



COUNTRY PROFILE

Ethiopia

JANUARY 1, 2022

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY
Federation House, New Delhi



India – Ethiopia Bilateral Economic Relations

1. Executive Summary

- Real GDP growth slowed to an estimated 6.05% in 2020 from 8.3% in 2019.
- While agriculture's share in GDP has fallen, the sector still employs more than 70% of Ethiopia's workforce. Manufacturing accounts for less than 10% of GDP.
- Monetary policy was tight. But inflation remained in double digits in 2019 and above the 8% central bank target because of central bank advances to finance the fiscal deficit. Ethiopia's managed float exchange rate foresees a 5%–6% annual depreciation to adjust for inflation differentials with trading partners.
- Fiscal consolidation has ensured low and stable fiscal deficits, despite a low tax–GDP ratio, averaging 11% during 2016–19. Tax reforms are under way to boost revenue mobilization, but deficit financing through central bank advances has fueled inflation reducing monetary policy effectiveness.
- Current account deficits have stabilized because of the phased reduction of import-intensive capital projects— in line with the government's strategy of reducing external borrowing— and been partly offset by official and private transfers. Ethiopia's debt sustainability rating deteriorated to high risk in 2018 because of worsening terms of trade and the subsequent weak export performance.

2. Political set-up

Government type: Federal Parliamentary Republic

Chief of State: President SAHLE-WORK Zewde (since 25 October 2018)

Head of Government: Prime Minister ABIY Ahmed (since 2 April 2018); Deputy Prime Minister DEMEKE Mekonnen Hassen (since 29 November 2012); note - Prime Minister HAILEMARIAM Desalegn (since 21 September 2012) resigned on 15 February 2018 and continued as caretaker until the new prime minister was sworn into office on 2 April 2018.

Legislative branch: Bicameral Parliament consists of: House of Federation or Yefedereshein Mikir Bete (153 seats; members indirectly elected by state assemblies to serve 5-year terms) House of People's Representatives or Yehizb Tewokayoch Mekir Bete (547 seats; members directly elected in single-seat constituencies by simple majority vote; 22 seats reserved for minorities; all members serve 5-year terms).

3. Quick Statistics of India and Ethiopia (Year: 2020; Unit: US\$)

Indicators (FY 2020)	India	Ethiopia
GDP, PPP	8.972 trillion	\$264.1 billion
GDP (Official Rate)	2.5 trillion	95.06 billion
GDP growth (annual %)	9.5%	6.05
Consumer Price inflation (%)	6.6%	18.2
Population (Million)	1.3 billion	110.9 million
Ease of Doing Business Ranking	62	159

Source: World development Indicators (WDI), World Bank



4. Trade & Investment indicators with world (Year: 2020; Unit US\$ million)

	India	Ethiopia
Merchandise Exports	276,227	3 258
Merchandise Imports	371,920	13 115
Services Export	203,253	4 462
Services Imports	153,925	5 408
Top trading partners	US, UAE, China, Singapore	China, Sudan, Switzerland, Somalia, Netherlands
Prime Exports	Food items, Ores & metals, manufactured goods, fuels	All food items, Agricultural raw materials, Fuels, Manufactured goods
FDI outflows as % of GDP	0.4 %	-- % (no data)
Key sectors of economy	Textiles, Chemicals, Food Processing, Steel, Transportation Equipment, Software, Pharmaceuticals	Telecommunications, banking and insurance, and power distribution.

5. Multilateral engagements

Ethiopia: Ethiopia has engagement with UN, Common Market for Eastern and Southern Africa (COMESA), African Union, IGAD, EU.

India: India has engagement with UN, ADB, WTO, ASEM, BIMSTEC, BRICS, G-20, G8+5, IBSA, IOR, ACD, Dialogue partner with ASEAN, East Asia Summit etc, where it regularly presents its perspective.

6. Major Economic Agreements With world

Ethiopia originally signed a Treaty of Amity and Economic Relations with the United States 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 U.S. market under the African Growth and Opportunity Act (AGOA). In 2015, Ethiopia was approved for AGOA privilege extension for the coming 10 years until 2025.

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)
- At the continental level, Ethiopia has signed and ratified the Abuja Treaty that aims to establish an Africa Economic Community among the continents 54 countries.

Ethiopia's accession to the World Trade Organization (WTO) 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 still working on its services offer. At present, Ethiopia is preparing for the fourth working party meeting.



7. Recent Bilateral visits

Minister of Foreign Affairs Mr. Gedu Andargachew visited the newly constructed premises of the Embassy of India in Addis Ababa to plant trees on 4 December 2019.

Minister of State (MoS) for Agriculture and Farmers' Welfare Shri Gajendra Singh Shekhawat visited Addis Ababa from 4-6 September 2018.

2nd Joint Commission Meeting between Ethiopia and India was held on 9 May 2018 in New Delhi. The Ethiopian delegation was led by Foreign Minister Dr. Workneh Gebeyehu, and the Indian delegation led by the External Affairs Minister (EAM) Late. Smt Sushma Swaraj.

A-6 member high level delegation team of Ministry of Public Enterprises, led by Ms. Demitu Hambisa, Minister of public Enterprise visited India in March 2016. The delegation met Minister of Heavy Industries and Public Enterprises of India.

An 11-member delegation from the Ethiopian Chambers of Commerce & Sectorial Association participated in the CAP India 2016 in the Chemicals & Plastics Sector which was held from 20 to 22 March 2016 at Bombay Exhibition Centre, Mumbai.

8. India - Ethiopia bilateral Trade (In USD Millions)

	2017-2018	2018-2019	2019-20	2020-21	2021-22
EXPORT	683.88	766.03	798.31	684.32	472.67
%Growth		12.01	4.21	-14.28	-30.93
IMPORT	47.45	55.01	98.55	32.64	50.85
%Growth		15.93	79.16	-66.88	55.79
TOTAL TRADE	731.33	821.04	896.86	716.96	523.52
%Growth			9.24	-20.06	-26.98

Source: Department of Commerce





Top Exports items from India to Ethiopia: Iron & Steel Products, machineries, Sugar refined, Chemically pure glucose, Sugar confectionary not containing cocoa, Sunflower oil, paper products, rice, pharmaceuticals, transport equipment, plastics, rubber, tobacco, textile and clothing's, etc.

Top Import items from Ethiopia to India: Soya beans- other, Kidney beans, Chickpeas (garbanzos) dried, Turmeric (curcuma), Unworked/simplely sawn/roughly shaped precious and semi, precious stones, Sesamum seeds w/n broken, Other: poly (ethylene terephthalate), Leather further of bovine full grains- unsplit of whole hides/skins

9. Bilateral Investments

- There is no Ethiopian Investment in India. Indian companies maintained their reputation as being in the top three foreign investors in Ethiopia with newer Indian multinationals marking their presence in Ethiopia.
- There are more than 540 Indian companies in Ethiopia with licensed investment of over US\$ 4 billion of which about US\$ 2 billion is estimated to be on the ground. Indian companies have invested in various sectors like agriculture and floriculture, engineering, plastics, manufacturing, cotton and textiles, water management, consultancy and ICT, education, pharmaceuticals and healthcare.
- About 55% of Indian investment is in the manufacturing sector, followed by agriculture (18%). Some major investments by Indian companies announced in 2015 and 2016 include Asian Paints, Arvind Mills, Raymonds, Kanoria, Fontana Flower PLC, Balaji Manufacturing PLC, Samaka Stones Pvt. Ltd. Co., MSP Steel & Power Limited and Esdee Paints Limited and Velocity Apparel.
- Recent Indian investments have been in the textile and garments sector, which is a priority sector in the Growth and Transformation Plan-II. Arvind Mills set up a six-million-piece garment plant in Ethiopia.
- Raymond signed a US\$100 million investment agreement with the Ethiopian Government during the Ethio-India Investment Forum held in Mumbai in October 2015. The production inauguration of Hawassa Industrial Park was carried out by Prime Minister.
- Hailemariam Desalegn and Arvind and Raymonds have started operations in the park. An Indian company, MSP Steel & Power Limited, received license to mine or process iron ore in West Wolega Zone, Oromia. GEC Steel Manufacturing PLC started construction of a steel plant in Ethiopia with an investment of USD 300 million.

10. Potential sectors of cooperation

- Agriculture, forestry, and fishing.
- Textile industry.
- Minerals and mining.
- Energy.
- Manufacturing.
- Transport.
- Telecommunications
- Tourism.

11. Cooperation in Start-ups and Innovation

Gebeya has raised \$2 million in seed funding in a round co-led by Partech and Orange Digital Ventures. Popular startups, companies & organizations include Partech, The Baobab Network, 8 Miles, Orange Venture and Surya Capital, Norfund.



12. Trade and Investment Issues (including NTB's)

- Extremely difficult to secure long term business visit visas for visiting experts
- Transparency in Project awarding process and Tender specifications as Indian Companies are very keen for the same and this will encourage more Indian Companies to come forward for the same.
- Procedural delays from National Bank of Ethiopia in releasing payments even after fulfilling contractual obligations.
- While a large number of patients from Ethiopia come to India for their healthcare needs, some patients sponsored by the Govts of Africa (specially the Armed Forces), are being referred to Thailand for treatment. India can provide a better solution for them with best quality services and keep their costs low.
- Indian Govt and private healthcare players can develop a Medical Skill Development Centre for healthcare professional in Ethiopia and also serve the other African countries and Indian Healthcare players are willing to join hands with Ethiopian Healthcare providers in the areas of Tele Medicine.

13. FICCI Platforms

- ✓ Ethiopian Chamber of Commerce & Sectoral Associations
- ✓ Addis Ababa Chamber of Commerce and Sectoral Associations

14. Other Key Institutional Engagements

Start- ups and Venture Capitalists in Ethiopia

Gebeya has raised \$2 million in seed funding in a round co-led by Partech and Orange Digital Ventures. Popular startups, companies & organizations include Partech, The Baobab Network, 8 Miles, Orange Venture and Surya Capital, Norfund.

Think Tanks in Ethiopia

The Ethiopian Development Research Institute, the Ethiopian Economic Association, the Organization for Social Research in Eastern and Southern Africa, the Institute for Peace and Security Studies are the four ranked highest of the eight think tanks.

15. Indian Diaspora

The early settlers among the Indian community in Ethiopia came from Gujarat. They came to this country in the latter years of the 19th century. During imperial times, there were also tens of thousands of Indian teachers in schools all over Ethiopia, even in the most remote parts. The number of Indian nationals has been on the rise in Ethiopia due to increase in Indian investments in this country. There are also several Ethiopian companies who engage Indian workers. With more and more Indian businesses/investors entering Ethiopia, the number of Indian nationals is expected to increase further in the coming days.

The Indian community has a sizeable presence in the educational sector of Ethiopia. The number of Indian Lecturers/Professors is increasing every year and currently there are about 2000-2500 Indian Academics in about 30 Universities and higher educational institutions. Although exact figures of Indian community in Ethiopia is not available since many of them residing/employed in Ethiopia have not registered with the Misson, it is estimated that the size of Indian Diaspora is between 5000-600.