

ETHIOPIA TRADE & TARIFF UPDATE (2021)

Regional Economic Communities

- Ethiopia is a member of the Common Market for Southern and Eastern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD).
- Ethiopia ratified the AfCFTA in April 2019 and is yet to submit the schedule of tariff concessions.

COMESA

- COMESA has 21 member states, 17 of which are part of the COMESA Free Trade Area.
- DRC, Eritrea, Ethiopia and Somalia are all in the process of acceding to the COMESA FTA

Members of the COMESA FTA:



IGAD

- IGAD member states include Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda.
- IGAD focuses on policy and programme for harmonisation, peace and security, food security and sustainable development, facilitating investment, capacity building and infrastructure development.
- There has been no intra-IGAD tariff liberalization.

IGAD has no trade agreement



Intra-Africa total trade (imports & exports) 2021

9%

Ethiopia's intra-Africa trade as share of its Global trade

US\$1.6 bn

Ethiopia's intra-Africa trade in 2021

Ethiopia is a net importer with Africa

Exports accounted for only 36% (US\$583 million) of its intra-Africa trade in 2021

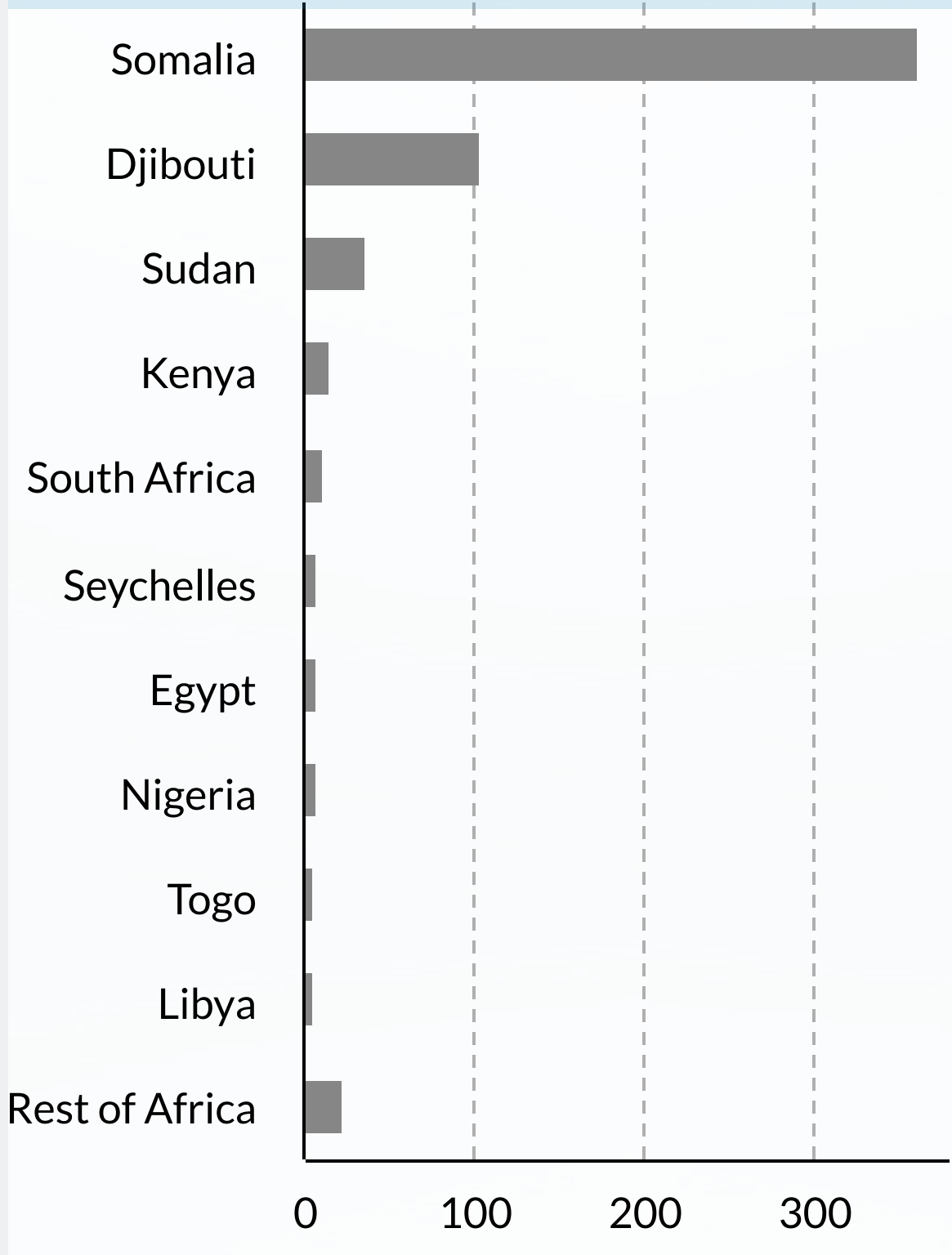
18%
Double digit intra-Africa trade growth recorded over the 2020 and 2021 period

Ethiopia is recovering from the disruptions caused by the Covid-19 pandemic of 2020

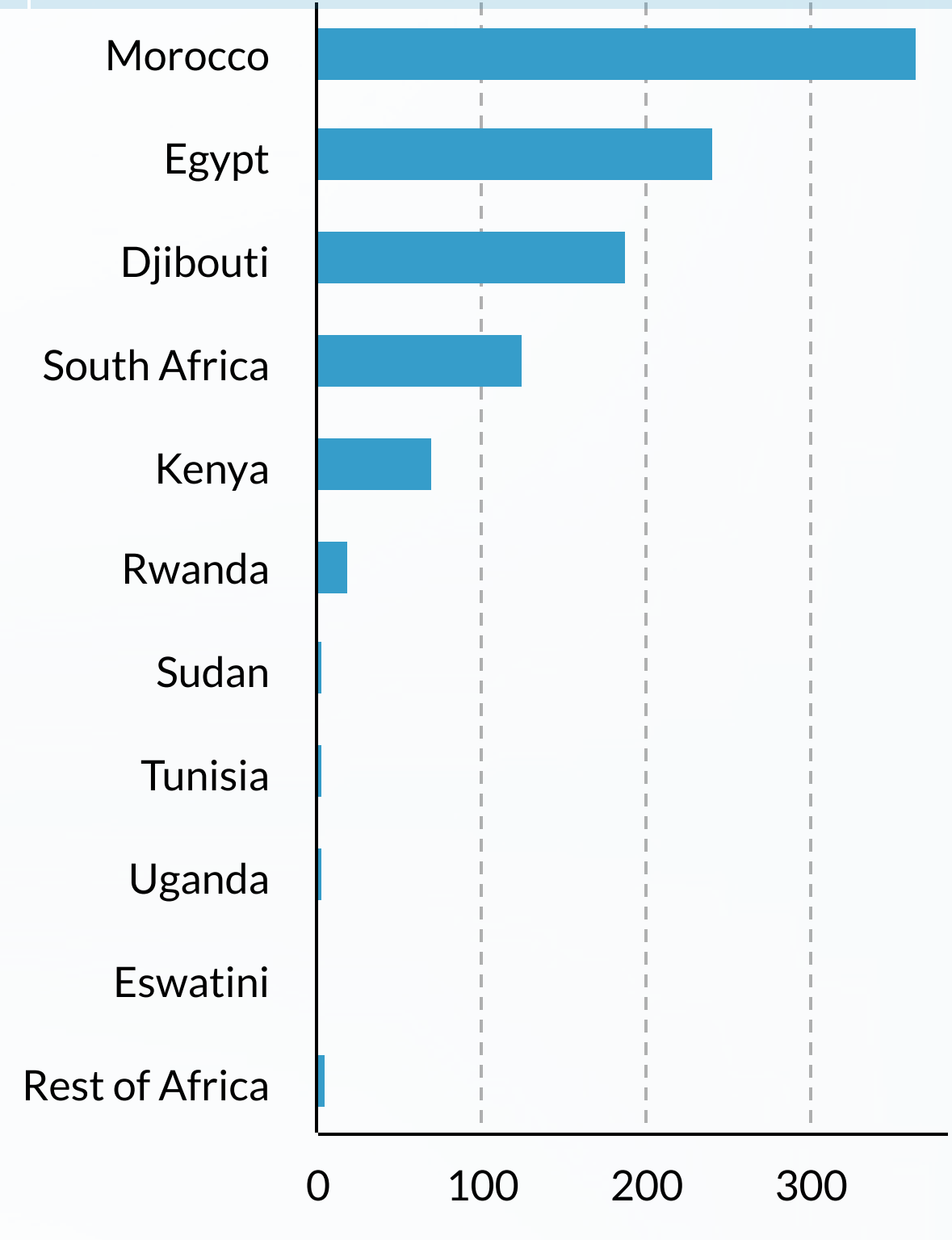
Intra-Africa exports have exceeded the 2019 levels by over US\$20 million in 2021 having declined by about US\$30 million in 2020

Intra-Africa imports also show the same trend as intra-Africa exports albeit growing at a faster rate

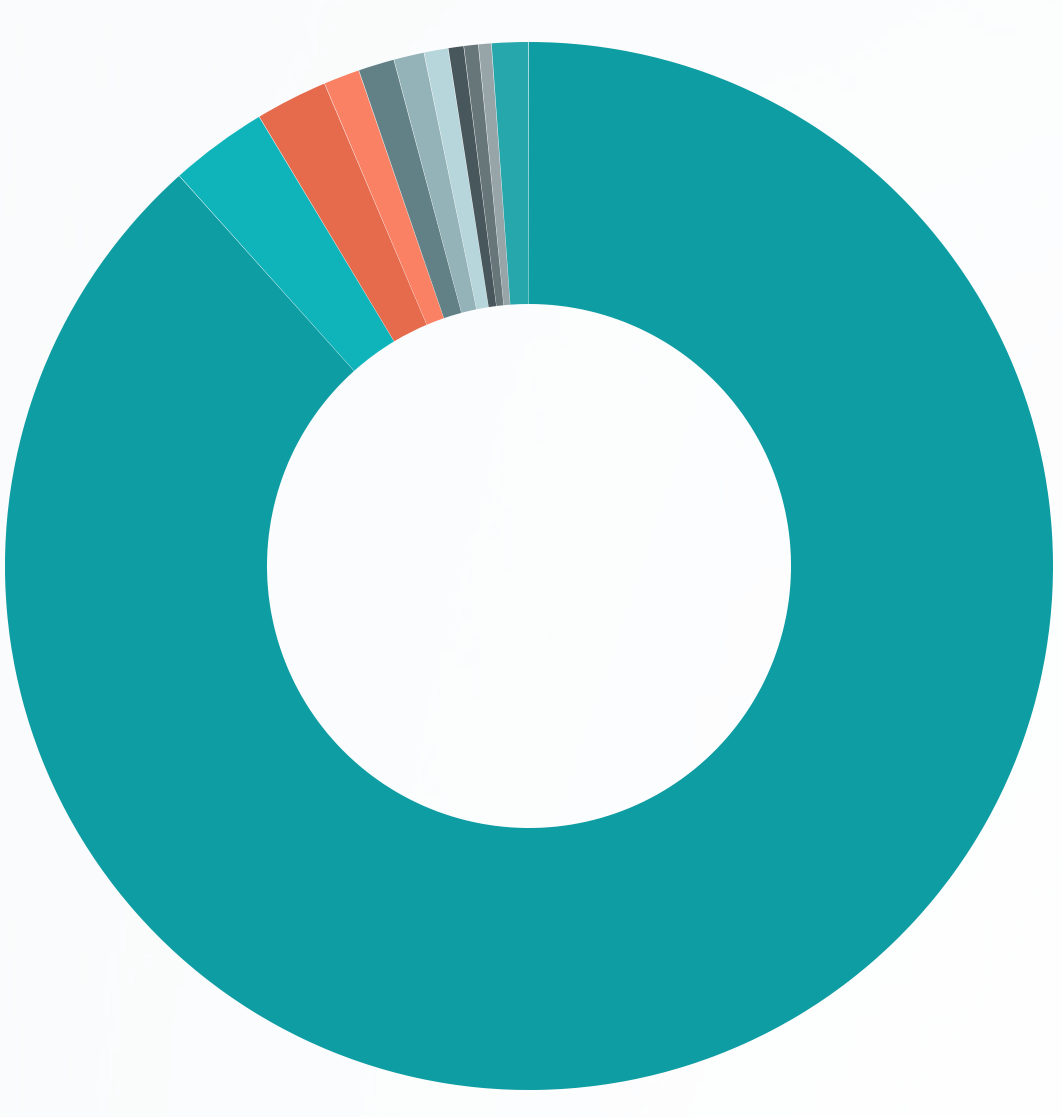
Top 10 intra-Africa export destinations (2021)



Top 10 intra-Africa import sources (2021)



Ethiopia's intra-Africa exports by product group (2021)



- Vegetable products (88.38%)
- Machinery (3.02%)
- Live animals, animal products (2.21%)
- Textiles & clothing (1.13%)
- Non-metallic minerals (1.11%)
- Food, beverages & tobacco (0.93%)
- Transport equipment (0.76%)
- Plastic products (0.47%)
- Chemical products (0.45%)
- Wood products (0.39%)
- Other (1.14%)

- Virtually all of Ethiopia's intra-Africa exports are vegetable products which account for 88% of its intra-Africa exports

- Mineral products, and live animals account for an additional 5% share of Ethiopia's intra-Africa exports

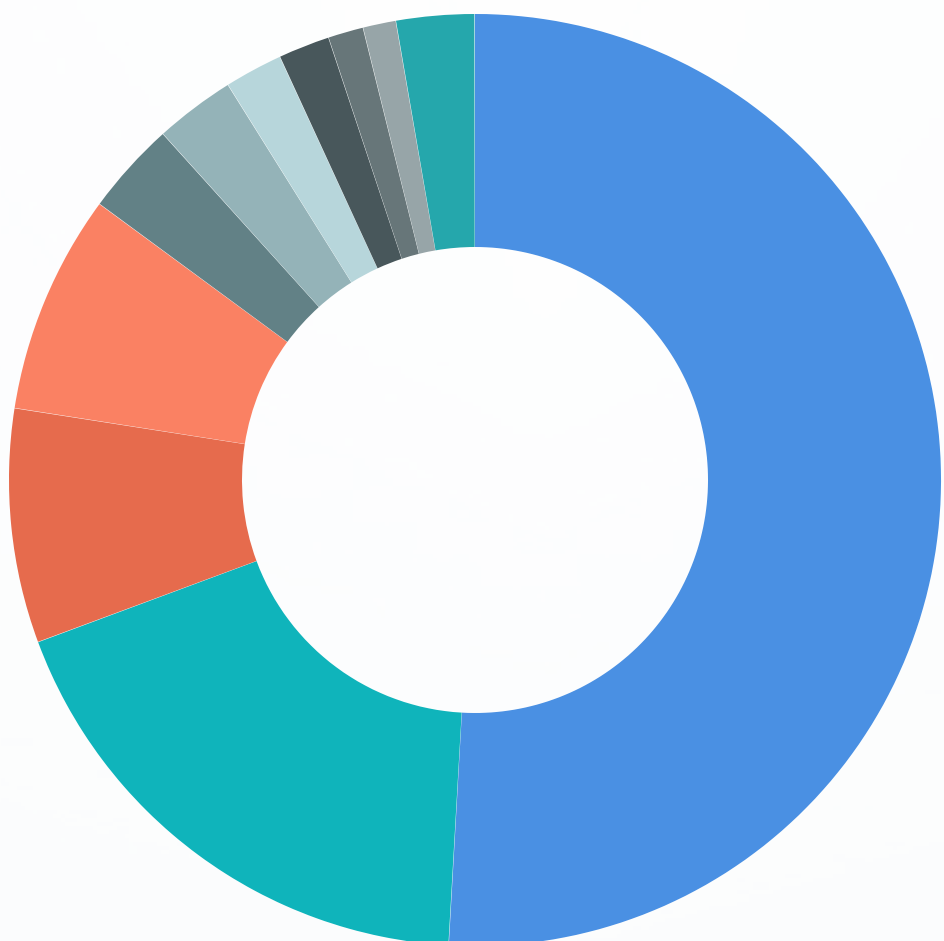
- Top 10 intra-Africa export destinations account for about 99% of Ethiopia's intra-Africa exports

- The bulk of Ethiopia's intra-Africa exports are destined to the COMESA (92%)

- South Africa, Nigeria and Togo are the only countries outside of COMESA that feature in the Top 10 export destinations

Ethiopia's intra-Africa imports by product group (2021)

- Over 50% of Ethiopia's intra-Africa imports are chemical products
- Animal or vegetable oils account for an additional 18% with the rest of the product groups having single digit shares
- 89% of Ethiopia's intra-Africa imports originate Morocco, Egypt, Djibouti and South Africa
- Intra-Africa imports are spread between COMESA and non-COMESA states, with Morocco and South Africa being key non-COMESA trading partners



- Chemical products (50.91%)
- Animal or vegetable fats & oils (18.46%)
- Mineral products (8.1%)
- Food, beverages & tobacco (7.63%)
- Transport equipment (3.24%)
- Vegetable products (2.78%)
- Machinery (2.03%)
- Plastic products (1.78%)
- Paper products (1.22%)
- Base metals (1.15%)
- Other (2.71%)

5 year growth performance (exports)

- Ethiopia's intra-Africa exports increased by 2% (CAGR) over review period 2017 - 2021
- Exports to top destination Somalia and Djibouti grew by 10% and 2% (CAGR) respectively over review period 2017 - 2021
- Non-metallic mineral, animal and vegetable oils and transport equipment recorded the highest growth rates (from a low base) of 372%; 324% & 285% (CAGR) respectively over review period 2017 - 2021

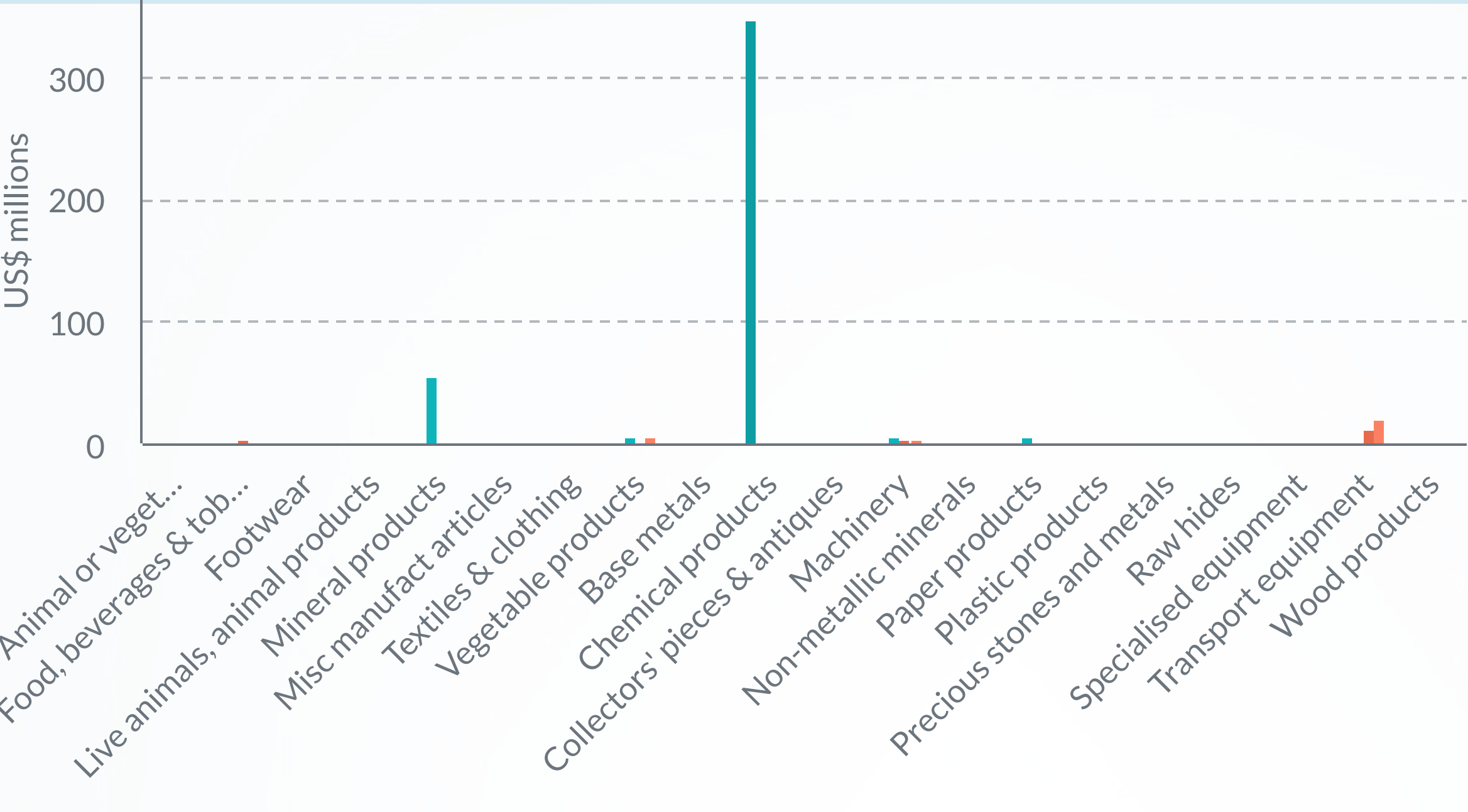
5 year growth performance (imports)

- Ethiopia's intra-Africa imports grew by declined by 7% (CAGR) over review period 2017 - 2021.
- Top import suppliers Morocco, Egypt and Djibouti's exports to Ethiopia increased by 6%; 8% and 628% (CAGR) respectively over the review period (2017-2021)
- Animal and vegetable oils, live animals and footwear recorded the highest growth rates of 98%; 63% and 35% (CAGR) respectively for period (2017-2021)

Export markets showing significant growth

- Ethiopia's intra-Africa exports to Equatorial Guinea, Guinea and Seychelles showed significant growth although from a low base over period 2017-2021, growing by 626%; 332%; & 288%, respectively
- Ethiopia's intra-Africa trade is limited to a few countries in COMESA (60%) and non-COMESA (40%) with South Africa and Morocco amongst key non-COMESA partners.
- Ethiopia should aim to expand its trading partners' base by i) according to the COMESA FTA and ii) capitalise on opportunities arising from the AfCFTA

MARKET ACCESS - Ethiopia's MFN tariff regime (intra-Africa trade)



- Although a member of COMESA, Ethiopia is not part of the COMESA FTA. However, Ethiopia accords preferential rates to COMESA member states

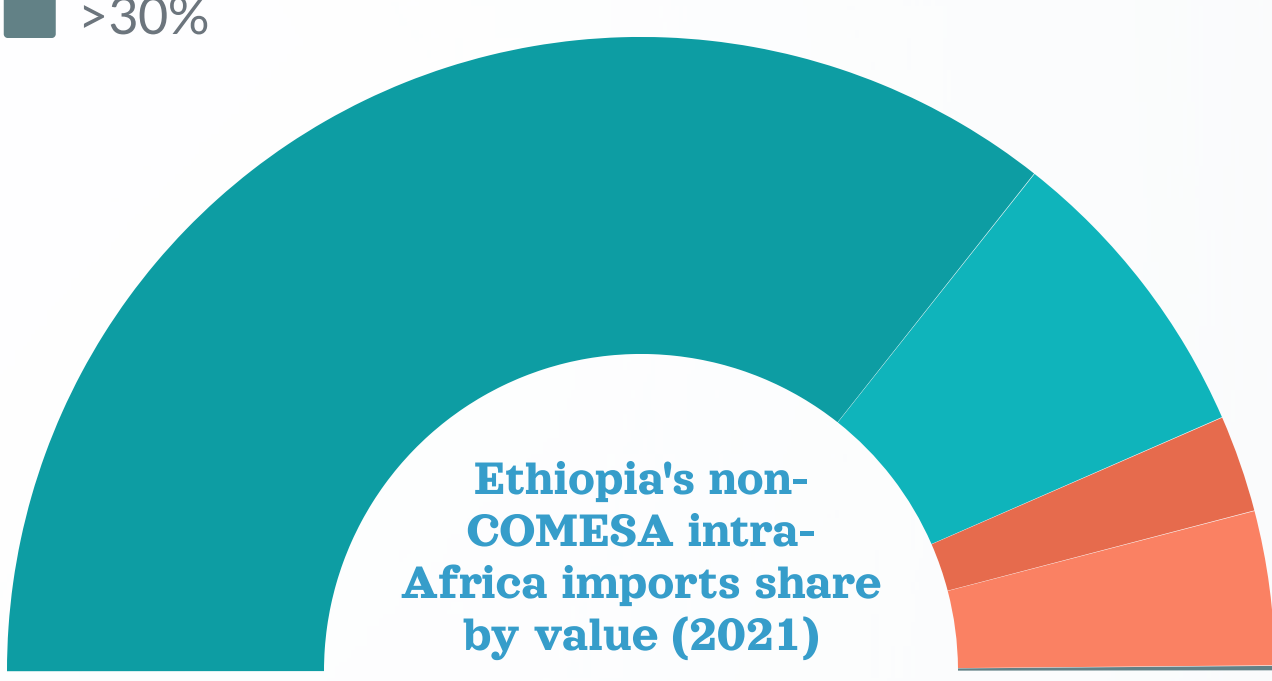
- Outside of COMESA the bulk of goods enter duty free (71%) albeit dominated by one product group

- Non-COMESA intra-Africa imports account for 47% by value of Ethiopia's intra-Africa imports.

- Chemical products which are imported the most by value attract duty free tariffs

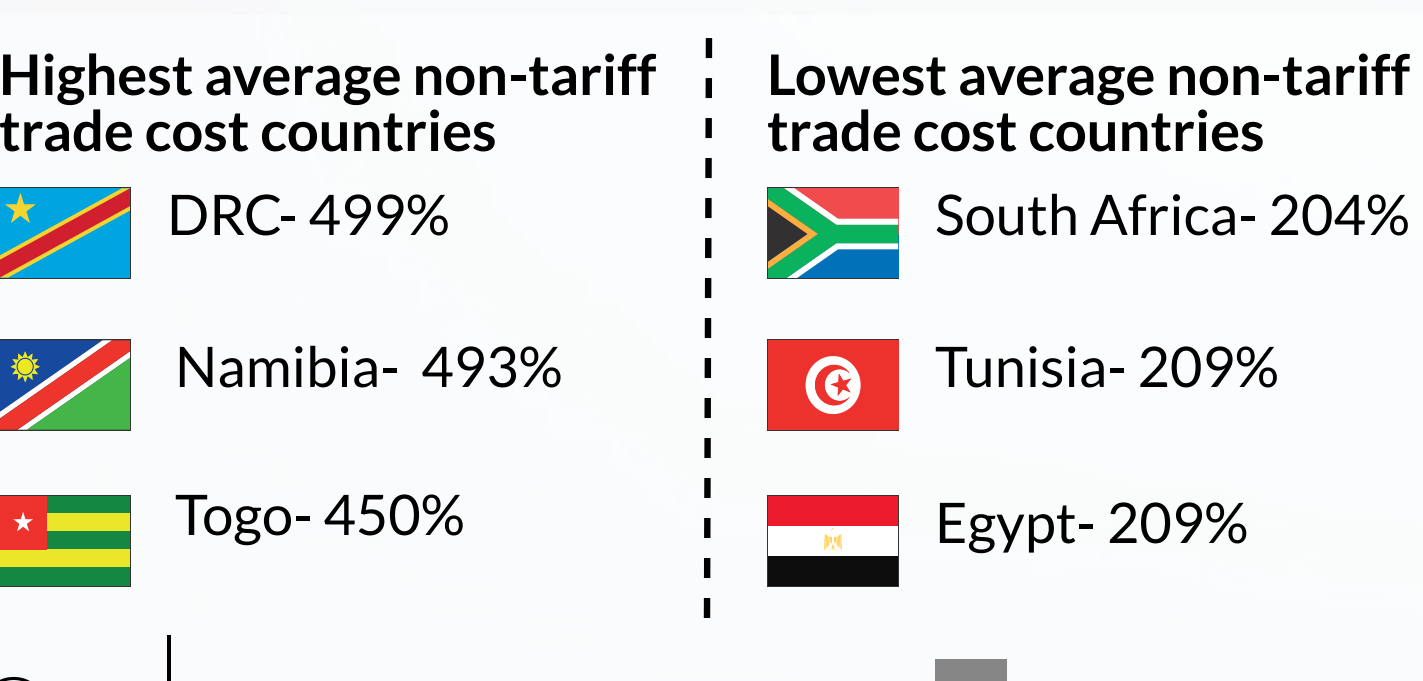
ETHIOPIA'S LATEST TRADE DEVELOPMENT PLAN (2021-2030)

- One of the reasons highlighted for Ethiopia's reluctance to accede to the COMESA FTA is its inability to compete in manufacturing due to low quality products.
- Ethiopia's trade development plan (2021 - 2030) aims to address this by among others developing institutional implementation capacity; strengthening coordination that enhance growth; modernizing trading systems; increasing the volume, variety and quality of export products; and ensuring availability of foreign exchange by expanding export market destinations.
- Thus Ethiopia has renewed its dormant WTO accession process through Working Party meetings at the WTO Secretariat in 2019 and early 2020. However the timeline for completing the process remains unclear
- The same can be said about its accession to the COMESA FTA, of which the timelines remain vague despite the country's government expressing increased interest

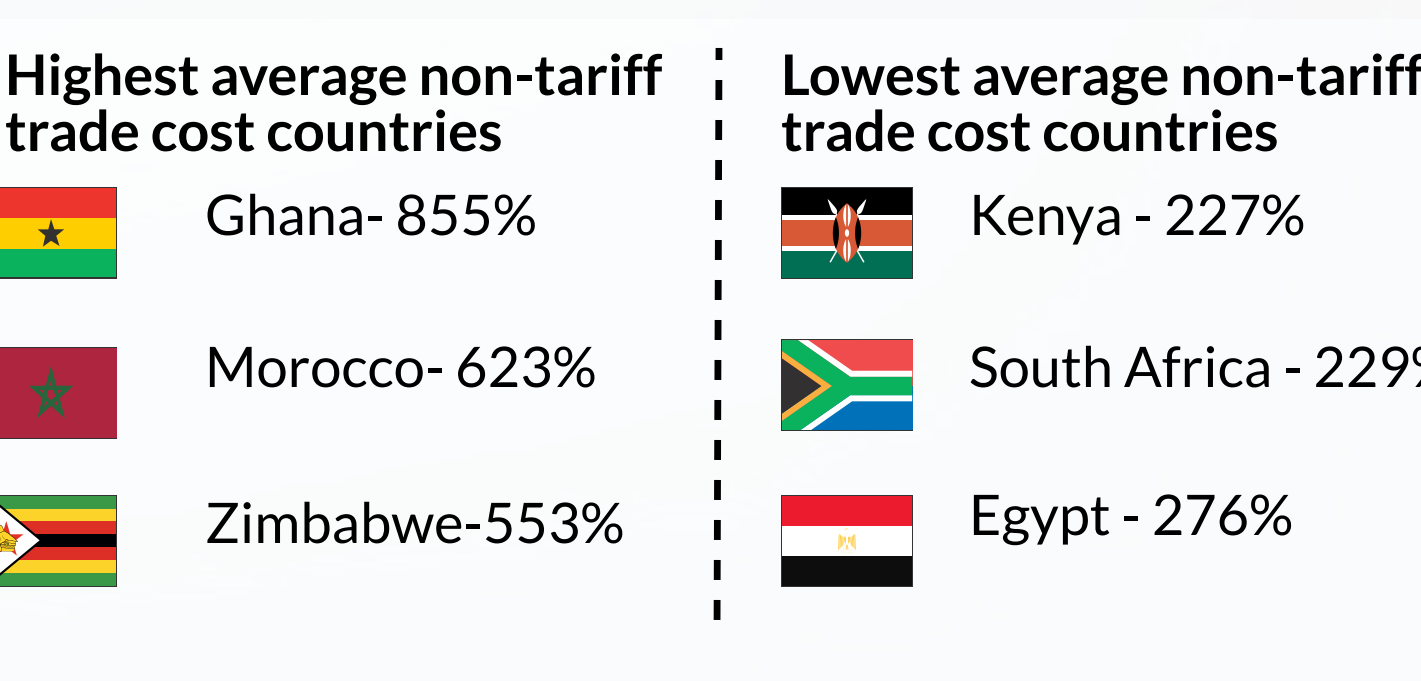


Ethiopia's average intra-Africa non-tariff trade costs for manufactured & agricultural goods (2014-2018)

ETHIOPIA'S MANUFACTURED PRODUCTS NON-TARIFF TRADE COSTS (2014-2018) AD VALOREM EQUIVALENT



ETHIOPIA'S AGRICULTURAL PRODUCTS NON-TARIFF TRADE COSTS (2014-2018) AD VALOREM EQUIVALENT



Highest average non-tariff trade cost countries

DRC- 499%

Namibia- 493%

Togo- 450%

Lowest average non-tariff trade cost countries

South Africa- 204%

Tunisia- 209%

Egypt- 209%

Highest average non-tariff trade cost countries

Ghana- 855%

Morocco- 623%

Zimbabwe-553%

Lowest average non-tariff trade cost countries

Kenya - 227%

South Africa - 229%

Egypt - 276%

Sources: ITC TradeMap; World Bank WITS (TRAINS); World Bank ESCAP Trade Cost databases; Ethiopia Planning and Development Commission

This activity was commissioned by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ)