ETHIOPIA

TRADE SUMMARY

U.S. goods exports in 2014 were $1.7 billion, up 151.2 percent from the previous year. Ethiopia is currently the 68th largest export market for U.S. goods. Corresponding U.S. imports from Ethiopia were $207 million, up 6.8 percent. The U.S. goods trade surplus with Ethiopia was $1.5 billion in 2014, an increase of $1.0 billion from 2013.

The stock of U.S. foreign direct investment (FDI) in Ethiopia was $10 million in 2013 (latest data available), down from $11 million in 2012.

SANITARY AND PHYTOSANITARY BARRIERS

Sanitary and Phytosanitary Barriers

In September 2009, Ethiopia established a biosafety proclamation that restricts commercial imports of biotech products by imposing unduly burdensome documentation and testing requirements. Food aid shipments are exempt from these requirements. To address the import barriers, the Ethiopian government recently began the process of revising the proclamation with the intent to allow crops derived from agricultural biotech, namely Bt cotton, to be grown in Ethiopia. In November 2014, the Ethiopian Parliament returned the draft revision to a technical committee for further review and deliberation after which it will be sent back to Parliament for ratification.

IMPORT POLICIES

Tariffs

According to the WTO latest estimates published for 2012, Ethiopia's average applied tariff rate was 17.3. 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

An importer must obtain a letter of credit for the total value of an import transaction 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, enterprises owned by the ruling party, and businesses in priority manufacturing export sectors 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 the 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 an open tendering 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 competitors who often include financing packages in their tender offers, 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 the WTO, Ethiopia is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Ethiopia was not listed in the 2014 Special 301 Report. While the Ethiopian Intellectual Property Office is responsible for the administration and enforcement of intellectual property rights (IPR) in Ethiopia, it 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 continues 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, IPR enforcement is often unpredictable due to an overall lack of coordination between government agencies.

SERVICES BARRIERS

Banking and Financial Services

Ethiopia's investment code prohibits foreign investment in banking, insurance, and financial services. A limited number of international banks maintain representative offices.

Telecommunications

The state-owned Ethio-Telecom maintains a monopoly on wire and wireless telecommunications and Internet service and is closed to private investment. 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. Ethio-Telecom is undertaking network expansion and upgrade projects through partnerships with Huawei and ZTE. As of December 2014, Ethio-Telecom was in negotiations with Erikson AG and other foreign telecommunications providers to take over some of the ZTE contract. Many multi-national companies still assert that the current quality of service impedes information transfer and general business operations.

Logistics

Logistics backlogs can occur because the shipment process remains paper-based; companies importing goods into the country have also raised concerns with delivery delays and difficulties in estimating the full logistics cost. Within Ethiopia, most goods are transported by trucks from the ports to Addis Ababa and other parts of the country. Ethiopia's ruling party-owned companies dominate the truck transportation market, and the overall number of trucks is insufficient to meet demand. Plans to restore Ethiopia's rail systems are underway but rail systems are not currently operational.

INVESTMENT BARRIERS

A number of formal and informal barriers impede foreign investment in Ethiopia. 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 and shipping agency services. Foreign investors are also barred from investing in a wide range of retail and wholesale enterprises (*e.g.*, printing, restaurants, and beauty shops).

While the government continues to privatize a number of state-owned enterprises and most tenders issued by the Privatization and Public Enterprises Supervising Agency are open to foreign participation, some investors bidding in these tenders have alleged a lack of transparency in the process. Foreign investors in formerly state-owned businesses subject to privatizations reportedly have encountered problems transferring title, delays in evaluating tenders, and problems 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. Current land-lease regulation 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 the transfer of leasehold rights.

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, including preferential access to bank credit, foreign exchange, land, and procurement contracts, as well as 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 the scheduling of cases often suffers from extended delays. Contract enforcement remains weak.