ETHIOPIA

TRADE SUMMARY

U.S. goods exports in 2013 were $678 million, down 46.8 percent from the previous year. Corresponding U.S. imports from Ethiopia were $194 million, up 5.7 percent. The U.S. goods trade surplus with Ethiopia was $485 million in 2013, a decrease of $607 million from 2012. Ethiopia is currently the 92nd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Ethiopia was $11 million in 2012 (latest data available), up from $9 million in 2011.

IMPORT POLICIES

Ethiopia is not a Member of the World Trade Organization (WTO), but is pursuing accession. Ethiopia participated in the third meeting of its working party on WTO accession in March 2012 and submitted its goods market offer to Members in February 2012. In December 2013, Ethiopia finalized its services market access offer. This, a revised goods market access offer, and responses to questions submitted by the United States and other WTO members at the third meeting of Ethiopia’s WTO accession Working Party have been prepared for submission to Members for discussion at the fourth meeting of the Working Party, which has not yet been scheduled.

Ethiopia is a member of the Common Market for Eastern and Southern Africa (COMESA), but does not participate in COMESA’s free trade area.

Tariffs

According to the WTO, Ethiopia’s average applied tariff rate was 17.3 percent in 2012. Revenue generation, not protection of local industry, appears to be the primary reason for Ethiopia’s tariff levels; however, high tariffs are applied to protect certain local industries, including textiles and leather.

Nontariff Measures

A cereals export ban, imposed in 2009, remains in effect due to supply shortages. An export ban imposed on cotton in November 2010 was lifted in April 2012. Another export ban, on raw and semi-processed hides and skins, which was intended to artificially increase domestic supply and strengthen the export of value-added products, took effect at the end of 2011.

An importer must obtain a letter of credit for the total value of the imports and apply for an import permit before an order can be placed. Even with a letter of credit, import permits are not always granted.

Foreign Exchange Controls

Ethiopia’s central bank administers a strict foreign currency control regime and the local currency (Birr) is not freely convertible. While larger firms, state-owned enterprises, and enterprises owned by the ruling party do not typically face major problems obtaining foreign exchange, less well-connected importers, particularly smaller, new-to-market firms, face delays in arranging trade-related payments. The unreliability of foreign exchange supply in Ethiopia’s banks has negatively affected U.S. companies’ ability to import essential inputs and industrial capital goods on a timely basis.
GOVERNMENT PROCUREMENT

A high proportion of Ethiopian import transactions are for government consumption, reflecting the heavy involvement of the government in the overall economy. Tender announcements are usually made public, but a number of major procurements have not gone through a tender process. Bureaucratic procedures and delays in the decision-making process sometimes impede foreign participation in procurements. U.S. firms have complained about the abrupt cancellation of some procurements, a perception of favoritism toward Chinese suppliers, a frequent requirement that would-be suppliers appear in person to collect solicitation packages, and a general lack of transparency in the procurement system. Business associations complain that state-owned and ruling party-owned enterprises have enjoyed de facto advantages over private firms in government procurement. Several U.S. firms have complained of pressure to offer supplier financing or other low-cost financing in conjunction with tenders. Several significant contracts have been signed in recent years between government enterprises and Asian companies outside of the government procurement process.

As a non-member of WTO, Ethiopia is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The Ethiopian Intellectual Property Office (EIPO) is responsible for the administration of patents, trademarks, and copyrights, and has jurisdiction over intellectual property policy. EIPO focuses mainly on protecting domestic content, and has taken virtually no action to confiscate or impede the sale of pirated foreign works in Ethiopia. Ethiopia is a member of the World Intellectual Property Organization; however, it has not ratified most of the major IPR treaties, including the Berne Convention or Madrid Protocol.

Trademark infringement of major international brands appears to be widespread in Ethiopia. The lack of enforcement capacity leaves the government in a position of only responding to IPR challenges brought to Ethiopia’s Competition Commission. Furthermore, enforcement of intellectual property rights is often unpredictable due to an overall lack of coordination between government agencies.

SERVICES BARRIERS

The state-owned Ethio-Telecom maintains a monopoly on wire and wireless telecommunications and internet service and is closed to private investment. Management of Ethio-Telecom was outsourced to France Telecom (Orange) in December 2010 through 2012, with a contract extension through 2013. The Value Added Service Directive No. 2/2005 allows private companies to provide internet service through the government’s infrastructure, but implementing regulations have yet to be promulgated. The Ministry of Information and Communication Technology allows companies and organizations whose operations are Internet-dependent or are located in remote areas of the country to use Very Small Aperture Terminals (VSATs), but it does not allow the general public to use VSATs.

INVESTMENT BARRIERS

Official and unofficial barriers to foreign investment persist. Investment in telecommunications services and in defense industries is permitted only in partnership with the Ethiopian government. The banking, insurance, and micro-credit industries are restricted to domestic investors. Other areas of investment reserved exclusively for Ethiopian nationals include broadcasting, domestic air transport services using aircraft with a seating capacity of over 20 passengers, and forwarding/shipping agency services. Foreign
investors are also barred from investing in a wide range of small retail and wholesale enterprises (e.g., printing, restaurants, and beauty shops).

The government continues to privatize a number of state-owned enterprises. Most, but not all, of the tenders issued by the Privatization and Public Enterprises Supervising Agency are open to foreign participation. Some investors bidding on these properties have alleged a lack of transparency in the process. Investors in formerly state-owned businesses subject to privatizations reportedly have encountered problems that include impediments to transferring title, delays in evaluating tenders, and issues with tax arrearages.

All land in Ethiopia belongs to the state; there is no private land ownership. Land may be leased from local and regional authorities for up to 99 years. A land-lease regulation passed in late 2011 places limits on the duration of construction projects, allows for revaluation of leases at a government-set benchmark rate, places previously owned land (“old possessions”) under leasehold, and restricts transfer of leasehold rights. Compensation is paid for real property seized upon the termination of a lease, but is not paid for the land on which the property is built.

OTHER BARRIERS

Parastatal and Party-affiliated Companies

Ethiopian and foreign investors alike complain about patronage networks and de facto preferences shown to businesses owned by the government or associates of the ruling party, including preferential access to bank credit, foreign exchange, land, procurement contracts, and favorable import duties.

Judiciary

Companies that operate businesses in Ethiopia assert that its judicial system remains inadequately staffed and inexperienced, particularly with respect to commercial disputes. While property and contractual rights are recognized, and there are commercial and bankruptcy laws, judges often lack understanding of commercial matters and scheduling of cases often suffers from extended delays. Contract enforcement remains weak. There is little evidence to suggest that the award of an international arbitral tribunal will be fully accepted and implemented by Ethiopian authorities.