

Ethiopia

JULY 2017

Executive Summary

This country fact sheet provides key trade, investment and tourism related statistics for Ethiopia. Specifically, it shows global trade and investment flows including an analysis of top markets and products for Ethiopia in relation to South Africa and the Western Cape, highlighting the largest and fastest growing products and sub-sectors. It also analyses tourism trends between Ethiopia and South Africa. The key highlights in the Ethiopia fact sheet are provided below:

TRADE

- Ethiopia's exports and imports have continued to grow strongly, with exports increasing from USD1.28bn in 2007 to USD1.72bn in 2016, while imports increased from USD5.81bn in 2007 to USD19.12bn in 2016.
- Between 2007 and 2016, South Africa's exports to Ethiopia exceeded imports, with exports accounting for 88% of trade between the two nations in 2016.
- Motor vehicles were the largest export in 2016, accounting for 23% of South Africa's exports to Ethiopia, valued at USD13.56m.
- Trade between the Western Cape and Ethiopia has been skewed toward the province with a continual trade surplus being recorded. The highest level of exports were recorded in 2016.
- Fruit juices (USD1.1m), which accounted for 18% was the province's largest export, followed by meat and edible offal valued at USD1m.

FDI

- Between January 2003 and November 2016 a total of 179 FDI projects were recorded into Ethiopia. These projects represent a total capital investment of USD21.34bn.
- United States and China contributed the highest amount of investment in terms of projects into Ethiopia.
- Between January 2003 and November 2016 a total of 12 FDI projects were recorded from Ethiopia. These projects represent a total capital investment of USD46m.
- Six South African companies have invested in Ethiopia in 8 FDI projects since January 2003. Total FDI from South Africa to Ethiopia was valued at USD382m creating 967 jobs.
- The largest investment into Ethiopia from South Africa was made by Pretoria Portland Cement valued at USD175m.

Table of Contents

- 1. General Information 3
- 2. Economic Overview 3
- 2.1 Doing Business in Ethiopia 6
- 2.2 Major Companies in Ethiopia 6
- 2.3 Ethiopia Risk Ratings 7
- 3. Trade 8
- 3.1 Trade in Services 8
- 3.2 Ethiopia’s Global Trade in Products 9
- 3.3 Ethiopia’s trade with South Africa 11
- 3.4 Trade with the Western Cape 12
- 3.5 Trade Agreements 13
- 3.6 Tariffs 14
- 3.7 Import Requirements and Documentation 15
- 3.8 Logistics 15
- 4. Investment 17
- 4.1 Global Investment into Ethiopia 17
- 4.2 Global Investment from Ethiopia 19
- 4.3 Investment Relations between South Africa and Ethiopia 21
- 5. Tourism 22

1. General Information

Ethiopia is a country located in the Horn of Africa. It is bordered by Eritrea to the north and northeast, Djibouti and Somalia to the east, Sudan and South Sudan to the west, and Kenya to the south. With over 102 million inhabitants, Ethiopia is the most populous landlocked country in the world, as well as the second-most populous nation on the African continent after Nigeria. It occupies a total area of 1,100,000km² and its capital and largest city is Addis Ababa.



GENERAL INFORMATION - ETHIOPIA	
Capital	Addis Ababa
Population (July 2014 est.)	102 374 044
Government type	Federal Parliamentary Republic
Chief of State	President Mulatu Teshome Wirtu
Life expectancy	61.48 years
Literacy	49.1%
Ethnic groups	Oromo 34.4%, Amhara (Amara) 27%, Somali (Somalie) 6.2%, Tigray 6.1%, Sidama 4%, Gurage 2.5%, Welaita 2.3%, Hadiya 1.7%, Afar (Affar) 1.7%, Gamo 1.5%, Gedeo 1.3%, Silte 1.3%, Kefficho 1.2%, other 10.5% (2007 est.)
Religion(s)	Ethiopian Orthodox 43.5%, Muslim 33.9%, Protestant 18.5%, traditional 2.7%, Catholic 0.7%, other 0.6%
Languages	Oromo 33.8%, Amharic 29.3%, Somali 6.2%, Tigrigna 5.9%, Sidamo 4%, Wolaytta 2.2%, Gurage 2%, Afar 1.7%, Hadiyya 1.7%, Gamo 1.5%, Gedeo 1.3%, Opuuo 1.2%, Kafa 1.1%, other 8.1%
Human Development Index (2016)	0.448
Currency	Ethiopian Birr (ETB)

Source: CIA World Factbook, 2017; Human Development Report, 2017

2. Economic Overview

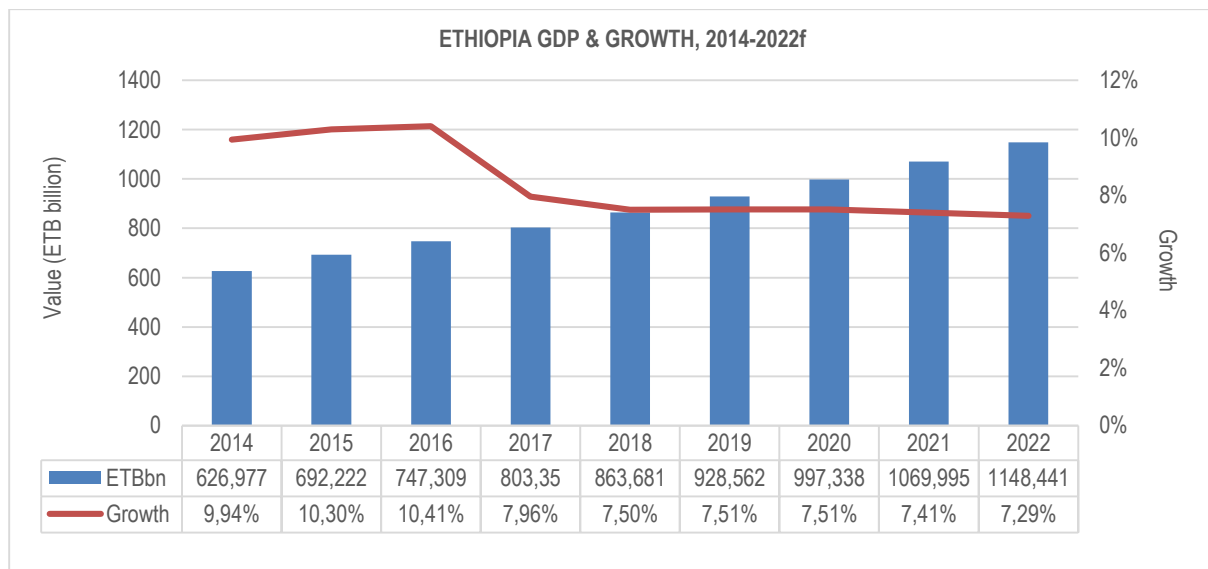
Over the past 10 years Ethiopia's economy has been growing between 8% and 11% and was of the 188 IMF member states with the highest growth rate. Ethiopia's economy is based on agriculture, but the government is pushing to diversify into manufacturing, textiles, and energy generation. Coffee is a major export crop. While GDP growth has remained high, per capita income is among the lowest in the world. Ethiopia's economy continues on its state-led Growth and Transformation Plan. Ethiopia's estimated gross domestic product (nominal) as of 2016 was USD174.7bn, ranking the economy as the 69th largest in the world. In 2016 Ethiopia had an estimated GDP per capita of USD1,900.

Many properties owned by the government are in the process of privatization. However, certain sectors such as telecommunications, financial and insurance services, air and land transportation services, and retail, are considered as strategic sectors and are expected to remain under state control for the foreseeable future.

ECONOMIC INFORMATION	
GDP (PPP) (2016 est.)	USD174.7bn
GDP growth (2016 est.)	6.5%
GDP per capita (2016 est.)	USD1,900
Inflation (2016 est.)	7.7%
Commercial bank lending rate	12.2%
Unemployment rate (2016 est.)	17.5%
Doing Business in...(2017 ranking)	159
Total Exports (2016)	USD1.72bn
Total Imports (2016)	USD19.2bn
Inward FDI (2003 - Nov 2016)	USD21.3bn
Outward FDI (2003- Nov 2016)	USD466.3m

Source: CIA World Factbook, 2017; TradeMap, 2017, FDIIntelligence, 2017

In 2015 the International Monetary Fund (IMF) ranked Ethiopia as among the five fastest growing economies in the world. Ethiopia has achieved high growth rates through government-led infrastructure expansion and commercial agriculture development. According to the IMF Ethiopia's economy witnessed a rapid increase in GDP value between 2014 and 2016 with GDP increasing from ETB626.98bn in 2014 to ETB747.309bn in 2016.



Source: IMF, 2017

Key sectors in Ethiopia are the following:

Agriculture: Production is overwhelmingly of a subsistence nature, and a large part of commodity exports are provided by the small agricultural cash-crop sector. Principal crops include coffee, pulses (e.g., beans), oilseeds, cereals, potatoes, sugarcane, and vegetables.

Minerals and mining: The mining sector is small in Ethiopia. The country has deposits of coal, opal, gemstones, kaolin, iron ore, soda ash, and tantalum, but only gold is mined in significant quantities.

Energy: Waterpower and forests are Ethiopia's main energy sources. The country derives about 90 percent of its electricity needs from hydropower, which means that electricity generation, as with agriculture, is dependent on abundant rainfall.

Manufacturing: This sector constitutes about 4% of the overall economy, although it has shown some growth and diversification in recent years. Much of it is concentrated in Addis Ababa. Food and beverages constitute some 40% of the sector, but textiles and leather are also important, the latter especially for the export market.

Tourism: Ethiopia has rich tourism assets. With its diverse tourist attractions, which include cultural, historical and archaeological attractions, as well as a great variety of flora and fauna, the government of Ethiopia has initiated a number of measures to preserve and develop tourist sites throughout the country. Tourist infrastructures in various national parks have been upgraded, while renovation work on roads linking the parks with major roads and lodges is being carried out. Other measures include the protection of animals from illegal hunting in sanctuaries and parks, as well as the conservation of heritage sites, nine of which are included on the UNESCO World Heritage List. Through these activities, Ethiopia has seen an increase in the number of tourists visiting its many attractions.

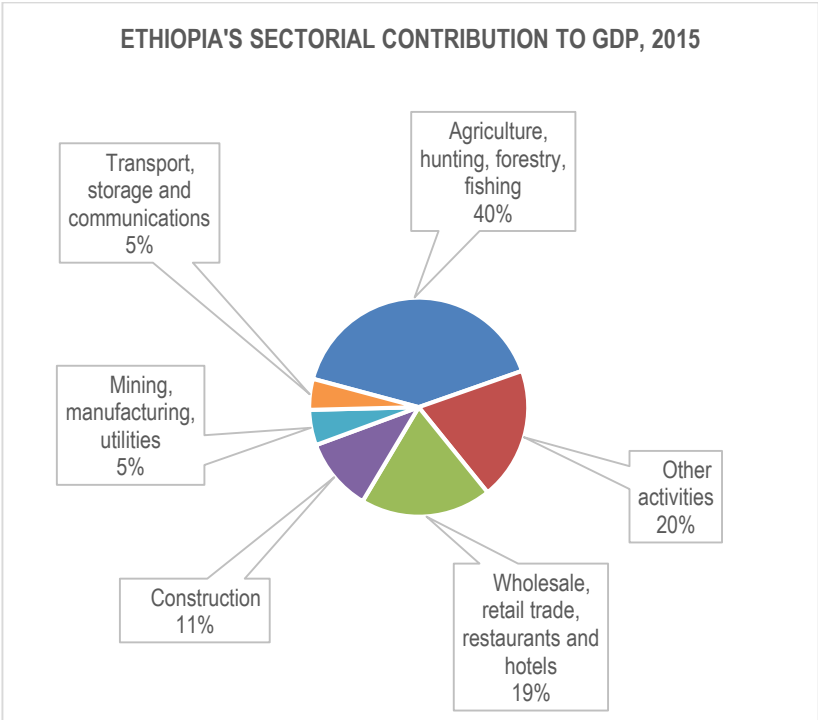
Ethiopian Airlines remains a key driving force for the sustainable development of travel and tourism in Ethiopia. The national carrier continues to engage in several tourism activities to help solve the problem of destination accessibility, which is a vital concern in emerging tourist destinations.

Ethiopia has a number of hotels, resorts, restaurants and tour operators such as:

- 500 hotels ranging from basic to star rated
- 6 international chain hotels
- 7 resorts
- 4 ecolodges
- 100 restaurants
- 313 tour operators

The diagram below shows Ethiopia's industry contribution to Gross Domestic Product in 2015. The largest industry contributors in 2015 where:

- Agriculture, hunting, forestry, fishing (40%)
- Wholesale, retail trade, restaurants and hotels (20%)
- Construction (11%)
- Mining, manufacturing utilities and Transport, storage and communications (5%)



Source: UNCTAD, 2017

2.1 Doing Business in Ethiopia

Ethiopia is currently ranked 132nd overall in the World Bank's Doing Business Index, Ethiopia's relative strengths lie in enforcing contracts (80th) and paying taxes (90th).

ETHIOPIA EASE OF DOING BUSINESS, 2017	
SELECTED INDICATORS	RANKING OUT OF 190 COUNTRIES, 2017
Starting a Business	179
Dealing with Construction Permits	176
Getting Electricity	127
Registering Property	133
Getting Credit	170
Protecting Investors	175
Paying Taxes	90
Trading Across Borders	167
Enforcing Contracts	80
Resolving Insolvency	120
Doing Business 2017	159

Source: WorldBankGroup, 2017

2.2 Major Companies in Ethiopia

The list below represents companies reporting the largest assets in the country.

ETHIOPIA'S LARGEST COMPANIES BY ANNUAL REVENUE		
COMPANY	SECTOR	ANNUAL REVENUE (ETBbn)
MIDROC Ethiopia	Private investment company with about 70 group and affiliate companies that are engaged in multifaceted business sectors across the country	14
Sunshine Investment Group	Hotel Development	1.6
Messobo Cement	Cement	1.3
Awash Bank	Banking	0.86
East Africa Holding	Various sectors-manufacturing, agriculture, consumer goods, mining, real estate	0.60
DH Geda Trade & Industry	Real estate, construction & textiles	0.54
East Africa Bottling (Coca Cola)	Beverages	0.51
Addis-Mojo Edible Oil Complex SC	Edible Oil	0.47
Dashen Beer	Beverages	0.44
Almeda Textile	Textiles	0.32
AMCE	Engineering services	0.30
Nas Foods PLC	Food-biscuits	0.22
Ah-Wan Food	Food	0.20
Hiwot Agricultural Mechanization PLC	Commercial farming	0.19
Yesu Metal Works	Manufactures prefabricated steel	0.15

Source: Ethiopialist.com, 2015

2.3 Ethiopia Risk Ratings

The table below shows Ethiopia's risk assessment in terms of export transactions and direct investments. Ratings are between 1 and 7, and between A and C, with 7 and C being the maximum risk indicators. The table shows that the political risk in Ethiopia is high both in the short and long-term. Commercial risk and special transaction risk is also viewed as high. The remaining categories pertaining to direct investments, are all high.

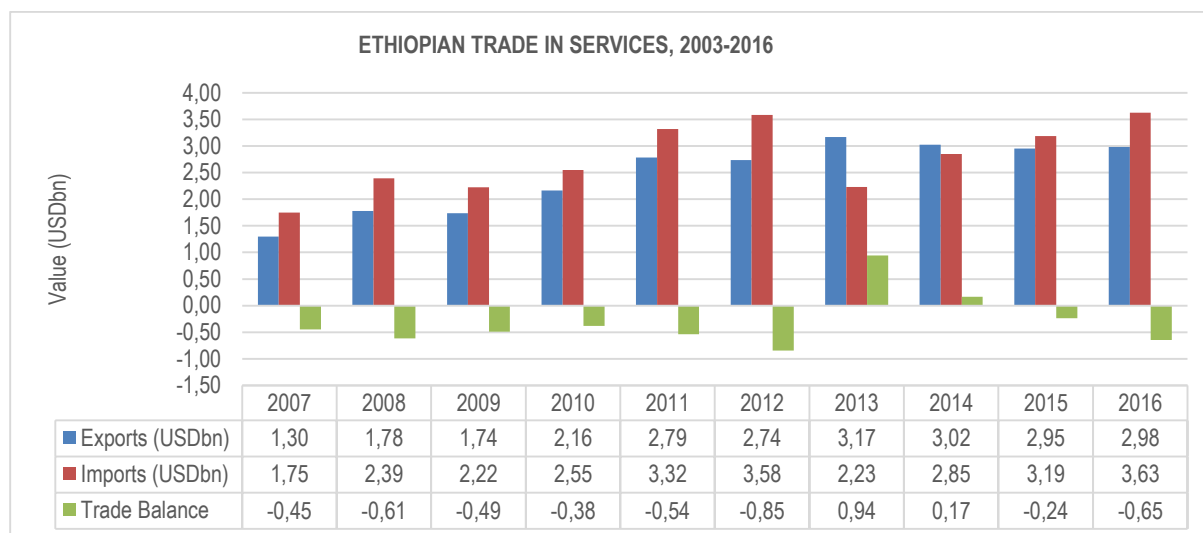
ETHIOPIA'S RISK ASSESSMENT		
EXPORT TRANSACTIONS		
Political Risks	Short Term	6
	Medium-Long term	6
	Special Transactions	6
Commercial Risk	C	
DIRECT INVESTMENTS		
War risk	6	
Risk of expropriation and government action	5	
Transfer risk	6	

Source: ONDD, 2017

3. Trade

3.1 Trade in Services

Barring 2013 and 2014 Ethiopia's imports of services have been greater than the country's exports. Both exports and imports have increased significantly from 2007 to 2016, showing the growing importance of the services sector in Ethiopia. The deficit was also largest in 2012 was due to a 7.85% growth in imports compared to 1.79% recorded decline in exports.



Source: TradeMap, 2017

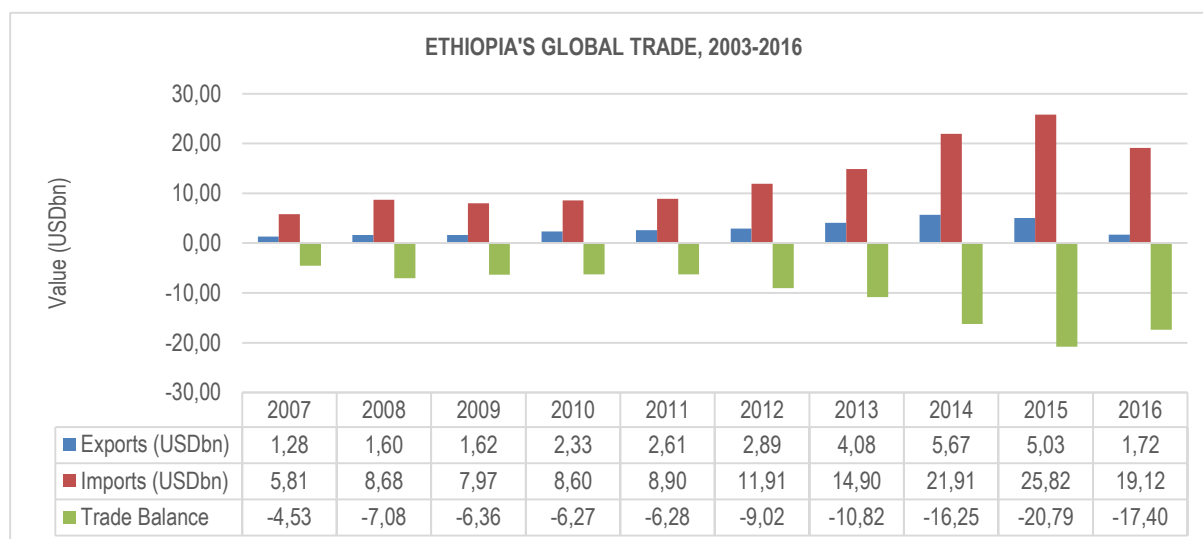
Ethiopia's foreign exchange earnings are mostly derived from the services sector which is primarily led by the state-run Ethiopian airlines followed by several services commodities. The table below shows Ethiopia's trade in services in 2016. Transport was the largest services export valued at USD2.22bn followed by travel (USD370m) and government goods and services (USD220m). Transport was also the largest import service into Ethiopia valued at USD1.7bn followed by travel (USD490m).

TOP 10 SERVICES EXPORTED BY ETHIOPIA, 2016				TOP 10 SERVICES IMPORTED BY ETHIOPIA, 2016			
CODE	SERVICE	VALUE 2016 (USDbn)	% GROWTH, 2012-2016	CODE	SERVICE	VALUE 2016 (USDbn)	% GROWTH, 2012-2016
3	Transport	2.22	7.28%	3	Transport	1.70	-1.16%
4	Travel	0.37	-10.94%	4	Travel	0.49	24.22%
12	Government goods and services	0.22	3.50%	5	Construction	0.00	-
5	Construction	0.00	-	6	Insurance and pension services	0.00	-
6	Insurance and pension services	0.00	-	7	Financial services	0.00	-
7	Financial services	0.00	-	8	Charges for the use of intellectual property n.i.e.	0.00	-
8	Charges for the use of intellectual property	0.00	-	9	Telecommunications, computer, and information services	0.00	-
9	Telecommunications, computer, and information services	0.00	-	10	Other business services	0.00	-
10	Other business services	0.00	-	11	Personal, cultural, and recreational services	0.00	-
11	Personal, cultural, and recreational services	0.00	-	12	Government goods and services n.i.e.	0.00	-14.86%
TOTAL EXPORTS		2.98	1.62%	TOTAL IMPORTS		3.63	4.72%

Source: TradeMap, 2017

3.2 Ethiopia's Global Trade in Products

In the past ten years, Ethiopia has maintained a negative trade balance as imports have exceeded exports. Between 2007 and 2015 both exports and imports have continued to grow strongly, with exports increasing from USD1.28bn in 2007 to USD5.03bn in 2015, while imports increased from USD5.81bn in 2007 to USD25.82bn in 2015. In 2015 imports declined by 11%, while exports increased by 18%, leading to the largest trade deficit over the ten year period.



Source: TradeMap, 2017

The United States (USD169.45m) was Ethiopia's largest export market and accounted for 14% of all its exports in 2016. Saudi Arabia (USD167.1) and Germany (USD148.32m) were the second and third largest export destinations. There were no African countries among the top 10 export markets for Ethiopia.

9

TOP 10 DESTINATION FOR EXPORTS FROM ETHIOPIA, 2016				
RANK	COUNTRY	VALUE 2016 (USDM)	% GROWTH 2012-2016	% SHARE 2016
1	United States	169.45	15	14
2	Saudi Arabia	167.11	-4	0.8
3	Germany	148.32	-12	6.6
4	Switzerland	130.81	-6	1.7
5	China	88.69	-22	9.9
6	UAE	86.03	4	1.3
7	Pakistan	76.00	10	0.3
8	Japan	59.84	-6	3.8
9	Italy	58.83	-6	2.5
10	Belgium	53.43	-6	2.3
TOTAL EXPORTS		1 723.89	8	100

Source: TradeMap, 2017

In 2016, China was Ethiopia's largest importing market and imported goods to the value of USD6.10bn, this equated to 31.9% of all Ethiopia's imports. United States (USD1.68bn) was the second largest import market, with India (USD1.43bn) in third. Ethiopia was ranked as South Africa's 23rd largest export market in 2016.

TOP 10 SOURCE FOR IMPORTS TO ETHIOPIA, 2016				
RANK	COUNTRY	VALUE 2016 (USDbn)	% GROWTH 2012-2016	% SHARE 2016
1	China	6.10	29	31.9
2	United States	1.68	40	8.8
3	India	1.43	8	7.5
4	Kuwait	1.06	17	5.6
5	Japan	0.80	15	4.2
6	Italy	0.76	7	4
7	Turkey	0.68	8	3.6
8	Sweden	0.51	85	2.7
9	UAE	0.47	13	2.5
10	Bahrain	0.43	16	2.3
TOTAL IMPORTS		19.12	16	100

Source: TradeMap, 2017

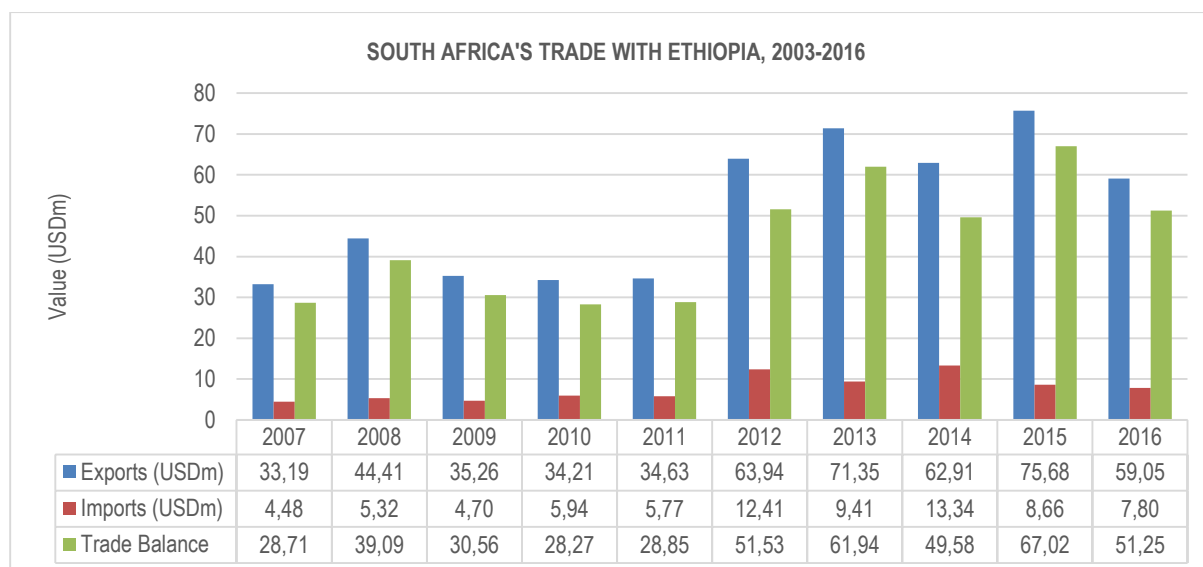
Coffee (USD715.43m) was Ethiopia's largest export and constituted 42% of all its exports in 2016. Ethiopia has a comparative advantage in the production of coffee and dried leguminous vegetables. Dried leguminous vegetables (USD248.74m) was the second largest export followed by gold (USD128.81m). Refined petroleum oils (USD1.9bn) was Ethiopia's largest import product in 2016, followed by motor vehicles (USD803.24m) and Medicaments (USD639.24m).

TOP 10 EXPORTS FROM ETHIOPIA, 2016				TOP 10 IMPORTS TO ETHIOPIA, 2016			
RANK	PRODUCT	VALUE 2016 (USDm)	% GROWTH 2012-2016	RANK	PRODUCT	VALUE 2016 (USDm)	% GROWTH 2012-2016
1	Coffee	715.43	-2	1	Refined petroleum oils	1 924.83	12
2	Dried leguminous vegetables	248.74	5	2	Motor vehicles for the transport of goods	803.24	7
3	Gold	128.81	-6	3	Medicaments	636.85	11
4	Meat of sheep or goats, fresh, chilled or frozen	98.24	11	4	Palm oil and its fractions	522.68	18
5	Leather further prepared after tanning or crusting	42.27	-7	5	Mineral or chemical fertilisers	427.86	5
6	Footwear with outer soles of rubber or plastics	40.70	78	6	Discs, tapes, solid-state non-volatile storage devices-	418.55	-6
7	Measuring or checking instruments	35.31	155	7	Powered aircraft	405.69	90
8	Leather further prepared after tanning or crusting	34.28	5	8	Structures and parts of structures "e.g., bridges and bridge-sections etc.	396.52	18
9	Telephone sets	25.55	100	9	Turbojets, turbopropellers and other gas turbines	392.57	221
10	Pepper of the genus Piper	18.03	18	10	Motor cars and other motor vehicles principally designed for the transport of persons	349.36	6
TOTAL EXPORTS		1 723.89	-4	TOTAL IMPORTS		19 120.74	-

Source: TradeMap, 2017

3.3 Ethiopia's trade with South Africa

The graph below shows South African and Ethiopian trade for the past ten years. In this period South Africa has been the more dominant trade partner with its exports exceeding imports, with exports accounting for 88% of trade in 2016.



Source: Quantec; 2017

Accounting for 23% of South Africa's exports motor vehicles were the largest export in 2016, valued at USD13.56m. Insecticides and coal were the second and third largest exports, valued at USD10.46m and USD3.03m, respectively.

South African imported USD3.92m worth of dried leguminous vegetables, shelled, whether or not skinned or split from Ethiopia in 2016, making it the largest imported product followed by coffee (USD1.2m) and soya beans (USD1.20m) which is Ethiopia top export product.

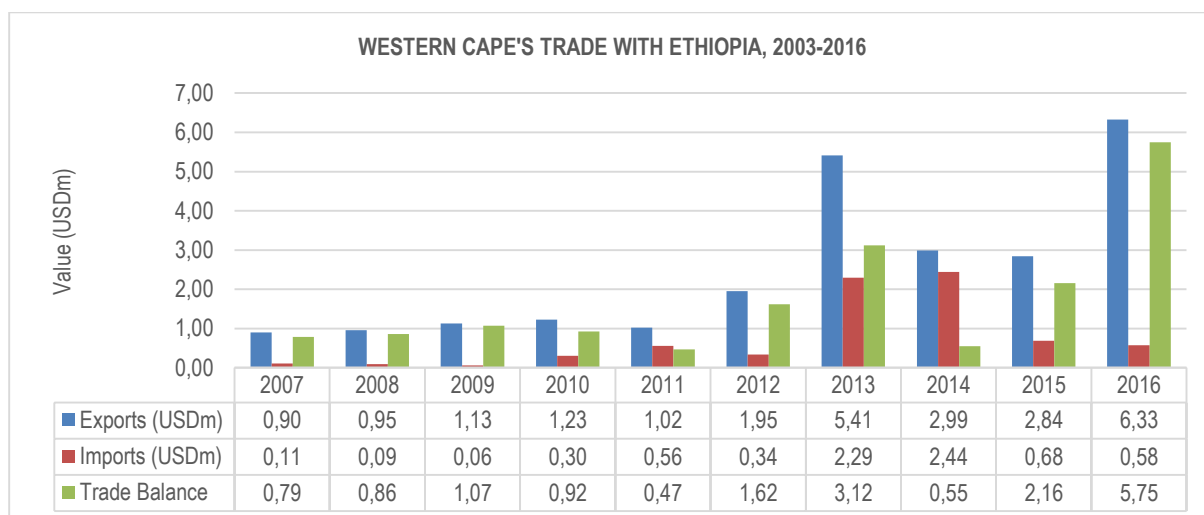
TOP 10 SOUTH AFRICAN EXPORTS TO ETHIOPIA, 2016				TOP 10 SOUTH AFRICAN IMPORTS FROM ETHIOPIA, 2016			
RANK	PRODUCT (HS4)	VALUE 2016 (USDm)	% GROWTH 2012-2016	RANK	PRODUCT (HS4)	VALUE 2016 (USDm)	% GROWTH 2012-2016
1	Motor vehicles	13.56	22.94%	1	Dried leguminous vegetables	3.92	26.82%
2	Insecticides	10.46	1902.27%	2	Soya beans	1.2	-
3	Coal	3.03	-	3	Coffee	1.2	22.44%
4	Structures	1.93	-	4	Machines and mechanical appliances	0.64	-
5	Machinery	1.67	4664.09%	5	Other oil seeds and oleaginous fruits	0.15	-
6	Parts and accessories of the motor vehicles	1.64	20.38%	6	Flour, meal and powder of the dried leguminous vegetables	0.15	143.82%
7	Flours and meals of oil seeds	1.56	-	7	Cut flowers and flower buds	0.08	-2.59%
8	Fruit juices	1.22	104.96%	8	Surveying hydrographic, or geophysical instruments	0.07	13254.15%
9	Meat and edible offal	1.2	3526.22%	9	Malt, whether or not roasted	0.04	138.07%
10	Petroleum oils and oils obtained from bituminous	0.9	-	10	Fork-lift trucks	0.04	-

	minerals (excluding crude)					
TOTAL EXPORTS	59.05	16.55%	TOTAL IMPORTS	7	17.52	%
				8		

Source: Quantec; 2017

3.4 Trade with the Western Cape

Trade between the Western Cape and Ethiopia has been skewed toward the province with a continual trade surplus being recorded. The highest level of exports were recorded in 2016. In 2016, exports increased by 45% to reach USD6.33m from the 2015 value while imports declined by 11% to reach USD0.58m.



Source: Quantec, 2017

Fruit juices (USD1.1m) accounted for 18% was the province's largest export, followed by meat and edible offal valued at USD1m and USD0.88m, respectively. Traditionally the Western Cape is an exporter of agricultural products. However apart from agricultural products among the top ten exports to Ethiopia, the province also exported refined petroleum, measuring instruments, electrical transformers among other products.

The Western Cape's largest import from Ethiopia was dried leguminous vegetables (USD0.32m), followed by other oil seeds and oleaginous fruits parts for machinery (USD0.15m) and surveying, hydrographic, instruments and appliances (USD0.08m).

TOP 10 EXPORTS FROM THE WESTERN CAPE TO ETHIOPIA, 2016				TOP 10 IMPORTS TO THE WESTERN CAPE FROM ETHIOPIA, 2016			
RANK	PRODUCT (HS4)	VALUE 2016 (USD'000)	% GROWTH 2012-2016	RANK	PRODUCT (HS4)	VALUE 2016 (USD'000)	% GROWTH 2012-2016
1	Fruit juices	1 114.49	-	1	Dried leguminous vegetables	318.04	-3.35%
2	Meat and edible offal	1 019.56	-27.54%	2	Other oil seeds and oleaginous fruits	148.48	18.68%
3	Petroleum oils and oils obtained from bituminous minerals, other than crude	878.85	127.69%	3	Surveying, hydrographic, geophysical instruments and appliances	78.52	-
4	Electrical transformers, static converters	546.32	319.30%	4	Coffee	15.27	-
5	Diagnostic or laboratory	479.74	446.05%	5	Cut flowers and flower buds	5.94	-

	reagents on a backing						
6	Wine of fresh grapes	446.05	13 642.51%	6	Other garments, knitted or crocheted.	4.97	-76.63%
7	Other live plants	398.35	-72.81%	7	Babies' garments and clothing accessories, knitted or crocheted	1.60	-
8	Structures	296.35	3 068.89%	8	Men's or boys' underpants, briefs, nightshirts, pyjamas	1.39	-
9	Boards, panels, consoles, desks, cabinets and other bases	239.02	-	9	Sound recording or reproducing apparatus.	1.11	-20.73%
10	Surveying, hydrographic or geophysical instruments	109.17	-88.85%	10	T-shirts, singlets and other vests, knitted or crocheted.	0.48	-
TOTAL EXPORTS		6 326.49	-38.26%	TOTAL IMPORTS		576.47	19.99%

Source: Quantec, 2017

3.5 Trade Agreements

Ethiopia originally signed a Treaty of Amity and Economic Relations with the United States in Addis Ababa in 1951, which was updated in 1994. Ethiopia has no bilateral trade or investment agreement with the United States; however, it is eligible for preferential access to the United States under the African Growth and Opportunity Act (AGOA). Ethiopia is a signatory to the following trade agreements:

- Treaty Establishing the Common Market for Eastern and Southern Africa (COMESA) (Kampala, 5 November 1993)
- Agreement Establishing Intergovernmental Authority on Development (IGAD) (Nairobi, March 1996)
- African, Caribbean, and Pacific Group States (ACP)-European Union (EU) Economic Partnership Agreement (Cotonou, 23 June 2000)

Ethiopia's World Trade Organization (WTO) accession process has been underway since 2003. Ethiopia has held three working party meetings with the WTO Secretariat, submitted its goods offer in early 2012 and is working on its services offer.

3.6 Tariffs

Tariffs imposed by Ethiopia on South African exports are listed below.

TARIFFS IMPOSED ON SOUTH AFRICAN EXPORTS TO ETHIOPIA, 2016					
HS CODE AND PRODUCT DESCRIPTION	TARIFF, %	HS CODE AND PRODUCT DESCRIPTION	TARIFF, %	HS CODE AND PRODUCT DESCRIPTION	TARIFF, %
H01: Live animals	4	H33: Essential oils, perfumes, cosmetics, toiletries	26	H65: Headgear and parts thereof	22
H02: Meat and edible meat offal	30	H34: Soaps, lubricants, waxes, candles, modelling pastes	21	H66: Umbrellas, walking-sticks, seat-sticks, whips	34
H03: Fish, crustaceans, molluscs, aquatic invertebrates	20	H35: Albuminoids, modified starches, glues, enzymes	20	H67: Bird skin, feathers, artificial flowers, human hair	28
H04: Dairy products, eggs, honey, edible animal product	24	H36: Explosives, pyrotechnics, matches, pyrophorics	9	H68: Stone, plaster, cement, asbestos, mica, articles	22
H05: Products of animal origin	10	H37: Photographic or cinematographic goods	9	H69: Ceramic products	22
H06: Live trees, plants, bulbs, roots, cut flowers	13	H38: Miscellaneous chemical products	10	H70: Glass and glassware	19
H07: Edible vegetables and certain roots and tubers	30	H39: Plastics and articles thereof	11	H71: Pearls, precious stones, metals, coin	35
H08: Edible fruit, nuts, peel of citrus fruit, melons	30	H40: Rubber and articles thereof	14	H72: Iron and steel	9
H09: Coffee, tea, mate and spices	31	H41: Raw hides and skins (other than fur skins) and leather	4	H73: Articles of iron or steel	13
H10: Cereals	5	H42: Articles of leather, animal gut, harness, travel goods	35	H74: Copper and articles thereof	8
H11: Milling products, malt, starches, inulin, wheat gluten	13	H43: Fur skins and artificial fur, manufactures thereof	32	H75: Nickel and articles thereof	5
H12: Oil seed, oleagic fruits, grain, seed, fruit,	7	H44: Wood and articles of wood, wood charcoal	10	H76: Aluminium and articles thereof	13
H13: Lac, gums, resins, vegetable saps and extracts	30	H45: Cork and articles of cork	5	H78: Lead and articles thereof	9
H14: Vegetable plaiting materials, vegetable products	10	H46: Manufactures of plaiting material, basketwork, etc.	27	H79: Zinc and articles thereof	6
H15: Animal, vegetable fats and oils, cleavage products,	22	H47: Pulp of wood, fibrous cellulosic material, waste	0	H80: Tin and articles thereof	6
H16: Meat, fish and seafood food preparations	30	H48: Paper & paperboard, articles of pulp, paper and board	12	H81: Other base metals, cermet's, articles thereof	11
H17: Sugars and sugar confectionery	9	H49: Printed books, newspapers, pictures	9	H82: Tools, implements, cutlery, of base metal	22
H18: Cocoa and cocoa preparations	29	H50: Silk	35	H83: Miscellaneous articles of base metal	20
H19: Cereal, flour, starch, milk preparations and products	24	H51: Wool, animal hair, horsehair yarn and fabric thereof	22	H84: Nuclear reactors, boilers, machinery	8
H20: Vegetable, fruit, nut food preparations	30	H52: Cotton	25	H85: Electrical, electronic equipment	13
H21: Miscellaneous edible preparations	18	H53: Vegetable textile fibres paper yarn, woven fabric	19	H86: Railway, tramway locomotives, rolling stock, equipment	3
H22: Beverages, spirits and vinegar	34	H54: Manmade filaments	29	H87: Vehicles other than railway, tramway	20
H23: Residues, wastes of food industry, animal fodder	10	H55: Manmade staple fibres	21	H88: Aircraft, spacecraft, and parts thereof	0
H24: Tobacco and manufactured tobacco substitutes	23	H56: Wadding, felt, nonwovens, yarns, twine, cordage	33	H89: Ships, boats and other floating structures	8
H25: Salt, sulphur, earth, stone, plaster, lime and cement	9	H57: Carpets and other textile floor coverings	35	H90: Optical, photo, technical, medical apparatus	14
H26: Ores, slag and ash	5	H58: Special woven or tufted fabric, lace, tapestry	33	H91: Clocks and watches and parts thereof	22
H27: Mineral fuels, oils, distillation products,	4	H59: Impregnated, coated or laminated textile fabric	17	H92: Musical instruments, parts and accessories	30
HS28: Inorganic chemicals	10		35	H94: Furniture, lighting, signs, prefabricated buildings	29
H29: Organic chemicals	10	H61: Articles of apparel, accessories, knit or crochet	35	H95: Toys, games, sports requisites	26
H30: Pharmaceutical products	4	H62: Articles of apparel, accessories, not knit or crochet	35	H96: Miscellaneous manufactured articles	27
H31: Fertilizers	0	H63: Other made textile articles, sets, worn clothing	30	H97: Works of art, collectors pieces and antiques	10

TARIFFS IMPOSED ON SOUTH AFRICAN EXPORTS TO ETHIOPIA, 2016					
HS CODE AND PRODUCT DESCRIPTION	TARIFF, %	HS CODE AND PRODUCT DESCRIPTION	TARIFF, %	HS CODE AND PRODUCT DESCRIPTION	TARIFF, %
H32: Tanning, dyeing extracts, tannins, derivatives, pigments	13	H64: Footwear, gaiters and the like, parts thereof	34	H99: Commodities not elsewhere specified	-

Source: TradeMap, 2017

NOTE: Exporters should not take the HS2 tariff as conclusive and as the actual tariff that will be applied to the exported product. The tariffs indicated above are average tariffs and for products within the category it may be higher or lower than indicated. Where the tariff is zero it can be assumed that there is zero tariff applicable to all products within that HS code. Tariffs are determined according to the importing country's national tariff line from the HS6 level and upwards. Exporters are advised to visit www.macmap.org to determine the exact tariff applicable to the product at HS6.

3.7 Import Requirements and Documentation

Import tariffs

Revenue generation, not protection of local industry, appears to be the primary purpose of Ethiopia's tariffs. Goods imported from the Common Market for Eastern and Southern Africa (COMESA) members are granted a 10% tariff preference. Tariff duties range from 0% to 35%, with an average rate of 17%. Ethiopia has reduced customs duties on a wide range of imports in recent years, but duties still remain high on certain items such as vehicles. The Ethiopian Government offers duty-free import incentives for investors in certain sectors, especially located with industrial zones and planning to export goods and generate foreign currency. The Ethiopian government places a high focus on industrial parks and expansions.

Both Value-Added Tax (VAT) and excise taxes are imposed on imports. The VAT rate is 15% for all goods and services. Excise tax is assessed on eighteen classes of goods, applied equally to domestically produced and imported goods, and range from 10% for textiles and most other goods, to as high as 100% for alcoholic beverages.

Import Requirements and Documentation

Most imports to Ethiopia require:

(1) certified copies of the commercial invoice; (2) Tax identification number (TIN) certificate; (3) a bill of lading or airway bill; (4) proforma invoices; (5) an import license; (6) an insurance certificate; (7) packing list; (8) agency agreement; (9) certificate of origin; (10) foreign exchange authorization; (11) customs import declaration; (12) VAT certificate; (13) pre-shipment inspection clean report findings and (14) transit document. Medicines, medical supplies, and medical equipment must be registered with the Food, Medicine and Health Care Administration & Control Authority of Ethiopia (FMHCA). Any plant or plant product, including seeds, agricultural inputs such as chemicals, pesticides and fertilizers cannot be imported to Ethiopia unless registered and duly authorized for import by the Ministry of Agriculture.

Prohibited and Restricted Imports

The Ministry of Trade has the power to restrict and/or limit imports and exports. There are restrictions on the importation of products that compete with locally produced goods. Prohibited imports:

- Used clothes
- Arms and ammunitions, except by the Ministry of Defense

Goods of a commercial nature and quantity that are not imported through formal bank payment mechanisms are not allowed to enter Ethiopia and may be subject to confiscation.

3.8 Logistics

As a landlocked country, Ethiopia is dependent on seaports of other countries for its export and import. Although, due to the existing circumstances the country is depending mainly on port Djibouti, future possibilities of using Port Sudan, Berbera, Assab, Massawa and Mombasa may be investigated with respect to the available transport infrastructure and geographical proximities. The cost of freight transport is an important factor in the competitiveness of a country's economy.

Air transport is very strategic, relatively efficient and important mode of transport in Ethiopia. Ethiopian airlines provides freight transport services to major local destinations and international destinations.

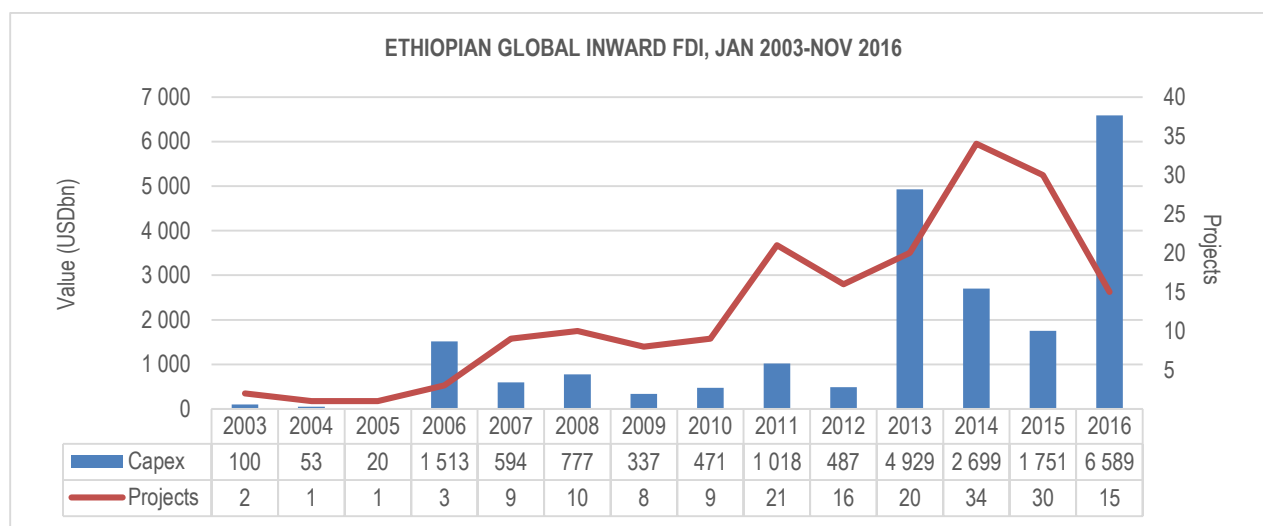
ETHIOPIA ROAD NETWORK				
Jurisdiction	Asphalt	Gravel	Earth	Total
Federal	6,938	14,234	-	21,172
Regional	-	25,640	-	25,640
Total/All-weather	6,938	39,874	-	46,812
Rural/Community	-	-	85,767	85,767

Source: Ports&Ships.co.za, 2017

4. Investment

4.1 Global Investment into Ethiopia

Between January 2003 and November 2016 a total of 179 FDI projects were recorded into Ethiopia. These projects represent a total capital investment of USD21.34bn which is an average investment of USD119.2m per project. During the period, a total of 536 jobs were created. The largest capex value (USD6.6bn) was recorded in 2016, while the largest number of projects (34 investment projects) were seen in 2014.



Source: FDi Intelli

China contributed the highest amount of investment with 23 and 22 projects into Ethiopia, respectively. These two countries were followed by India (21) and UAE (13). Of the top markets China (USD4bn) was the highest investor by capital expenditure followed by India (USD1.7bn). South Africa was ranked the 5th largest investor into Ethiopia with 8 investment projects valued at USD383m.

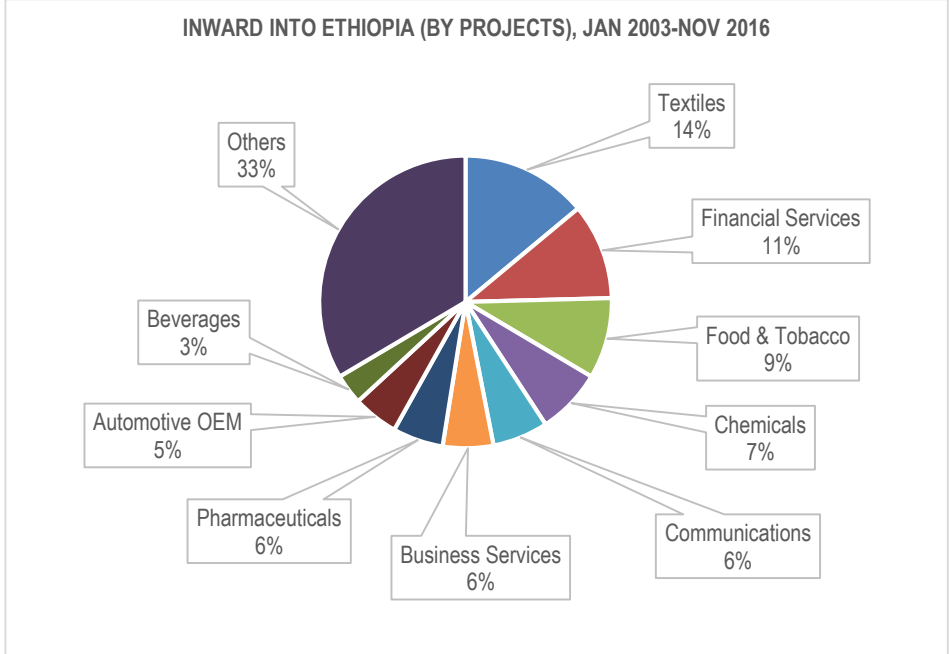
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TOP 10 SOURCE 10 SOURCE MARKETS FOR FDI INTO ETHIOPIA, JAN 2003-NOV 2016							
RANKING	COUNTRY	PROJECTS	% PROJECTS	CAPEX (USDm)	% CAPEX	COMPANIES	% COMPANIES
1	United States	23	12.85%	1 034.6	4.85%	22	13.92%
2	China	22	12.29%	4 044.6	18.96%	20	12.66%
3	India	21	11.73%	1 715.7	8.04%	18	11.39%
4	UAE	13	7.26%	556.9	2.61%	10	6.33%
5	South Africa	8	4.47%	382.9	1.79%	6	3.80%
6	Turkey	8	4.47%	435.1	2.04%	8	5.06%
7	UK	8	4.47%	208.4	0.98%	8	5.06%
8	Egypt	7	3.91%	980.1	4.59%	5	3.16%
9	Germany	7	3.91%	424.3	1.99%	6	3.80%
10	Kenya	6	3.35%	58.6	0.27%	6	3.80%
TOTAL		179	100.00%	21 336.4	100.00%	158	100.00%

Source: FDI Intelligence, 2017

The two diagrams below represent inward investment into Ethiopia by the various sectors. When looking at sector investment by the number of projects, the following sectors received the most investment:

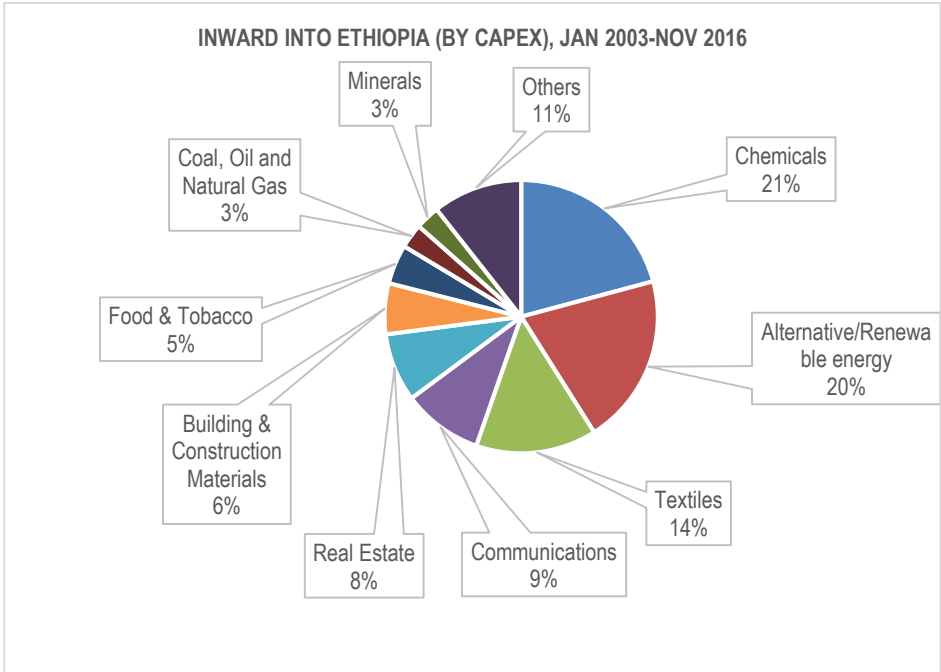
- Textiles: 14%;
- Financial services: 11%;
- Food and Tobacco: 9%.



Source: FDI Intelligence, 2017

In terms of capital expenditure, the following sectors received the largest investment:

- Chemicals: 21%;
- Alternative/Renewable energy: 20%;
- Textiles: 14%.



Source: FDI Intelligence, 2017

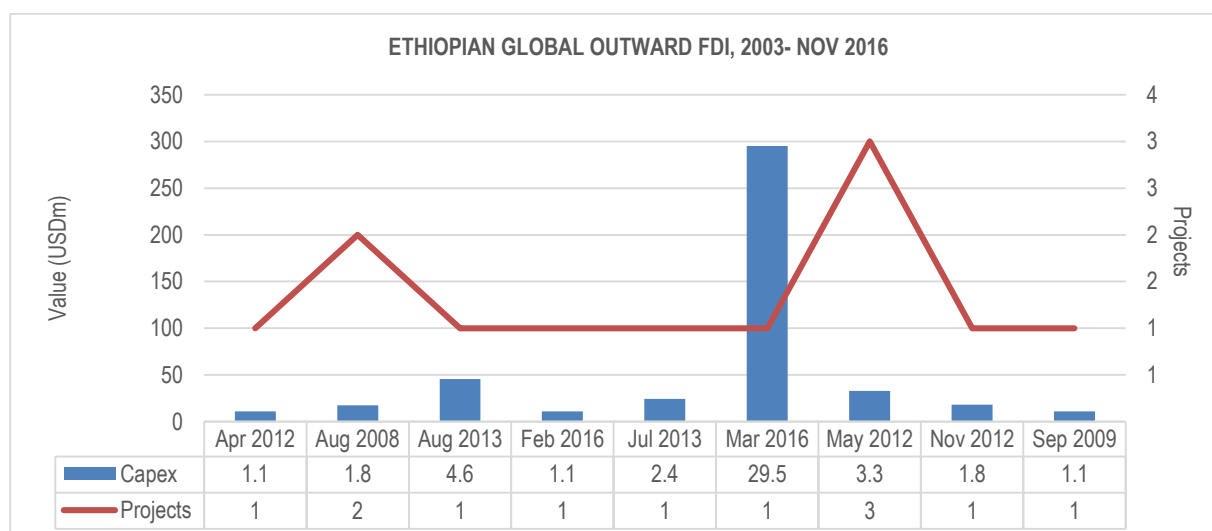
The table below shows the largest companies investing in Ethiopia.

TOP 10 COMPANIES INVESTING INTO ETHIOPIA, 2003- JAN NOV 2016					
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	PROJECTS	CAPEX (USDm)
1	Office Cherifien des Phosphates (OCP)	China	Chemicals	500	3700
2	Chongqing Sansheng Special Building Materials	India	Pharmaceuticals	300	85
3	TAL Global Alliances	India	Textiles	200	10
4	Humanwell Healthcare (Group)	Malaysia	Pharmaceuticals	876	80
5	Sany	Singapore	Real Estate	875	864.9
6	Tebian Electric Apparatus (TBEA)	South Africa	Electronic Components	157	11.8
7	Phillips-Van Heusen (PVH)	India	Textiles	2182	138
8	Viettel	Hong Kong	Communications	16	7.5
9	Eastern and Southern African Trade and Development Bank (PTA Bank)	Germany	Financial Services	18	11
10	EgyptAir	Canada	Transportation	10	15.3
TOTAL				179	21 336

Source: FDI Intelligence, 2017

4.2 Global Investment from Ethiopia

Between January 2003 and November 2016 a total of 12 FDI projects were recorded from Ethiopia. These projects represent a total capital investment of USD466m which is an average investment of USD38.9m per project. During this period, a total of 1106 jobs were created. The largest capex value (USD29.5m) was recorded in March 2016, while the largest number of projects (3 investment projects) were seen in May 2012.



Source: FDI Intelligence, 2017

South Sudan contributed the highest amount of investment into Ethiopia. Belgium was the leading investor in terms of capex investing USD2985m between January 2003 and November 2016.

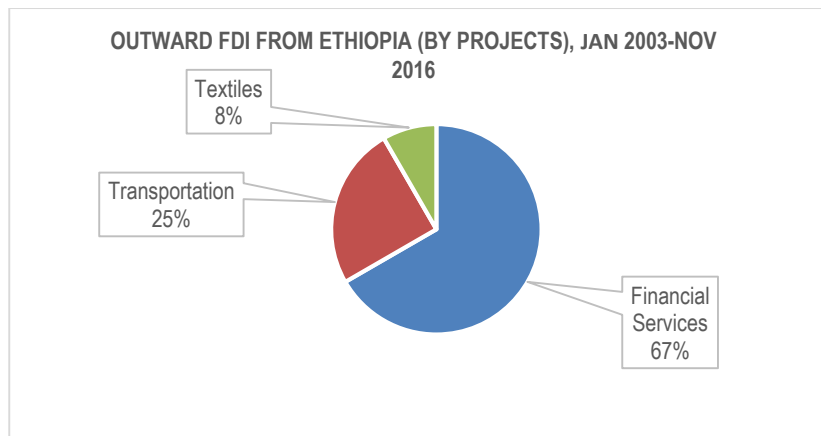
TOP 10 SOURCE MARKETS FOR FDI INTO ETHIOPIA, JAN 2003-NOV 2016							
RANKING	COUNTRY	PROJECTS	% PROJECTS	CAPEX	% CAPEX	COMPANIES	% COMPANIES
1	South Sudan	6	0.50	61.3	13.15%	3	33.33%
2	Belgium	1	0.08	295.0	63.26%	1	11.11%
3	Serbia	1	0.08	24.2	5.19%	1	11.11%

TOP 10 SOURCE 10 SOURCE MARKETS FOR FDI INTO ETHIOPIA, JAN 2003-NOV 2016							
RANKING	COUNTRY	PROJECTS	% PROJECTS	CAPEX	% CAPEX	COMPANIES	% COMPANIES
4	Somalia	1	0.08	11.0	2.36%	1	11.11%
5	Sudan	1	0.08	11.0	2.36%	1	11.11%
6	Taiwan	1	0.08	18.1	3.88%	1	11.11%
7	Togo	1	0.08	45.7	9.80%	1	11.11%
TOTAL		12	1.00	466.3	100.00%	9	100.00%

Source: FDI Intelligence, 2017

The two diagrams below represent inward investment into Ethiopia by the various sectors. When looking at sector investment by the number of projects, the following sectors received the most investment:

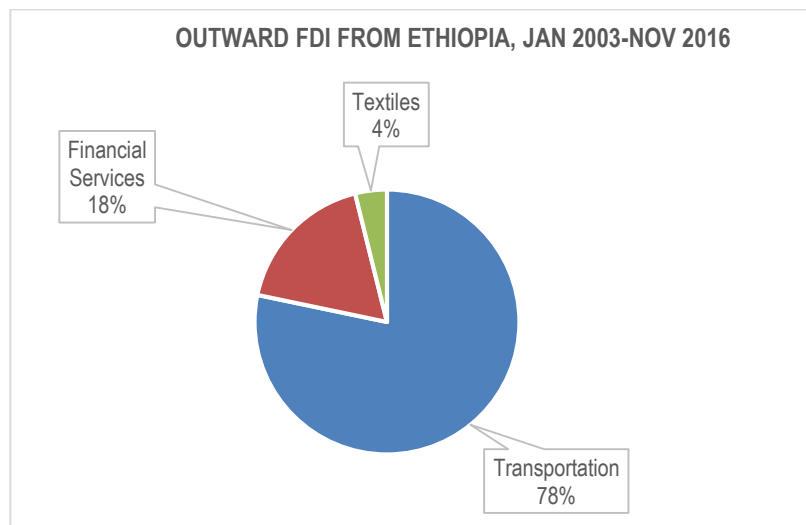
- Financial Services: 67%;
- Transportation: 25%
- Textiles: 8%.



Source: FDI Intelligence, 2017

In terms of capital expenditure, the following sectors received the largest investment:

- Transportation: 78%
- Financial Services: 18%
- Textiles: 4%.



Source: FD Intelligence, 2017

The table below shows the largest Ethiopian companies investing into other markets.

TOP 10 COMPANIES INVESTING INTO ETHIOPIA, JAN 2003- NOV 2016					
RANK	INVESTING COMPANY	DESTINATION COUNTRY	SECTOR	CAPEX (USDm)	JOBS
1	Ethiopian Airlines	Belgium	Transportation	295	650
2	Commercial Bank of Ethiopia (CBE)	Sudan	Financial Services	11	18
3	Ethiopian Airlines	Togo	Transportation	45.7	93
4	Ethiopian Airlines	Serbia	Transportation	24.2	12
5	SoleRebels	Taiwan	Textiles	18.1	137
6	Commercial Bank of Ethiopia (CBE)	South Sudan	Financial Services	11	18
7	Commercial Bank of Ethiopia (CBE)	South Sudan	Financial Services	11	18
8	Commercial Bank of Ethiopia (CBE)	South Sudan	Financial Services	11	18
9	United Bank	South Sudan	Financial Services	11	18
10	Ethiopian Insurance Corporation (EIC)	South Sudan	Financial Services	10.8	91
TOTAL				466.3	1 106

Source: FD Intelligence, 2017

4.3 Investment Relations between South Africa and Ethiopia

Six South African companies have invested between 2003 and November 2016. Total FDI from South Africa to Ethiopia was valued at USD382m creating 967 jobs. The largest investment into Ethiopia from South Africa was made by Pretoria Portland Cement valued at USD175m.

FDI FROM SOUTH AFRICA TO ETHIOPIA, JAN 2003-NOV 2016						
DATE	INVESTING COMPANY	SOURCE CITY	SECTOR	SUB-SECTOR	CAPEX (USDm)	JOBS
Sep 2015	Black Rhino	Johannesburg	Transportation	Pipeline transportation of crude oil	77.5	287
Mar 2015	Nampak	Johannesburg	Ceramics & Glass	Glass & glass products	68	183
Sep 2014	PPC (Pretoria Portland Cement)	Johannesburg	Building & Construction Materials	Cement & concrete products	175	334
Sep 2013	East Africa Bottling Share	Port Elizabeth	Beverages	Soft drinks & ice	13	48
Sep 2013	East Africa Bottling Share	Port Elizabeth	Beverages	Soft drinks & ice	20	74
Aug 2013	Standard Bank Group	Johannesburg	Financial Services	Retail banking	11	18
Mar 2013	Black Rhino	Johannesburg	Transportation	Other pipeline transportation	15.3	10
Jul 2012	Educor	Durban	Business Services	Schools, colleges, universities, & professional schools	3.05	13
TOTAL					382	967

Source: FDI Intelligence, 2017

Details regarding the investments above are shown below:

- In 2013 and 2015, Black Rhino (Johannesburg, South Africa), an energy infrastructure specialist, invested into the development of a new oil pipeline in Ethiopia. The 550 km pipeline will run from Damerjog in Djibouti to Awash in Ethiopia, improving the latter's fuel import supply chain. The USD1.55bn development is scheduled to become operational in the fourth quarter of 2018 and will be established through a joint venture with Mogs Oil & Gas Services.

- In 2015, Nampak (Johannesburg, South Africa), a packaging specialist, plans to establish a new glass furnace in Ethiopia. The USD68m facility supplies companies including Heineken and Coca-Cola in Ethiopia. The factory will be established through a joint venture initiative with an as yet unspecified partner.
- In 2014, Pretoria Portland Cement (PPC) (Johannesburg, South Africa) invested in Ethiopia in the building and construction materials sector in a manufacturing project valued at USD174m. South Africa-based PPC, a cement manufacturer, plans to establish a new production facility in Ethiopia. The development is part of a wider growth strategy which will see an additional plant also constructed in Rwanda.
- In 2013, East Africa Bottling Share, a subsidiary of Coca-Cola Sabco (Port Elizabeth, South Africa) invested in the city of Dire Dawa, Ethiopia in the beverages sector in a manufacturing project. The USD20m expansion has increased production capacity by 500% from a previous output of 5000 crates per day.
- In 2013, East Africa Bottling Share, a subsidiary of Coca-Cola Sabco (Port Elizabeth, South Africa) invested in the city of Dire Dawa, Ethiopia in the Beverages sector in a manufacturing project. The USD13m expansion will add a new plastic bottling line and an additional treatment plant. The expansion is part of a wider USD500m growth strategy aimed at expanding production in Ethiopia.
- In 2013, Standard Bank Group (Johannesburg, South Africa) invested in Ethiopia in the financial services sector in a business services project. South Africa-based Standard Bank opened a representative office in Ethiopia. The expansion is part of a wider growth strategy focused on increasing the bank's market penetration across Africa. An additional representative office is also planned for the Ivory Coast.
- In 2012, Educor (Durban, South Africa) invested in Ethiopia in the business services sector in an education and training project. South Africa-based private education company Educor is investing USD12.m to set up branch campuses in four African countries under its well-known Intec and Damelin brands. The countries are Nigeria, Kenya, Ethiopia and Ghana. It is intending to use local experts and staff, but they would be trained during an introductory phase in West Africa by South African staff.
- Between January 2003 and November 2016 there was no recorded investment from the Western Cape into Ethiopia.

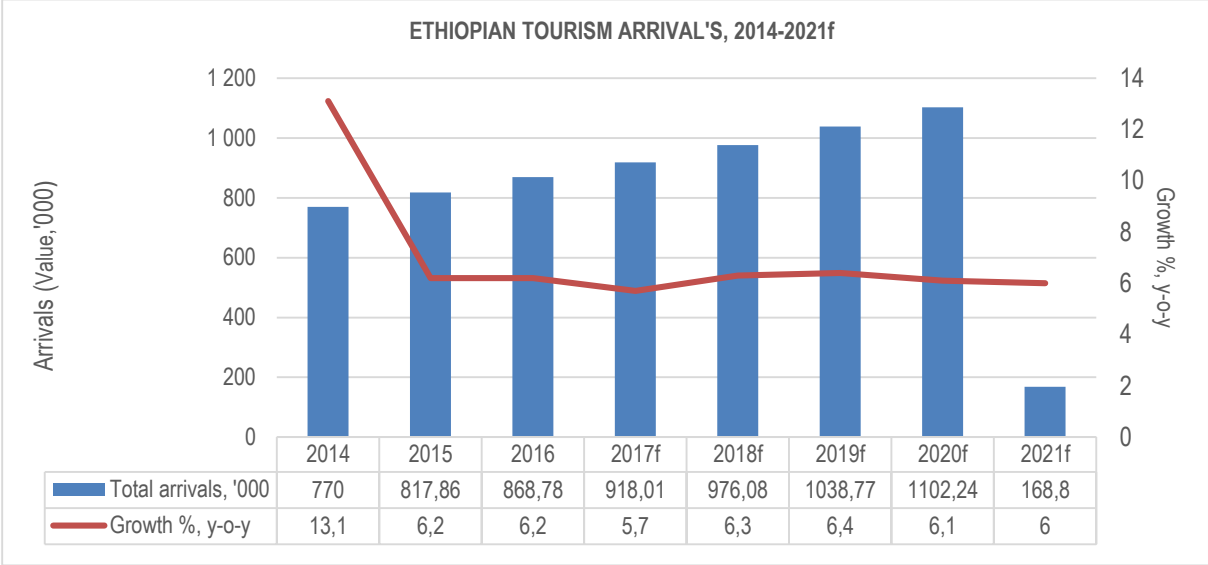
*Between January 2003 and November 2016 there was no recorded investment from Ethiopia into South Africa.

5. Tourism

Ethiopia has immense natural, cultural and historical resources. Many argue that the country is the birthplace of humanity. Ethiopia has many different UNESCO (United Nations Educational, Scientific and Cultural Organisation) world heritage sites and is known for its interesting landscape, ancient religions, and unique alphabet and calendar. Ethiopia has a diversity of wildlife (with many unique, indigenous plant, bird, and mammal species), exotic landscapes, prehistoric sites, and architectural ruins of historical and religious significance. Currently, tourism and travel contributes only 1.2% to the Gross Domestic Product (GDP) and is planned to reach 9.0% of Ethiopia's GDP by 2024. With a high volume of transit passengers transferring through Addis Ababa Bole International Airport to global and regional destinations, there is a need for increased international standard accommodation near the airport. Additionally, as Ethiopia is the headquarter of the African Union and United Nations Economic Commission for Africa (UNECA), the city of Addis Ababa serves as a frequent venue for international conferences and events. According to the Growth and Transformation Plan II (GTP) plan, ETO aspires to make Ethiopia one of the top five destinations in Africa by 2020. As such, they have identified five main focus areas: natural and cultural heritage conservation and development, culture and tourism marketing, better service, improved culture and tourism research, and enhanced information systems and collaboration with development partners.

According to BMI Research Ethiopian tourist arrivals are expected to reach 918,000 in 2017, an increase of 5.7% on the previous year. Provisional data from Ethiopia's Ministry of Culture and Tourism puts visitor numbers for the first three months of the year at over 200,000 while tourism receipts are reported to have exceeded USD870mn. The government remains

confident that 2017 will see firm growth in the sector, leaving the country on track to increasing inbound tourism by 2.5mn visitors annually. This is despite social unrest in the shape of anti-government protests persists which pose a serious risk to the outlook. A state of emergency was declared in Ethiopia at the end of last year for a period of six months. And while the key tourist destinations have not seen any protest-related violence, protests could spread throughout the country and deter potential tourists.



Source: BMI, 2017

Below is a SWOT analysis on Ethiopia's tourism sector.

Source: BMI, 2017

TOURISM SWOT ANALYSIS	
STRENGTH	WEAKNESSES
<ul style="list-style-type: none"> Inbound travel, particularly from other African countries, is booming. The government is investing in tourism. Air transport is highly efficient and well developed by regional standards, improving connectivity and benefiting business travel. Ethiopia has the most effective counterterrorism and military forces in the region 	<ul style="list-style-type: none"> Competition from more established regional destinations such as Kenya and South Africa. The fragile regional security environment on the Horn of Africa and poor bilateral relations with neighbouring countries such as Eritrea and Somalia could escalate the risk of interstate conflict. The hotel market is underdeveloped.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> Ethiopia has a large number of previously untapped potential tourism attractions outside of Addis Ababa. The Ethiopian Tourism Board is exploring untapped tourism markets, such as eco- and adventure-tourism. Ethiopian Airlines is one of Africa's leading airlines, expanding its regional and international connections. There is room for high-end hotel sector expansion and the country is welcoming to foreign investors. Annual GDP growth will average 6.42% y-o-y between 2017 and 2020, suggesting that economic prosperity 	<ul style="list-style-type: none"> Ethiopia's dependence on government investment and Chinese foreign investment exposes the country to risks if government spending is constrained and China's slowdown results in reduced investments. Political and social unrest from marginalisation of certain groups by the government may threaten stability. A state of emergency was announced in the country towards the end of 2016 for a six month period following anti-government protests and social unrest.

Source: BMI, 2017

will boost national consumption and discretionary spending levels.

The tourism sector could be harmed should such problems persist.

- There is a danger that foreign investment will be deterred by the government's desire to maintain control over key sectors of the economy.

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