ETHIOPIA

TRADE SUMMARY

The U.S. goods trade surplus with Ethiopia was $546 million in 2011, a decrease of $100 million from 2010. U.S. goods exports in 2011 were $690 million, down 10.8 percent from the previous year. Corresponding U.S. imports from Ethiopia were $144 million, up 12.9 percent. Ethiopia is currently the 87th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Ethiopia was $6 million in 2010 (latest data available), up from $2 million in 2009.

IMPORT POLICIES

Ethiopia is not a Member of the World Trade Organization (WTO), but is actively involved in a WTO accession process. Ethiopia held a second working party meeting in May 2011 and submitted its goods offer in early 2012. Ethiopia has made progress in drafting new legislation and implementing capacity building measures relevant to WTO accession with the help of technical assistance from a number of donors, including the U.S. Government.

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 2010. Although generally, revenue generation, not protection of local industry, appears to be the primary justification of Ethiopia's tariffs, high tariffs are applied to protect certain local industries, including the textile and leather industries. Goods imported from COMESA members are granted a 10 percent tariff preference. *Ad valorem* duties range from zero percent to 35 percent, with a simple average of 16.8 percent. Beginning in February 2007, the government levied a 10 percent surtax on selected imported goods, with the proceeds designated for distribution of subsidized wheat in urban areas.

Nontariff Barriers

A cereals export ban imposed in 2009 due to supply shortages remains in effect. An export ban was imposed on cotton in November 2010 and another ban on raw and semi-processed hides and skins took effect at the end of 2011; both bans are aimed to shore up domestic supply and strengthen the export of value-added products.

An importer must apply for an import permit and obtain a letter of credit for the total value of the imports before an order can be placed. Even then, import permits are not always granted. Ethiopia currently maintains four requirements and potential restrictions for payments and transfers of international transactions, which include: (1) a tax certification requirement for repatriation of dividend and other investment income; (2) regulations covering the repayment of legal external loans and foreign partner credits; (3) rules for issuance of import permits by commercial banks; and (4) a requirement to obtain a clearance certificate from the National Bank of Ethiopia (central bank) to obtain import permits.

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.

GOVERNMENT PROCUREMENT

A high proportion of Ethiopian import transactions are conducted through government procurement, reflecting the heavy involvement of the government in the overall economy. Tender announcements are usually made public. 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 significantly large 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 PROTECTION

The Ethiopian Intellectual Property Office (EIPO) is responsible for the administration of patents, trademarks, copyrights, and has competence in intellectual property policy. In the past few years, Ethiopia has enacted a series of new laws pertaining to copyright and related rights, crop varieties, and trademarks. In July 2008, EIPO confiscated and destroyed close to 500,000 pirated copies of locally produced songs and films in Addis Ababa. EIPO focuses mainly on protecting Ethiopian copyrighted materials, and has taken virtually no action to confiscate or impede the sale of pirated foreign works in Ethiopia.

Trademark infringement of major international brands appears to be widespread in Ethiopia. The lack of government registration requirements and enforcement capacity leave the government in a position of only responding to formal intellectual property rights challenges brought to Ethiopia's Competition Commission.

SERVICES BARRIERS

The state-owned Ethio Telecom maintains a monopoly on wire and wireless telecommunications and Internet service, though private investors are allowed to enter into joint ventures with the government. Ethio Telecom's management was outsourced to France Telecom (Orange) in December 2010. 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 does not allow the general public to use VSATs. The government of Ethiopia bans Voice over Internet Protocol per the Proclamation on Telecommunications 281/2002.

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 microcredit 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 is privatizing a large 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 arrears.

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 time limits for completing construction on leased urban land, 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 suffer from extended delays. Contract enforcement remains weak. There is no guarantee that the award of an international arbitral tribunal will be fully accepted and implemented by Ethiopian authorities. Ethiopia has signed, but never ratified, the 1965 Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Ethiopia has also neither signed nor ratified the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention.")