

ETHIOPIA

Business Conditions Snapshot

- Ethiopia's September 2019 *Homegrown Economic Reform* agenda set out an unprecedented and significant package of macroeconomic, structural and sectoral reforms designed to create jobs, reduce poverty and promote inclusive growth. Progress against the reform agenda has been slow, but there have been some major changes.
- For example, Ethiopia revised its investment law in 2019, moving from a negative to a positive list approach. While a number of sectors remain reserved, the reform has expanded the areas in which foreign investors can engage. Sectors now open to foreign investment include energy, logistics and telecoms.
- Ethiopia was updating its mining law in November 2020. The legislative process can be long, and in the interim, the government has been proactive in helping mining companies resolve their difficulties with the country's outdated legislation. Government assistance to companies interested in investing in mining in Ethiopia has increased considerably, but companies considering investing will still have to navigate complex bureaucracy, and should be prepared to wait for returns on their investment.
- Renewables is a growing sector in Ethiopia. The country has considerable hydro-electric potential and significant geothermal potential. Most of this is untapped. If fully tapped, it has the potential to become the largest energy supplier in East Africa. Australian companies have already begun to explore this potential, but considerable space remains for proactive investors.
- Agriculture still plays a huge role in the Ethiopian economy and the sector is largely made up of smallholder farmers. There may be opportunities for Australia in the sector, particularly in the sale of agricultural technologies, seeds and fertiliser. Strict import controls and a difficult working environment will be impediments. Ethiopia is particularly interested in Australian know-how around livestock export.
- Ethiopia is landlocked, and its primary seaport is Djibouti. The Ethiopia-Djibouti relationship is constructive, but Ethiopia is working with international companies to expand into Somalia and Eritrea. Ethiopia is also considering investing in Lamu port in Kenya. We do not expect any new sea-links to be fully operational for some years. Significant rail and road infrastructure is planned to support ports.
- One million Ethiopians are expected to reach the age of 18 each year until 2050. This provides a significant opportunity for agri-business and manufacturing

Key facts and figures

- Population: 94.1 million (2018)
- GDP growth: 7.4% (2019)
- GDP per capita: \$953.2
- Political system: Single Party, Federation
- Two-way trade: A\$29.7m
- Key products: coffee imports (A\$22.4m)



industries with markets in the Gulf and Europe, and consumer-focused service providers including in telecommunications.

- Ethiopia is not a prospective FTA partner, though there are likely to be opportunities to reduce barriers to trade with Ethiopia through the African Union's Africa Continental Free Trade Area.
- Australia is a minor humanitarian actor in Ethiopia. Our development assistance program is limited to ANCP and DAP.
- The multiple crises Ethiopia has faced in 2020 have limited its growth. COVID-19 has put the most significant stress on the economy reducing growth from close to 10 per cent in 2019 to a projected 3.4 per cent in 2020.
- Elections in 2021, and increasing tensions between Ethiopia's states and its federal government, mean that 2021 is likely to be a difficult year for Ethiopia.

Trade and Investment Opportunities

- There is limited Australian engagement in Ethiopia.
 - Australia's Fortescue Group has announced its intention to invest more than \$20 billion in the country's energy sector.
- There are commercial opportunities in the mining sector, primarily gold mining and the provision of mining expertise and technology.
- There are emerging opportunities for agricultural investment.
 - This includes the provision of agricultural technologies to large businesses and the livestock sector.
- There may be future opportunities in the telecoms, transport infrastructure, and electricity generation and distribution sectors.
- Australia–Africa Week in Perth each September is also a key opportunity to take forward emerging commercial and economic interests.

Trade Policy and Negotiations

- Australia supports Ethiopia's campaign to accede to the WTO.
- Ethiopia is a member of the African Union.
 - The African Union's headquarters is in Addis Ababa.
- Australia supported 13 African countries and the African Union with trade policy training in February 2020.
- Ethiopia agreed (but has not yet signed) an Air Services Agreement with Australia in 2018.



MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

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Australian Government

Department of Foreign Affairs and Trade