ETHIOPIA

TRADE SUMMARY

In 2000, the U.S. merchandise trade surplus with Ethiopia was $136 million, an increase of $2 million over that of 1999. U.S. exports to Ethiopia in 2000 were $165 million, the same as in the previous year. Ethiopia is the United States' 96th largest export market. U.S. imports from Ethiopia were $29 million in 2000, a decrease of $2 million (5.1 percent) from 1999.

In 1999, the stock of U.S. foreign direct investment in Ethiopia was estimated at $39 million, an increase of 2.6 percent from 1998.

IMPORT POLICIES

Substantial liberalization of the exchange and trade system has already been undertaken in Ethiopia, driven by the government's aim of integrating the country into global markets for goods and services. In pursuit of this objective, import tariffs have been progressively reduced and payments and exchange regulations for foreign trade in goods and services have been increasingly liberalized. Currently, the tariff structure consists of a maximum rate of 40 percent, seven tariff bands (excluding the zero-duty rate), an average rate of 19.5 percent, and no discretionary duty exemptions. The government plans to further reduce the maximum tariff rate to 30 percent and the average tariff rate to 17.5 percent in 2001. The government has lifted the 10 percent surtax imposed in December 1999.

The prerequisite of 100 percent advance payment to open a letter of credit, which was imposed on the import sector during the Ethiopia-Eritrea conflict, has been lifted. Some progress has been made on other reforms as well; for example, there were revisions in the tax code on certain products, such as beverages, which are now taxed at a 20 percent rate, rather than 60 percent.

Delays in customs clearance remain a hindrance to importing and imported goods are sometimes charged duties on the basis of attributed values instead of the transaction value listed on the invoice. Ethiopia continues to maintain a preshipment inspection (PSI) regime. A year ago, the government announced it would reform the Federal Inland Revenue Authority and Customs Office. However, to date, nothing has occurred. As a result of the border dispute with Eritrea, Ethiopia has redirected nearly all of its foreign trade through Djibouti.

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.

GOVERNMENT PROCUREMENT

Government procurement is by competitive bidding. There are no burdensome administrative procedures or special document requirements.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Since the mid-1990s, the Government has made some effort to provide intellectual property rights (IPR) protection. Ethiopia joined the World Intellectual Property Organization in 1997. The Patent, Technology and Development Department regulates patents and industrial property. However, IPR laws are outdated and lack of resources makes enforcement a problem. Firms generally place notices in local newspapers to effect registration of their trademarks with the Ministry of Trade and Industry. In a number of cases, U.S. firms have been reluctant to sell products or to franchise the use of technology in Ethiopia because of the lack of IPR protection.

SERVICES BARRIERS

No foreign firm may participate in the domestic banking or insurance services under

Ethiopia's Investment Proclamation of June 1996. Other areas of investment reserved for Ethiopian nationals include air transport services for more than 20 passengers, air cargo services above 2,700 kilograms, and forwarding and shipping agency services. In addition, foreign investors cannot invest in the following service areas: radio and television broadcasting; museums and theaters; printing; retail and brokerage; wholesale trade (excluding petroleum); construction companies except for grade-one contractors; hotels (other than star designated), motels, pensions, tearooms, coffee shops, bars, nightclubs, and restaurants (except for international or specialized); tour operators and travel agencies; road and water transport, car hire and taxi cabs; barber shops and beauty salons; building and vehicle repair and maintenance.

The government retains the exclusive right to generate, supply, and transmit electricity (except for hydroelectric power) above 25 megawatts, provide air transport for more than 20 passengers and above 2,700 kilograms of cargo as well as to provide rail transport and non-courier postal services. Professional service providers must be licensed by the government to practice in Ethiopia. No regulations exist on international data flows or data processing use, although the Ethiopian Telecommunications Corporation maintains a monopoly on the provision of internet services. There are no quotas on entry of foreign films into the country and no barriers to provision of services by foreign professionals.

INVESTMENT BARRIERS

Although amendments to Ethiopia's investment proclamation issued in September 1998 maintained the exclusion on foreign participation in financial services (banking and insurance) and the other services noted above, they opened three formerly prohibited sectors to foreign investment: telecommunications, hydro-electric power investment generation (below 25 megawatts), and defense. Investment in telecommunications and defense, however, must be "in partnership with the Ethiopian Government." Another provision expands the list of services open to foreign investment to include engineering, architecture, accounting, auditing, and business consultancies.

Under the new provisions, Ethiopian expatriates and permanent residents are considered "domestic investors" and are permitted to invest in areas off-limits to other foreign investors, including retail, import and export trade, printing, cinemas, road and water transport, and other small service establishments. There are no local content requirements, no technology transfer or export performance requirements, and no restrictions on repatriation of earnings, capital, fees, and royalties.

OTHER BARRIERS

Foreign firms are welcome to invest in the privatization efforts of the Ethiopian Government, although in some instances the Government promotes joint ventures with Ethiopian private concerns, rather than outright sales. Foreign firms participate through consultancy services preparatory to privatization, or through tendering on advertised privatization opportunities. The government maintains complete ownership of all land in Ethiopia, although land can be leased.

There are no discriminatory or excessively onerous visa, residence, or work permit requirements for foreign investors. Foreign investors do not face unfavorable tax treatment, denial of licenses, or discriminatory import or export policies. Ethiopia's investment proclamation allows all foreign investors, whether or not they receive incentives, to freely remit profits and dividends, principal and interest on foreign loans, and fees related to technology transfer. Foreign investors may also remit proceeds from the sale or liquidation of assets, from the transfer of shares or of partial ownership of an enterprise, and funds required for debt service or other international payments. Expatriate employees may remit 100 percent of their salaries. U.S. businesses represented in Ethiopia have not reported difficulties in the repatriation of dividends.

While corruption exists, Ethiopia has taken steps to combat corruption through a combination of social pressure, cultural norms, and legal restrictions. Government officials have been tried and convicted for corrupt practices. Corruption does not appear to be a significant barrier or hindrance to investment or trade in Ethiopia. The Ministry of Justice is the Government entity with primary anti-corruption responsibilities.