ETHIOPIA

In 1998, the U.S. trade surplus with Ethiopia was $36 million, a decrease of $15 million in 1997. U.S. merchandise exports to Ethiopia were $ 88 million, a decrease of $32 million (26.8 percent) over 1997. Ethiopia was the United States' 116th largest export market in 1998. U.S. imports from Ethiopia were $52 million in 1998, a decrease of $17 million (25.0 percent) from the level of imports in 1997.

The stock of U.S. foreign direct investment in Ethiopia was $35 million in 1997, an increase of almost 17 percent from 1996.

IMPORT POLICIES

Ethiopia has significantly reduced customs duties on a wide range of imports in the last several years, especially for those goods that are inputs for Ethiopian exports. In December 1998, Ethiopia reduced the maximum tariff rate to 40 percent, the number of tariff bands to seven (including the zero rate), and the average tariff rate to 19.5 percent. Ethiopia has promised further reductions in import tariffs to an average of 17-18 percent by 2001. Sales tax rates are now a uniform 12 percent for all items. Excise tax rates range up to 200 percent for liquor and spirits. Other excise tax rates of 100 percent and above are applied to luxury goods, such as perfume, large cars, and tobacco. These rates are applied equally to both domestically produced and imported goods. Ethiopia imposes no quantitative restrictions on imports and import licensing requirements do not present a notable trade barrier. Customs clearance, however, remains a hindrance to importing. Not only is the clearance process slow, but imported goods are sometimes charged at attributed values instead of at invoice values, even when the invoices have been certified by trade officials of the exporting country. The government requires that all imports be channeled through Ethiopian nationals registered as official import or distribution agents. As a result of the border dispute with Eritrea, Ethiopia has redirected nearly all of its foreign trade through the port of Djibouti.

SERVICE 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 or for cargo above 2700 kilograms, forwarding and shipping agency services, rail transport services, 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, though the Ethiopian telecommunications corporation maintains a monopoly on the provision of Internet service.

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, hydroelectric power 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.

OTHER BARRIERS

Foreign firms are welcome to invest in state firms being privatized by the Ethiopian Government, although in some instances the government promotes joint ventures with Ethiopian private concerns rather than outright sales to foreigners. Foreign firms participate through consultancy services preparatory to privatization as well as through tendering on advertised privatization opportunities.

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 of 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 do not encounter difficulties in the repatriation of dividends.

There are instances in which regulatory or licensing requirements have prevented the local sale of U.S. exports, particularly personal hygiene and health care products. There are currently no means of protecting intellectual property rights, patents, and/or copyrights in Ethiopia. Firms generally place notices in local newspapers to effect registration of their trademarks with the ministry of trade and industry. On occasion, U.S. firms have been reluctant to sell products or franchise the use of technology because of the lack of intellectual property rights. Ethiopia combats corruption through a combination of social pressure, cultural norms, and legal restrictions. Corruption is not a significant barrier or hindrance to investment or trade in Ethiopia.