offices with up-to-date technologies (there is a shortage in computers and office supplies), to provide training to their staff, to organize seminars for their customers, and to market their services in the private sector.

These findings are in line with previous studies that examined the efficiency of trade promotion organizations in developing countries. According to Hogan et al. (1991) the inefficiency of TPOs in developing countries was due to the excessive bureaucratization and unnecessary government participation, lack of funding and
leadership, being not customer oriented and having to operate in an anti export policy environment.

In their study about the efficiency of government-sponsored export promotion organizations, Knight et al., point to the fact that these institutions have insufficient resources; provide undeveloped and poorly executed services. They lack the fundamental knowledge about the private sector and its needs. All these shortcomings are coupled with excessive bureaucracy created by inefficient government intervention. (Knight et al, 2002).

Along the past years, the organization and activities of export promotion agencies were altered in line with Hogan et al. Findings and suggestions, under the support of the ITC. Moreover, trade policies have been redirected towards export liberalization. However, Egypt is still lagging behind, where red tape procedures for exports and imports are still excessive and rather costly. (Zaki, 2008)

Although the failure of governmental TPOs to meet their goals was mainly attributed to the anti export policies that prevailed in 1980s, still these organizations were not able tackle the key supply restraints levied on exporters, although they now operate in a liberalized trade environment. We can argue though that TPOs are far better performing when they are privately managed. Different studies suggested that organizations are more effective and efficient when under joined private and public administration. This conclusion is supported by much of the studies on TPOs in developing countries. (Keesing and Singer, 1991a 1991b; de Wulf, 2001; ITC, 2000; Alvarez, 2004).

Being a governmental organization in a developing country means that there is a lack of confidence and trust in their credibility as they are . This is mainly because of the already existing notion of lack of trust between the private sector and the corrupted government in Egypt.

Moreover, the International trade points do not have a thorough marketing plan nor do they monitor their own performance and achievement of pre-set targets. Their main strength of the provision of valuable information has faded away, as the intensive coverage and usage of the internet has facilitated the access to information
by many small companies. They have also seized their operation in the sense that they reduced the number of conferences, seminars and workshops organized by them for SMEs.

The appointed staffs are reluctant to offer any help and support. They lacked an adequate updated database of companies. Even their marketing materials and brochures were outdated and not even available. The staff lacked the motivation and belief in what they need to deliver to their customers. No set targets are clear for them and the number of interested companies to register with them is falling down.

In his study in Taiwan to compare government export organization with other sources of market information, Morawitz (1981) reported that the government organization were the least useful. Similarly in a study in Columbia, all interviewed exporters found the country’s export promotion office to be useful. Naidu et al. (1997) concluded that the efforts undergone by Indian government to establish complex bureaucracies to promote exports were fruitless. He came to the conclusion that extensive government intervention has hindered international entrepreneurship.

To sum up we can conclude that the inefficiency of government export promotion organizations is considered to be a severe bottleneck for firms in developing countries. Many of them lack adequate resources to achieve their targets and satisfy the needs of their customers. We can also argue that TPOs are far better performing when they are privately managed.

8.2.2. International trade points as compared to traditional Trade promotion organizations

Based on the quantitative study, through the conducted exploratory factor analysis, 4 factors emerged with a total variance explained of 58%. SMEs in Egypt found that the usefulness levels of the 4 factors differed, so we can conclude that there were significant differences and the respondents ranked trade facilitation as the most useful service followed by information provision and awareness creation.

Based on the different theories of internationalization anticipated in the business economics literature (Johanson and Vahlne, 1977; Bilkey, 1978; Wiedershaem-Paul et al., 1978; Reid, 1981), small firms venturing foreign markets have to bear
high costs in order to locate potential trading partners and assess their dependability, suitability, and capacity. This process is of course more costly and time consuming when potential partners are geographically diffused, hence may hinder exports (Rauch, 1996; Rangan and Lawrence, 1999; Rauch and Casella, 2003; Portes and Rey, 2005).

Through attenuating information problems, export promotion agencies like International trade points can diminish transaction costs thus promoting exports in developing countries. (Gil-Pareja et al., 2005; Nitsch, 2005; Lederman et al., 2006 and Rose, 2007).

This justifies the fact that Information provision by International trade point was ranked high by SMEs. Due to their size, these firms cannot afford to establish their own information provision channels and thus rely heavily on support organizations that offer them the needed and updated information that would add to their knowledge and thus help them along the different stages of the internationalization process.

Electronic matching was ranked last indicating the poor performance of the trade points in boosting exports of SMEs through non-traditional means of export promotion. Although the trade points have been operating for more than a decade in Egypt, they still fall short of achieving their main target of helping SMEs in their internationalization process through more advanced and developed means of communication technology and advanced forms of electronic business. The Egyptian government does not provide the cornerstone or the conducive policies to ensure that the suitable environment exists for e-trade growth. Despite the wide coverage of ITPs throughout Egyptian governorates, they lack the essential resources and adequate infrastructure to highly encourage and motivate SMEs to venture foreign markets through them as an intermediary that has a worldwide presence in most of the world countries.

These findings are supported by findings of a study performed in Malaysia to study the perceived usefulness of its main external trade development corporation (MATRADE). Despite its presence to facilitate and promote trade of SMEs, Malaysian firms’ exports are still less than desired. Again, out of the 4 factors
emerging through factor analysis, Archives, which was the main information service was ranked the most useful service, highlighting the importance of the government role in the provision of information and data meant for export purposes. (Osman et al., 2002)

To summarize, he findings suggest that ITPs are no different than traditional forms of TPOs in serving their customers. Although having a competitive edge over traditional TPOs in the sense that they offer a more advanced electronic matching scheme, still firms do not appreciate this uniqueness. The firms revert to the more traditional role of TPOs and find the efforts of ITPs not very useful, which mean that there are wasted efforts and resources. Still Information provision is regarded by SMEs as the most critical factor for their internationalization decisions. Thus through attenuating information problems, export promotion agencies like International trade points can diminish transaction costs thus promoting exports in developing countries.

8.2.3E- readiness of Small and Medium sized enterprises

SMEs in Egypt still do not appreciate the uniqueness of the electronic matching process provided by the international trade points, mainly due to their lack of e-readiness.

The business community in developing countries did not show any commitment to acquire e-competency. They even were not dedicated to exploit the internet as a means to augment their competitive position worldwide. SMEs, although making the greatest economic contributions in developing countries still cannot capture the potential of the Internet as a business tool that would help them overcome their main critical barriers to international presence.

In one of its surveys, conducted in the Middle East, 50 SMEs that had websites were contacted by ITC. The purpose was to discover their perception of ICT as a business tool. The survey revealed that the Internet is considered to be a crucial communication medium; however it is not essential for competitiveness. Some respondents acknowledged ICT as an important medium to create an innovative business culture. Unfortunately it had no effect on sales growth. Only a few number of the interviewed Managers incorporated a web strategy in their overall business
strategy. However, many could not foresee the potential of ICT as a requisite element of their business development strategies. Another survey took place in developing countries and covered 51 TPOs have revealed uneven responses to the requirements of the digital economy. Only 40% indicated their national export development strategy entails an e-trade constituent. Even countries with an e-trade strategy, lack the integrated methodology to ascertain the existence of a conducive environment for e-trade growth. A third survey that conducted in Bangladesh confirmed that internet could not be considered as a medium to locate new supply sources and e-mail was the only application used by these enterprises. (ITC, 2001)

To sum up we can say that the e-competency and e-readiness levels of ITPs as well as the SMEs in Egypt are well below the required levels for such an advanced form of TPOs to be successful in meeting its targets. The infrastructure is not well developed and firms are not ready to engage in e-trade and to capitalize on ICT as a business development tool.

8.2.4. The government policy and its role in providing a favorable export environment

The globalization of business and growth in world trade contributes to rising demand for finance among export oriented businesses. This underlines the urgency with which countries should develop their own export financing facilities. Many developing countries, Egypt is no exception, continue to lack effective banking institutions and other arrangements for the financing of their exports. Two types of financing are required for exporting, long-term finance is required for investments in export oriented industries, and short term finance is needed to finance activities associated with the process of exporting. Unfortunately, export promotion organizations, whether public or private, do not have mandate over long term financing, however, in the context of export promotion strategies, export financing, refers to short-term financing, including pre-and post shipment finance, export credit insurance and guarantee schemes. The inability to obtain credit at a reasonable cost affects the competitiveness of small exporters, when competing with other
companies located in countries that have far better financial institutions offering their customers a variety of financial products to augment their competitive advantage. The interviews with SMEs managers as well as the survey results, revealed that SMEs in Egypt are very much suffering from shortage of export financing channels. Lack of export finance is still considered to be the main obstacle to exporting. There are still no coherent financial system in place that is targeting SMEs to satisfy their financial needs and provide them with adequate means of export financing products.

Furthermore, it has been pointed out that committed exporters, who are already in an advanced position in their internationalization process or that are intensive exporters, are the main beneficiaries of the services of International trade points. They were the main firms that engaged in successful electronic opportunities through the electronic matching system.

The main argument here is how to solve this dilemma. If committed exporters are the main recipients of the government export promotion services, how could it be possible for governments to accomplish their targets of increasing exports and widening the export base? It seems that the programs are not appropriately marketed to those who need the facilities the most. There must be a structured program set in place to further push managers to utilize the services of export promotion organizations to get more indulged in exporting operations and gain positive experience that would lead to their accumulation of experiential knowledge.

According to Czinkota, firms in their early stages of their internationalization process face tremendous risks (Czinkota, 1994; 2002). This will in turn keep them from venturing foreign markets, or, maybe would lead to their early exit. Thus, ITPs are not targeting those who need their support most.

To sum up we can say that, export records of Egyptian SME are way below the levels of their counterparts in different parts of the world. This is due to the lack of export finance in particular, and the wasted efforts of governmental export promotion organizations to assist SMEs during their internationalization process. The needs of smaller firms are not addressed effectively, indicating that there is a misuse and misallocation of resources into less desirable means of export promotion.
8.2.5 The perceived usefulness of International trade points and factors contributing to the variance in Perceptions

Going back to the results of the Regression analysis, SMEs that perceive ITPs to be more useful, have an advanced export development stage, are linked in some form or another to MNCs and have a high level of ICT application.

Intenders or sporadic exporters as well as small companies did not benefit a lot as they still lack awareness and capabilities to venture foreign markets. They suffer heavily from intense exporting barriers especially the lack of financial resources to finance exports.

Based on the findings of the quantitative phase, the size of the enterprise as well as its location were found to have no relation whatsoever to its perceived usefulness of ITPs. This suggests that ITPs, although aiming to concentrate their efforts to enhance the export competitiveness of smaller companies and those in disadvantaged remote locations, especially in South Egypt, the smaller firms did not tend to be the most beneficiaries of these wasted efforts. Also companies in remote areas did not perceive the benefits of those trade points. We can thus conclude that ITPs are drifting away from satisfying the needs and facilitating the exporting process of their main targeted firms. I do believe that there is not preferential assistance given to the less disadvantaged smaller enterprises in Egypt.

It is pointed out in the literature that it is very important and vital for firms to identify potential trading partners, which is considered the key factor in concluding successful export opportunities. (Aaby & Slatter, 1989; Thomas and Wilkinson, 2005). The findings of this study suggest that International trade points have the potential and resources, if used efficiently, to play a constructive role in the facilitation for firms to locate their best matching trading partners. Through their global trade network, this task would be simple, reliable and cost efficient.

8.2.5.1 Export knowledge acquisition and the internationalization stages

According to Gencturk and Kotabe, the usage of EPOs differs by the degree of form internationalisation. Firms that are more export involved have more access to services of export promotion organizations and are subsequently better performing
on exporting. (Gencturk and Kotabe, 2001). This argument is supported by the findings of this study, as committed exporters were the main users of ITPs and the main beneficiaries of their services. To some extent this argument could be reasonably valid but it raises a serious enquiry. Export committed firms with their well established organisational structures are in a much better position to access needed expertise from secondary sources and their managerial processes can effectively ease external information processing (Samiee and Walters 1990). Nevertheless, firms that are still at the beginning of their export participation process are far more in need for export assistance. These inexperienced potential exporters suffer more of the severity of export impediments, and should thus rely on available external knowledge and expertise provided by secondary sources. (Bilkey and Tesar 1977; Ali, 1998)

8.2.6 The evolving role of export promotion organizations

The international Trade arena needs to be re-designed and re-engineered in wake of digital economic environment suggesting a basic re-structuring in the methodologies of Trade Promotion Institutions. The traditional trade promotion services are no longer sufficient to operate in this Economic framework. The e-commerce and strategies are to be evolved not only by the Business organizations but also by the Trade Promotion Institutions too. The e-businesses processes have to be streamlined and standardized under the Multilateral-trading regime of World Trade Organization's Agreement on E-commerce and Information technology. The legislative and regulatory frameworks are the prerequisites to give predictability and the confidence in the international business processes.

Electronic commerce not only offers opportunities for increasing trade efficiencies by expanding the market size, but also creates a whole cyber market with 24 hours, 7 days a week online trading and thus eliminates communication distortions and delays. It also reduces the costs of documentation, better inventory control management and supply chain management. In addition, E-commerce holds the key to unlock the protectionism and Non Trade Barriers mechanism adopted by the host of the major international trading countries and regional trade arrangements by
virtually connecting the marketplace. The growth of e-commerce would also usher in the stability and peace in the world devoid of traditional boundaries and barriers whether political, cultural or economic.

The developing countries are finding it difficult to switch over to the requirements and realities of digitalized global economy. The technological barrier notwithstanding, the cultural practices are major hurdles to induce the Business-people to integrate themselves in the digitized economy.

The Trade Promotion Institution needs to come forward and spearhead the Business transformation. The short-term objective is to develop the on-shore capabilities of the experienced exporters to work in tandem with the local supply chain to operate competitively in this business environment. The integration of local SMEs with the global supply chain is also important to exploit the potential of this sector. We have to device strategies that bring export growth through complementarities by encouraging the integration of firms in the same industrial cluster (possibly through internet). The on-shore capabilities of domestic producers can be developed through technological help and management training. The training in meeting global business obligations in wake of WTO trade regime is also an important factor to achieve export competitiveness.

Developing countries however still do not capture the driving forces for trade development and export promotion in today’s global economy. Egypt is no exception in this context; it needs to learn how to ride the e-commerce wave, instead of being crushed underneath it. It needs to capture a piece of the cake, to capitalize on this new emerging opportunity to boost its exports worldwide, which is the main concern of the Egyptian government.

The Egyptian government is very much dedicated to export promotion. It was stated on different occasions that,” Exporting is a matter of life or death for the Egyptian economy”. (ECES, 2001)

For the past decade the Egyptian business environment has witnessed continuous reform efforts to remove barriers against exports through such measures as trade
liberalization and the simplification of customs procedures. However, Egypt is still lagging behind when analyzing its export records.

In summary we can say that e-commerce as a medium for foreign trade, offers potentials for augmenting Egyptian exports and improving its balance of trade. This in turn will positively influence the Egyptian economy as it will help towards curtailing national debt and inflation rates and increasing the GNP. Moreover, Egypt will be able to experience a more open economy and enhance its comparative advantage globally. (Hashem, Ismail, 1998)

8.3 Implications for policy makers

Cross border economic relationships have witnessed a tremendous reinforcement over the past two decades, with an evolving integration of the global economy. In this rapidly changing and evolving international environment, where competition is fierce and trade liberalization is affecting all countries, the different growth performance among developing countries in recent years is largely explained by the policy differences among countries. In particular, the government has a role to play in export promotion and in the development of the economic structures and institutions within the economy.

Governments have four major roles to play; the first concerns the creation of economic stability through macroeconomic policies. Second, government can provide the appropriate incentives and regulatory framework that encourages investment and growth. Third, government can provide infrastructure and social services, in terms of communication and education that contribute to lowering costs and improving technological capabilities. Finally and most importantly government should help businesses and especially small businesses improve their international competitiveness through export promotion policies which provide general and more specific support measures.

It can be argued that Export promotion programs are eminent parts of the majority of countries' trade policies. These programs have been conventionally justified as a means of intervention directed towards the correction of existing market imperfections. Most of the studies conducted on export promotion programs aimed
at assessing their effectiveness in different contexts in developed and rarely in developing countries. Furthermore, it was pointed out that firms at different stages of their course of internationalization encounter different obstacles and accordingly have different needs in terms of export support.

Thus it is necessary to assess whether the program combination is well targeted so that benefits are primarily accruing to the targeted beneficiaries so as to reach the optimum level resource allocation across different programs. In this respect, many governments have come to acknowledge the need to ensure that the resources allocated to the public sector to support the country’s international trade effort, through trade promotion organizations and other agencies are effectively used and its impact is efficient.

Improving the performance of national programs for international trade is however challenging. In the past, the contribution that public sector trade promotion organizations have made to a nation’s economic development has fallen short of expectations. Most of these public sector organizations have been ineffective in expanding exports. However, the growing importance of international business and the increase in the complexity of organizational forms and institutional arrangements for international trade, make this a prime policy area for all governments.

Finding the appropriate organizational form and role for public sector institutions in assisting a country’s exports is challenging. Governments that intend on improving prospects for international trade have several policy options: To attempt to improve the functioning of the market mechanism to facilitate trade; to transfer the responsibility for trade promotion and support to the private sector or to reform and revitalize public sector organizations. Each of these options is appealing and technically challenging. The choice will be determined by the political feasibility of implementing the proposed changes required under each option, but also by the characteristics and history of existing public sector trade supporting organizations.

In the modern context and given the conditions in the Egyptian economy, the latter approach is more feasible and consistent with the international business environment. Despite the lack of trust between businesses and government,
improving this relationship and redefining it between public and private sector is vital to proceed.

Determination of the total amount of financial and human resources needed to implement an export promotion program or to set up an export promotion organization is a critical aspect for policy makers. Export promotion is costly. Besides estimating costs and finding the appropriate balance of activities, it is vital that the evaluation of previous export promotion activities feeds into the formulation of newer activities and their budgetary claims. Thus policy-makers should undertake periodic reviews and evaluations, no matter how difficult it is to find the appropriate performance indicators.

The development and promotion of exports encompasses a very broad set of activities. These generally include establishing a favourable policy environment, the creation of institutions and physical infrastructures to support trade, investments in export oriented industries, improvements to product quality and specifications, the provision of export finance means for firms, provision of trade information and promotional activities. Despite the persistent efforts in providing promotional activities to SMEs in Egypt, companies still suffer severely of lack of financial means o finance exports. Developing the financial sector in accordance with the needs of SMEs to have more access to different means to finance their exports is a pre-requisite for the export promotion programs to be able to benefit those companies.

Formulation of sound and implementable export development and promotion strategies call for the existence of sustainable institutional capability in all aspects. Capacity building is a precondition for formulating a national export promotion strategy.

Finally, is a governmental or private sector-based export promotion system better suited to enhance export competence of firms? The motivation for this question is not that one kind of system should or can change, but rather to explore if one or the other confers a differential advantage on its users. The results on this issue are inconclusive. Preceding research indicated that publicly delivered promotional activities can be successful under a variety of conditions. The usefulness of these
programs would depend to a great extent on the activities undertaken and the readiness of firms to capitalize on those services.

Based on a study recently conducted to assess the impact of benefits gained through trade promotion organizations in developing countries, it was suggested that, export promotion organizations that are privately managed and publicly funded are associated with higher national exports than other countries, which means that total privatization of export promotion organizations is not the optimum solution. Moreover, the existence of only one effective EPO rather than many scattered smaller ones, is also positively associated with exports. (Lederman et al, 2010)

Given the greater dynamics of private sector compared with government, the private sector-based export promotion system, however, would have to be the favourite when it comes to acting upon suggested changes which would then generate an improved system.

To sum up, an export promotion strategy will need to consider the optimum means to support small firms in exploiting opportunities created with the recent trends of globalization and liberalization of trade, where alteration in comparative advantages between large and small firms substantially occurred.

Thus, the task for those responsible for developing an export promotion strategy is to ensure that information is gathered about the nature of different support programs, so that no conflicting aims exist. Programs should be thus designed in a complimentary fashion and reduce redundancy and duplication, so as to reach the maximum level of efficient resource allocation and utilization. A key concern of policy makers should make sure that TPOs do not pursue their policies in isolation from one another.

**8.4 Implications for International trade points**

The study also has implications for export promotion organizations and specifically International trade points

The main ones are:
- A critical review of the publicity and promotional methods is needed to ensure wider awareness of export support programs in the business community.

- Existing programs and appropriate use situations at firm level may not be clearly linked resulting in low usage incidence; organizations must establish such linkages more clearly.

- The nature and content of programs should be reviewed so as to modify, replace or eliminate those that fail to focus on identified needs in the business community.

- Organized and meaningful consultation with business groups should be undertaken to ensure that user input together with program

- Performance evaluation at firm level results in more appropriate programs. Focus should be placed on those areas of export involvement where support is most critical, namely, among new exporters and those seeking to expand and develop markets.

- The legal framework may constitute a series of impediments to the orderly and smooth functioning of export related activities. Laws, decrees and other regulations governing the conduct of trade and tax laws, corporate laws, stock exchange instruments, environmental regulations, and intellectual property laws may need to be revised to facilitate exporting.

- An export promotion organization could coordinate a systematic review of the bottlenecks caused by an underdeveloped legal framework and recommend changes that would facilitate export trade.

These implications are primarily aimed at International trade points in Egypt, that were investigated in this study, however, their relevance to other export promotion programs as well as other ITPs in other developing nations is clearly apparent. The international competitive climate demands generic skills and expertise. In that sense any export promotion system must seek to understand the needs of its client constituency and which specific services should be created or modified to enhance competitive competence in the business community. On one hand, evaluation of the existing export support is required and, on the other, an assessment of what
contribution such support makes at the firm level, while keeping in mind the importance of viewing one's own situation in an international context.

8.5 Implications for SMEs

Managers can further improve their export knowledge through engaging with governmental EPOs. Export promotion programs should affect export knowledge positively which consequently will influence export commitment and strategy. Export promotion programs help to create positive attitudes towards exporting, which will urge managers to commit more resources to exporting. In this study some guidelines are provided for managers of SMEs on to how they can profit from EPOs in accumulating experiential knowledge.

It is also important to mention that this study revealed that Linkage to Multinational corporations, which refer to the direct involvement in relationships with other MNCs through transactions or alliance-based relationships, would in turn affect the output and capability improvement of SMEs (Forsgren, et al., 2005; UNCTAD, 2006). This in turn improves the firm’s potential to venture foreign markets and benefit from the capabilities and experience of MNCs. Other than this, the introduction of international e-commerce has lead to dramatic developments in the competitive markets facing SMEs. The Internet provides small firms with the opportunity to locate trading partners around the globe at a much lower transaction. Firms should foresee the benefits of the web and take steps to join in even though they do not know what outcomes might lead them to. SMEs now are extensively pushed towards the development of their own capabilities, to better equip themselves to ride the new digital wave.

8.6 Contribution to literature

The aim of this study is to make a contribution to the export promotion literature, as has been called for earlier by Gillespie and Riddle (2004). Recognizing a gap in literature to cover the evaluation of new advanced forms of Trade promotion Organizations was the main driving force for conducting this study.
As this is a new retooled form of Trade Promotion Organizations, there haven’t been any studies conducted to evaluate the usefulness and effectiveness of such a reinvented form of export promotion organizations. All studies have dealt with more conventional and traditional forms of TPOs, such as trade fairs and exhibitions or foreign representative offices.

Moreover, we intended to conduct this research in the Egyptian context as despite the fact that Egypt is a developing countries that has undergone different trade liberalization measures to encourage exports and foreign trade, still there is a gap in literature to cover the role of trade promotion institutions whether governmental or public, in boosting exports and enhancing the export competitiveness of SMEs in particular in their course of overcoming impediments to exporting. Egypt was an ideal setting for the study due to the existence of the highest number of sub trade points all over the world, also being a developing country with SMEs contributing to almost 90% of its economic activity.

The internationalisation theory advocated by Johanson and Vahlne focuses on the firm’s ongoing accumulation of knowledge about foreign markets and export operations, which will consecutively increase commitment to foreign operations. It further denotes that the lack of export knowledge and internal firm resources are mainly the largely significant hurdles for internationalisation which can be reduced through learning and experience accumulation. (Johanson and Vahlne, 1977, 1990)

Thus, Export market knowledge as a firm resource boosts its competitive position and in turn leads to its improved commitment to exporting. This research was built around this theory to reflect the fact that SMEs in the new evolving digital environment, where there is a call for diminution in intermediaries role in trade facilitation, are still in need of acquiring export market knowledge through secondary sources.

SMEs will utilize ICT to compensate for experiential learning opportunities (Jean, 2007). Small companies are suggested to be able to compensate for some of their inherent disadvantages by trading off direct physical market embeddedness against strategic use of the Internet (Moini & Tesar, 2005). They can improve flexibility by speedily engaging in parallel market entries, facilitated by information and
communication technology (ICT), thus benefitting from “dilution of sequencing” in international expansion (Yamin & Sinkovics, 2006).

This knowledge helps them throughout their different stages of internationalization. Contrary to what is acknowledged, committed exporters that already have accumulated knowledge, are the ones who are the main beneficiaries of secondary forms of knowledge acquisition in form of the support of trade promotion organizations. No matter how far SMEs are in their course of internationalization process there is still a need for extended knowledge acquisition to strengthen their competitive position in the global market.

A more comprehensive construct of perceptual usefulness was was developed. It incorporates a new factor pertinent to the unique nature of International trade points, as being dependent on an electronic matching system supported by a global network. Nevertheless, the results should be considered provisional until this rich, multidimensional construct is tested in other settings. Thus the four factor scale must be considered with incomplete generalisability. Another challenge is to test whether it could be applied to identify usefulness levels of other forms of trade promotion organizations. Continued improvement of the usefulness scale proposed is undoubtedly possible as modifications could include adding or deleting items, or even modify the factor structure.

Although almost all aspects of export promotion objectives were covered, some aspects may have been overlooked. In future research, these are to be incorporated in the scale to ensure validity as well as reflect any evolving trends.

To sum up, certain implications emerged from the literature review and the empirical study. The developed International trade points’ usefulness construct paves the way to empirical tests of the different electronic initiatives for trade promotion. Nevertheless, the proposed definition and usefulness of International trade points presents a conceptual framework in an area where little prior research has been conducted, and thus it contributes to new explanations.
8.7 Contribution to practice

The purpose of this research is to help researchers, firms and governments to better understand the role of International trade points, its usefulness and contribution to export promotion in developing countries.

This research also suggests that it is essential for TPOs to clearly state their objectives in a way that could be measurable. Such objectives should be established by export promotion organizations’ managers themselves, so as to allow for an explicit assessment of effectiveness. These set objectives need to be measurable and clear in terms of target levels of export sales or target number of firms to venture foreign market. These all have to be within a clear predetermined time frame.

On the practical side, this study provided insights for International Trade Points and policy makers to help them develop more effective strategies and communication programs to target the disadvantaged small enterprises and satisfy their needs. Moreover, the study revealed the shortcomings in the performance of International trade points that are to a great extent attributable to their inefficient organizational and managerial structure.

Furthermore, the research helped export promotion organizations to understand the value of some export development characteristics of firms in contributing to the variations in their perception of usefulness of export promotion services provided by International trade points.

Continuous evaluation of the existing export support is required and, an assessment of what contribution such support makes at the firm level, while keeping in mind the importance of viewing one's own situation in an international context.

Advocating the notion that TPOs need to reinvent itself and the services mix they offer to better cope with the evolving needs of SMEs in the constantly developing digital environment, is quite important, however, policy makers should first ascertain the existence of a conducive infrastructure for such a transformation to be realized. This is the case especially in developing countries, where e-competent firms are the exceptional case. International trade points can not by any means achieve their main
objective of disseminating the ideas of electronic matching opportunities, the
development of e-catalogues or concluding trade opportunities online, where there is
a low level of e-readiness on the firm level in the country. I think this lack of
infrastructure is a core factor in hindering them of achieving their targets.
As for policymakers, it is clearly important to recreate trust and confidence in their
trade support services they offer to the SME sector in Egypt. This lost confidence
should be restored if they want to achieve any positive contribution to export growth
in Egypt.

8.8 Limitations of the study

The present study has included some limitations that should be taken into account.
Firstly the present study was conducted in Egypt, which is a single Middle Eastern
country that is presently experiencing political and economic problems, all of which
may affect the direction of the response of the respondents.

Second, the study is cross-sectional in nature. This cross-sectional nature of the
study makes it difficult to infer causality from a single study. Such efforts are
common in both the international trade and marketing literature. The cross-sectional
rather than a longitudinal approach implies that the focus is on observing firms’
perceptual usefulness rather than observing changes in this perception.

Thirdly, this study has used mostly perceptual measures in order to avoid the well
known discretion of respondents to provide financial data. Prior studies have shown
the positive correlation between perceptual measures and objective financial
achievements. (Dess and Robinson, 1984; Geringer and Hebert, 1991)
Nevertheless many different studies have applied the same methodology
(Woodcock et al., 1994; Nitisch et al., 1996; Luo et al., 2001)

Fourthly, as this study has been conducted in Egypt, where International trade points
are governmental organization, the question whether government based or private
sector-based export promotion system are better suited to enhance export
competence of firms could not be answered. The motivation for this question is not
that one kind of system should or can change, but rather to explore if one or the other
confers a differential advantage on its users. The results on this issue are
inconclusive.
Another constraint of this study is that the sample represents only one transitional market. It would be thus a new direction for research to draw Cross national samples for comparative studies.

One of the limitations of this approach is that it fails to incorporate heterogeneity of trade point organizational features. This is due to the similarity of all 14 trade points. The main variables that could contribute to the variance in perceived usefulness can be pertinent in the trade points themselves, as the ownership and management mode, the availability and effectiveness of resources, efficiency and experience of personnel. ITPs investigated in Egypt were governmental organizations that suffered from poor management, lack of resources and inefficiency of appointed personnel. It would thus be more comprehensive to draw upon the performance of other ITPs with different management and funding structures as well as ownership mode.

Another problem with this approach is that it did not integrate the different environmental economic and political constraints.

8.9 Recommendations and ideas for future research

The international competitive climate demands generic skills and expertise. In that sense any export promotion system must seek to understand the needs of its client constituency and which specific services should be created or modified to enhance competitive competence in the business community.

On one hand, evaluation of the existing export support is required and, on the other, an assessment of what contribution such support makes at the firm level, while keeping in mind the importance of viewing one's own situation in an international context.

On the other hand, private sector organizations situated outside the export promotion system, such as industry associations and banks specifically should become more involved in their clients' international market activities and develop more suitable services that supplement already available support. Given the greater dynamics of the private sector as compared with governmental organizations, the private sector-based export promotion system, however, would be more favourable when it comes
to acting upon suggested changes which would then generate an improved system. It has the needed flexibility to act upon ever evolving needs of its business clients.

It should be clear that program evaluation of Export promotion organizations always stop short on economic welfare grounds. On the practical side, this study provided insights for ITPs and policy makers to help them develop more effective strategies and communication programs to target the disadvantaged small enterprises and satisfy their needs.

At the same time the research helped TPOs to understand the value of some export development characteristics of firms in contributing to the variations in their perception of usefulness of export promotion services.

Future research is necessary to remedy the shortcomings and build on the findings of present research. Against this background, different directions for future studies can be acknowledged. First, the potential to validate the findings by reapplying the model using samples from different countries. It should be conducted to determine the generalisability of the results of the study by investigating perceptual usefulness of ITPs in economically well off Middle Eastern countries with fewer export barriers encountered by SMEs while exporting or in developed countries.

The second direction may involve comparison between governmental ITPs and privately managed ones. This comparative study could reveal important findings, concerning the efficiency of public export promotion programs as opposed to the private ones.

Third, further research may involve longitudinal research, which can contribute largely to the theoretical development. Longitudinal studies, in particular, are needed to observe and clarify the changes in firms’ perceptions over time.

Fourth, it could be highly valuable to attempt to include more measurement items for each construct, or the incorporation of a new dimension, which can also contribute to an improved model.

In conclusion, the study considered for the first time the components of the usefulness measure of new forms of TPOs in a comprehensive model, using theory-
driven reflective and empirical formative conceptualizations of the constructs. The findings have led to a number of useful insights for future research to improve the model, enhance our understanding of export support institutions, internationalization and export performance.

Nevertheless, the findings generally support past research on more conventional forms of TPOs and appear logical in the new aspects studied.

**8.10 Conclusion**

The research has demonstrated that SMEs in the digital era still face many obstacles while trying to become successful exporters. These impediments are related to internal weaknesses as well as pertinent to external factors. Up till now small exporters still lack of awareness of the existence of export support provided through government organizations.

There is no doubt that TPOs in Egypt have not lived up to expectations. International trade points examined in this study have not achieved its goals in boosting exports of SMEs to the expected level. Several reasons for these shortcomings have been noticed:

Firstly, the persistence of an anti-export strategy that results from the legacy of previous imports substitution strategies. These thought to promote economic development by substituting domestically produced goods for imports by protecting domestic producers from international competition.

Secondly, TPOs in Egypt are not held accountable for the use of their export promotion funds. Both the objectives set for them and the procedures for monitoring their performance have been inadequate.

Thirdly, export promotion support activities have been ineffectively administered. ITPs have been staffed with political appointees who lack the knowledge and expertise in export marketing.

Fourthly, the government initiative to set up International trade points as a developed and improved form of TPOs in line with the evolving electronic trade environment has not been that successful as there is a lack of communication technology infrastructure. There should be a major emphasis first on the development of an
adequate infrastructure. Before such a reform the ITPs will continue to fall short from its objectives.

Moreover, this research has revealed certain shortcomings that International trade points suffer from when operating to enhance the export competitiveness. These deficiencies are inherent in the organizational structure of the trade points. They lack strong leadership, are too bureaucratic, have inadequate funding, are not customer oriented, and suffer from excessive government. Being a governmental organization in a developing country means that there is a lack of confidence and trust in their credibility as they are. It has been argued in other studies that the mode of public administration is not the most efficient one in developing countries, thus there might be a call for partial privatization of these trade points to better operate in favour of their customers’ needs.

Thus, the task for those responsible for developing an export promotion strategy is to ensure that information is gathered about the nature of different support programs, so that no conflicting aims exist. Programs should be thus designed in a complimentary fashion and reduce redundancy and duplication, so as to reach the maximum level of efficient resource allocation and utilization. A key concern of policy makers should make sure that TPOs do not pursue their policies in isolation from one another.

The study also reveals that despite the awareness of SMEs of the existence of EPOs, they are still reluctant to approach them for support. This low usage rate is coupled by a negative attitude and perceived high procedural complexity. Moreover, this is due to the already existing notion of lack of trust between the private sector and the corrupted government in Egypt.

To enhance awareness and usage of export promotion services, EPS should be follow a more entrepreneurial approach in designing and delivering their assistance programs. (Wilkinson, 2006) The relevant governmental bodies should focus on marketing these programs to its targeted customers. Nevertheless, these programs should be designed to suit characteristics of small firms, as well as their degree of export involvement.
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United Nations Conference on Trade and Development, (2001), ”The Role of Finance, including E-Finance to Enhance Enterprise Development,” Reports of the Expert Meeting on Improving the Competitiveness of SME’s in Developing Countries: Geneva: UNCTAD.


World Bank, (2002), World Development Indicators Database, 2002


Appendix

In this Appendix the questionnaires used for semi structured interviews and the large scale survey are included. The printouts for the Regression analysis of models generated in chapter six are also attached at the end.
This Questionnaire was used during Interviews with ITPs Top Management as a guideline only as other questions as well as different issues were raised by different managers of sub trade points

Do you have autonomy in decision making?

What are your sources of financing?

Public funding: ______ %

Membership fees ______ %

Donor contributions: ______ %

Income from client services (excluding information services and products): ______ %

Income from sale of information services and information products: ______ %

______ %

Others (Please Specify):

What are your main activities?

What are your best selling services?

How do you think is your organization different than other TPOs?

Who are your main customers?

What are the main sectors you are serving?

Why are there 14 trading points?

Who are your current and potential partners?

How do you measure your performance?

What is the number of registered companies?

What is the amount of Electronic Trading Opportunities received, distributed, followed and concluded during the last 10 year?

What percentage of your total enquiries during the last year was received from?

ENQUIRIES: Percentage

a) Visitors: ______ %
b) Phone: _____%
c) Fax: ______%
d) E-mail: ______%
e) Website: ______%

**How often do you conduct an assessment of clients’ needs?**

(a) Every Two Years  
(b) Annually  
(c) Semi Annually  
(d) Never  
(e) Other (Please specify): __________

**Have you assessed the information service capacity of other information service providers within your country?**

(a) Yes (b) No

**Have you formulated a Strategic Plan for your Services?**

(a) Yes (b) No

If ‘YES’ please answer the following questions:

**STRATEGIC PLAN**

(i) Does the Plan clearly set out goals and objectives of the service?

(ii) Does the Strategic Plan include performance targets?  
(e.g. increase of information coverage, increase of clients served)  
(iii) Are these performance targets reviewed on a regular basis?

**To what extent is your staff trained to use the latest information technology applications?**

**How about your computer facilities and type of internet access?**

**Which of the following information services and/or products do you offer**
SERVICES:  

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<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

(a) Dissemination of information through website, e-mails  
(b) Enquiry reply service/reference service  
(c) Current awareness/alerting service  
(d) Internet Access  
(e) Customized Market Research  
(f) Other (please specify): ________________  

PRODUCTS:  

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<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

(a) Company Directories (e.g. exporters directories)  
(b) Sector/Market Reports  
(c) Sector News Updates  
(d) Price Reports  
(e) Newsletter  
(f) Updates on new information sources  
(e) Other (please specify): ________________  

Do you charge for any of your services?  

How often do you conduct user satisfaction surveys?  

(a) Quarterly  
(b) Every 6 months  
(c) Annually  
(d) Occasionally  
(e) Seldom  
(f) Never  

How do you target your customers? Do you have a marketing plan?  

Do you promote the services and products offered by you? If yes, which are the methods that are used:
Dear respondent

Enclosed is a detailed questionnaire regarding export promotion activities. The researcher submits this questionnaire in partial fulfillment of the requirements of the degree of PhD in development economics from the University of Manchester- UK.

The objective of this questionnaire is to assess the company’s perception and evaluation of export promotion activities offered specifically by international trade points in Egypt.

Answering the questionnaire will give the researcher the opportunity to evaluate the performance and effectiveness of those ITPs as an export promotion tool for Egyptian SMEs.

Please be sure that your response will affect the results of my PhD and that the information you will provide will be dealt with the strictest of confidence, ensuring absolute anonymity.

Thank you very much for your help in advance

Yours sincerely

Hanan Khazragui

The University of Manchester
On a likert scale from 1 (completely agree) to 5 (completely disagree) **Please rate the services provided by ITPs to enhance your export competitiveness**

1) Development of export awareness

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<th>Statement</th>
<th>Strongly agree</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
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<tbody>
<tr>
<td>1. The ITP helped you in acknowledging the benefits of exporting.</td>
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<td>2. You have been contacted by several means (telephones, e-mails..) to develop your awareness of benefits of exports.</td>
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<td>3. You have been sent guiding brochures to develop your export awareness.</td>
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<td>4. You have been invited to participate in conferences and seminars highlighting and discussing the benefits of exporting.</td>
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<td>5. You have participated in conferences and seminars highlighting and discussing the benefits of exporting.</td>
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<td>6. You have been offered to take part in training courses on the different aspects and procedures of the exporting process.</td>
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<td>7. You have participated in training courses on the different aspects and procedures of the exporting</td>
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<td>8. Training courses are well organized and add value to your export personnel, in terms of gaining knowledge on how to carry out international transactions handle export procedures</td>
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<td>Statement</td>
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<td>9. As a non-exporter you have been encouraged to start engaging in exporting.</td>
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<td>10. As an already existing exporter you have been encouraged to explore new markets and new export opportunities.</td>
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<tr>
<td>11. If it wasn’t for the ITP you would have not been able to recognize and identify the benefits of exporting to your enterprise.</td>
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<td>12. Based on the development of your export awareness you have started incorporating exporting as an integral part of your company’s strategy.</td>
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<td>13. Due to your export awareness you have set a clear and detailed export plan.</td>
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2) Provision of trade information services

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<tr>
<td>14. Through the ITP you can get information on the recent international trade agreements.</td>
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<td>15. Through the ITP you can get information on foreign trade laws and regulations as well as means of promoting Egyptian exports.</td>
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<td><strong>16.</strong> Through the ITP you can get information on international trade statistics.</td>
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<td><strong>17.</strong> Through the ITP you can get information on local and foreign economic indicators.</td>
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<td><strong>18.</strong> Through the ITP you can get information on tariffs and custom procedures and regulations.</td>
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<td><strong>19.</strong> Through the ITP you can get information on Transportation services, and their prices</td>
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<td><strong>20.</strong> Through the ITP you can get information on the different quality standards and product specifications for exported goods</td>
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<td><strong>21.</strong> Through the ITP you can get information on packaging and packing standards.</td>
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<td><strong>22.</strong> Through the ITP you can get information on different banks and the services they provide to exporters.</td>
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<td><strong>23.</strong> Through the ITP you can get information on the credit availability for exporting.</td>
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<td><strong>24.</strong> Through the ITP you can get information on international prices for the different commodities for you to be able to set competitive prices.</td>
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<td><strong>25.</strong> Information provided is always up-to-date.</td>
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<td><strong>26.</strong> Information provided is always accurate.</td>
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27. The reliability and credibility of the information provided is high.

28. The reply to your enquiries is prompt and fast.

29. The responsible staff is highly competent in delivering the needed information.

30. You can always ask for customized information or studies specially tailored for your enterprise.

31. All information you acquire is beneficial to your enterprises in the different stages of the exporting process.

3. Trade facilitation services

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<th>Statement</th>
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<tr>
<td>Marketing services</td>
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<td>32. The Itp helped in creating a good business image for your enterprise and products on the local and international level.</td>
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<td>33. The ITP helped you in promoting your products through electronic networks</td>
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<td>34. The ITP helped you in promoting your products through electronic catalogues</td>
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<td>35. The ITP helped you in promoting your products through participating in</td>
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<td><strong>36.</strong> The ITP helped you in promoting your products through the distribution of your electronic catalogues in the international conferences it participates in.</td>
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<td><strong>37.</strong> The ITP has conducted a customized market research for you to identify your target customers and their needs.</td>
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<td><strong>38.</strong> The outcome of the market research conducted for you is accurate and reliable.</td>
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<td><strong>39.</strong> The ITP helped you in penetrating unfamiliar foreign markets.</td>
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<td><strong>40.</strong> Due to the existence of ITPs, you do not need to obtain foreign representation or set up foreign branches.</td>
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<td><strong>41.</strong> Due to the effectiveness of ITPs services, your costs of international marketing have been lowered.</td>
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<td><strong>Financial services.</strong></td>
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<td><strong>42.</strong> ITPs helped you in locating adequate sources of export financing.</td>
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<td><strong>43.</strong> The ITP sometimes act as an intermediary between you and the creditors.</td>
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<td><strong>44.</strong> Your transaction costs are lowered due to the usefulness of the free-of-charge services provided by ITPs.</td>
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</table>
45. The ITP offered to translate all official letters and documents related to exporting.

46. The ITP helped you in the preparation of business letters and contracts related to exporting.

47. The ITP helped with the customs clearance procedures.

48. The ITP helped you in saving costs and time to finish all procedures related to exporting.

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4. provision of electronic trading opportunities (ETOs)

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<tr>
<th>Statement</th>
<th>Strongly agree</th>
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<th>neutral</th>
<th>disagree</th>
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<tr>
<td>49. the ETOs are published on the ITP’s Website and updated regularly.</td>
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<td>50. The ETOs are classified according to the well identified sectors.</td>
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<td>51. You are regularly updated on new ETOs through e-mails, fax or SMS dissemination.</td>
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<tr>
<td>52. The ITP provides an electronic database of local and international companies classifieds according to the different commodity sectors.</td>
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</table>
53. ETOs offered through the ITP are accurate and true.

54. Published ETOs are translated into the Arabic language as well.

55. The ITP personnel follow up with you on the opportunities till they are concluded.

56. You have engaged in ETOs that otherwise wouldn’t have been possible for you to reach.

57. The ETO system operated by the ITP is well organized and adequately managed.

58. You can always refer to the ITP if any problems arise while concluding an export opportunity.

59. The ITP is always capable of resolving problems and obstacles arising while dealing with the foreign companies.

5. Facilitating the establishment of Small and medium sized enterprises

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<tr>
<th>Statement</th>
<th>Strongly agree</th>
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<th>disagree</th>
<th>Strongly disagree</th>
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<tr>
<td>60. The ITP helped in preparing the feasibility study for your enterprise through the provision of economic data and studies.</td>
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<td>61. The ITP provided you with essential information on the new industrial zones and the benefits of locating your enterprise in them.</td>
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</table>
62. The ITP helped you in identifying the best offers for production equipment and supplies.

63. The ITP helped you in identifying sources of financing the establishment of your project.

64. The ITP helped through facilitating all the necessary legal and administrative procedures for establishing your enterprise.

65. Through the ITP you realized the meaning of the concept of e-commerce and its implications for the new era.

66. The ITP helped you in establishing a homepage for your company that is linked to the ITP’s website.

667. The ITP helped you in establishing an e-mail for your company that is being hosted at their website till you started applying the latest communication technology.

68. You have been invited to participate in the training workshops for introducing the applications of e-commerce.

70. You have participated in workshops introducing the applications of e-commerce.

### 6. The dissemination of e-commerce concept and application

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<tr>
<th>Statement</th>
<th>Strongly agree</th>
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<tr>
<td>65. Through the ITP you realized the meaning of the concept of e-commerce and its implications for the new era.</td>
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<tr>
<td>66. The ITP helped you in establishing a homepage for your company that is linked to the ITP’s website.</td>
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<tr>
<td>667. The ITP helped you in establishing an e-mail for your company that is being hosted at their website till you started applying the latest communication technology.</td>
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<tr>
<td>68. You have been invited to participate in the training workshops for introducing the applications of e-commerce.</td>
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<tr>
<td>70. You have participated in workshops introducing the applications of e-commerce.</td>
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</tbody>
</table>
70. You have gained adequate knowledge of the benefits of engaging in e-commerce.

71. You started integrating e-commerce applications in your export activities.

72. You have registered your company on the electronic trading market established by the ITP.

73. You have used the help of ITP in establishing your electronic catalogue.

74. Electronic catalogues are easily accessible on-line at any time for all local and international companies.

75. You have used the Electronic Trading market to buy some products.

76. You have used the Electronic Trading market in selling your products.

77. You have used the Electronic Trading market in selling your products through bidding.
Based on your personal experience, how would you rate the obstacles you face while exporting based on its severity. (1= very severe, 5= not severe at all.

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<tr>
<th>Statement</th>
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<tr>
<td>- The inability to market your products in the international market.</td>
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<td>- Lack of knowledge of international markets, their needs and product specifications.</td>
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<td>- The inability to reach any export opportunities and difficulty to reach target importers.</td>
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<td>- The complexity of regulations and administrative procedures in Egypt to export the products.</td>
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<td>- The lack of export financing.</td>
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<td>- The inability to produce according to the international standards for product specifications.</td>
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<td>- the Lack of qualified personnel to handle exporting procedures.</td>
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<td>- Other</td>
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What are the main services you have used throughout the different years since you registered your enterprise with the ITP. Please rank the services from 1-6 according to their importance to you.

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<th>98</th>
<th>99</th>
<th>00</th>
<th>01</th>
<th>02</th>
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<td>- Development of export awareness</td>
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<tr>
<td>- Provision of ETOs</td>
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<tr>
<td>- Facilitating the establishment of Small and medium sized enterprises</td>
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<tr>
<td>- The dissemination of e-commerce concept and application</td>
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</table>

- Are there any other services of the ITP that you have used and are not mentioned above?  
  Yes  No  
  Specify………………………………….

- Are there any other Trade Promotion Organizations that are more effective?  
  Yes  No  
  Specify………………………………….

- You feel reluctant to use the service because it is free of charge?  
  Yes  No  

- Are you ready to pay a fee in return for the services provided?  
  Yes  No
- Did your exports increase due to dealing with the ITP? Yes No

- What is the number of successful ETOs that you have engaged in through the ITP in 2008? ..........

- How would you describe your linkage to Multinational corporations?
  1) No linkage at all
  2) Moderate
  3) Extensive

- How would you describe your usage of the latest Communication technology in form of Internet usage, e-mail acquisition?
  1) Low application
  2) Moderate application
  3) High application

What is your attitude towards dealing with Trade promotion organizations?
1= I do not use their services because it is useless
2= Not interested in dealing with them
3= I am a keen user of their services, due to their major importance as a catalyst for export promotion

What is your firm’s stage of involvement in exporting?
1= Intender
2= Sporadic
3= Regular
**Firm Profile**

Name of company……………………….
Location of company………………… Establishment year………………
Sector…………………………………… Start date of exporting…………….

Size of company in terms of Number of employees

1= small enterprise (< 50 employees)
2= medium enterprise ( 50<x<250 employees)
3= large enterprise (>250)

Percentage of exports/total sales............ Legal structure of ownership………..
The ITP you deal with………………….. Registration date with the ITP………..
Experience of Exports Manager

Number of years………………….. Number of markets…………………..

The Other TPOs you deal with are:
- chambers of commerce
- businessmen associations
- The cEntere for export development
- Centre for international trade traing
- Export development fund
- The association of Egyptian exporters
- foreign representative offices
- other…………………..

Is there any thing else you would like to add?

........................................................................................................
........................................................................................................
........................................................................................................
........................................................................................................

Thank you very much for your cooperation
## Regression for first model

### Variables Entered/Removed

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<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
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* a. Dependent Variable: DEP

### Model Summary

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<th>Model</th>
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<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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* a. Predictors: (Constant), X4
* b. Predictors: (Constant), X4, X1
* c. Predictors: (Constant), X4, X1, X2
### ANOVA

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### Coefficients

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<sup>a</sup> Predictors: (Constant), X4
<sup>b</sup> Predictors: (Constant), X4, X1
<sup>c</sup> Predictors: (Constant), X4, X1, X2
<sup>d</sup> Dependent Variable: DEP

---

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<th>Model</th>
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c. Predictors in the Model: (Constant), X4, X1, X2
d. Dependent Variable: DEP
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*Correlation is significant at the 0.05 level (2-tailed).

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

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a. Predictors: (Constant), X6
b. Predictors: (Constant), X6, X7
c. Predictors: (Constant), X6, X7, X5
d. Predictors: (Constant), X6, X7, X5, X3

Regression for second model

Variables Entered/Removed<sup>a</sup>

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a. Dependent Variable: DEP
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**a.** Predictors: (Constant), X6  
**b.** Predictors: (Constant), X6, X7  
**c.** Predictors: (Constant), X6, X7, X5  
**d.** Predictors: (Constant), X6, X7, X5, X3  
**e.** Dependent Variable: DEP

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a. Predictors in the Model: (Constant), X6
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c. Predictors in the Model: (Constant), X6, X7, X5
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e. Dependent Variable: DEP
### Collinearity Diagnostics

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