ETHIOPIA

TRADE SUMMARY

The U.S. trade surplus with Ethiopia was $35 million in 2002, an increase of $3 million from $32 million in 2001. U.S. goods exports in 2002 were $61 million, down 0.9 percent from the previous year. Corresponding U.S. imports from Ethiopia were $26 million, down 11.7 percent. Ethiopia is currently the 129th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Ethiopia in 2001 was $46 million, up from $44 million in 2000.

At present, the stock of U.S. foreign direct investment in Ethiopia is estimated at $48.4 million, of which $2.6 million is funding three operational projects. The remaining $45.8 million is funding ten other projects at various stages of development. There was no new U.S. foreign direct investment in Ethiopia in the preceding Ethiopian fiscal year (July 8, 2001 - July 7, 2002). Ethiopia, an observer in the World Trade Organization (WTO) since 1996, has applied for WTO membership.

IMPORT POLICIES

Tariffs are an important source of government revenue. While tariffs do not constitute a meaningful trade barrier to access to the Ethiopian market, the strict foreign exchange control regime administered by the national bank does deter imports. An importer must apply for an import permit and obtain a letter of credit for 100 percent of the value of imports before an order can be placed.

Delays in customs clearance also remain a barrier to trade. Goods are sometimes charged duties on the basis of imputed values instead of the transaction value listed on the invoice. Ethiopia continues to maintain a preshipment inspection regime. If Ethiopia hopes to maximize AGOA textile and apparel benefits, these bottlenecks must be addressed.

STANDARDS, TESTING, LABELING AND CERTIFICATION

The Ethiopian Quality and Standards Institute regulates all exports and imports. Standards are consistent with international norms and do not act as barriers to U.S. products. Pharmaceuticals that have been extensively tested and licensed in other countries are allowed to enter the Ethiopian market with no further testing.

GOVERNMENT PROCUREMENT

Government procurement is by competitive bidding. There are no burdensome administrative procedures or special document requirements. Bureaucratic procedures and delays in the decision-making process sometimes impede participation in tenders. It is usually advisable to work with local agents or representatives in order to effectively participate in local tenders. In general, it is not difficult to find experienced and reputable agents and distributors in Ethiopia.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Ethiopia joined the World Intellectual Property Organization in 1997. The Patent, Technology and Development Department of the Ethiopian Science and Technology Commission regulates patents and intellectual property. The existing copyright law is part of the 1960 civil code and is so general that it is difficult to apply. Lack of resources makes enforcement a problem. The Ministry of Youth, Sports and Culture has introduced a new bill providing for copyright protection, but the bill has not been enacted. Ethiopian artists, authors, playwrights, translators and musicians have lobbied for this new legislation because of widespread piracy.

SERVICES BARRIERS

No foreign firm may participate in the domestic banking or insurance sector under Ethiopia's investment law. Other areas of investment reserved for Ethiopian nationals include the following: forwarding and shipping agency services; broadcasting services; and air transport services for up to 20 passengers. In addition, foreign investors cannot invest in the following service areas: retail trade and brokerage; wholesale trade (except petroleum and goods locally produced from own investments); import trade; export trade of raw coffee, oilseeds, pulses, hides and skins, and live sheep, goats, and cattle not raised or fattened on own farm; construction (except for grade one contractors); tanning of hides and skins; hotels (other than star designated), motels, pensions, tearooms, coffee shops, bars, night-clubs, and restaurants (except for international and specialized restaurants); tour operations, commission agency, and ticket offices; car-hire and taxi-cab transport; commercial road transport and inland water transport services; bakery products and pastries (exclusively for the domestic market); grinding mills (for grains); barber shops, beauty salons, goldsmith shops, and tailoring (except for garment factories); building maintenance services, repair and maintenance of vehicles; saw milling and planing of wood; customs clearance service; museums, theaters, and cinema halls operation; and printing.

Professional service providers must obtain a government license to practice in Ethiopia. There are no regulations on international data flows or data processing use, although the state-owned Ethiopian Telecommunications Corporation maintains a monopoly on Internet service. There are no quotas on entry of foreign films into the country and no barriers to the provision of services by foreign professionals. Engineering, architecture, accounting, auditing and business consultancy are open to foreign investment.

INVESTMENT BARRIERS

The July 2002 re-enactment of the investment law reduced areas of investment exclusively reserved for the Ethiopian government only to the transmission and supply of electrical energy through the integrated national grid system and non-courier postal services. Investment in telecommunication services and manufacturing of weapons and munitions must be in partnership with the Ethiopian government.

The minimum capital requirement for foreign investors was also reduced from $500,000 to $100,000 for fully foreign-owned investments, and from $300,000 to $60,000 for joint investments with domestic partners. Ethiopia does not impose local content, technology transfer or export performance requirements on foreign investments. There are no restrictions on repatriation of earnings, capital, fees or royalties.

ANTICOMPETITIVE PRACTICES

Competition policy falls under the purview of the Ministry of Trade and Industry. Ethiopian and foreign investors alike complain about the preference shown to businesses owned by officials of the ruling political party.

ELECTRONIC COMMERCE

The monopoly on Internet service provision, restrictions on foreign exchange, and the low level of development of the financial sector have impeded the growth of electronic commerce. However, there are no specific trade restrictions affecting electronic commerce.

OTHER BARRIERS

Anti-corruption legislation was strengthened in May 2001, and government officials have been tried and convicted for corruption. Corruption does not appear to be a significant barrier to investment or trade. A corruption charge is non-bailable and businessmen (including Americans) arrested for corruption can spend years in jail awaiting trial.