

ADDIS ABABA UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
SCHOOL OF INFORMATION STUDIES FOR AFRICA



INFORMATION SUPPORT SYSTEM FOR IMPORT AND EXPORT IN ETHIOPIA

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT  
FOR THE DEGREE OF MASTER OF SCIENCE IN INFORMATION SCIENCE

BY

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**ADDIS ABABA UNIVERSITY**

**School of Graduate Studies**

Information Support System for Export and Import in Ethiopia

by

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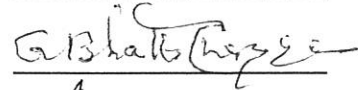
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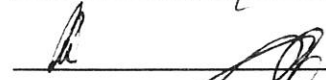
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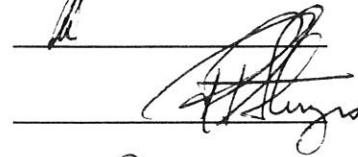
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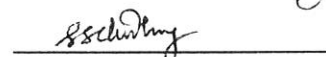
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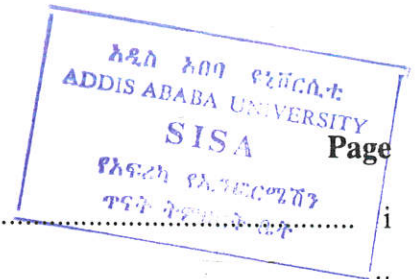
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## ABSTRACT

This study has been carried out to design and develop an information support system for export and import in Ethiopia. It is to provide different items of information needed by the different user groups as per their requirement. The design of the system has been preceded by a survey conducted to collect information about the following: (1) The prospective users of export and import Information; (2) the different types of information needed by these groups of users; (3) the purposes for which these items of information are required; (4) the different sources of export and import information; and (5) the existing available trade information service units and the types of information service rendered by these units. The provisions of the Ethiopian National Information Policy have been taken note of. The trade information infrastructure of the country has been reviewed in the light of the provisions of the national information policy to recognize its inadequacy. For the purpose of collecting information, methods, such as, questionnaire method, interview method, observation method, and literature survey, have been used. The study reveals that the existing trade information service units are neither adequately resourceful; nor are they well organized. In general, the performance of these trade information service units is not at all satisfactory according to their users. Those service units are all under-utilized because of their inadequate in all respects. Being in conformity with the expectations of the national information policy, a computer based information services system for export and import in Ethiopia has been proposed. The system is to be located in the information service unit of the Ministry of Trade, to start with. In the long run the system would function as a network. All the important trade information service units of the country would function as nodes of this network. For the proposed system to be operative, it would be necessary for certain essential development to take place mostly through the necessary initiatives of the Government of Ethiopia. The recommendation of this study cover all those essential development.

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## LIST OF ABBREVIATIONS

AACC	Addis Ababa Chamber of Commerce
AAU	Addis Ababa University
CBR	Crude Birth Rate
CISS	Computer-based Information Support System
COMESA	Common Market for East and South Africa
CSA	Central Statistical Authority
DPDD	Data Processing and Disseminating Division of MOT EAL Ethiopian Airlines
ECA	Economic Commission of Africa
EEC	European Economic Community
EIISE	Export-Import Information System for Ethiopia
ESA	Ethiopian Standardization Authority
ESL	Ethiopian Shipping Lines
ETC	Ethiopian Chamber of Commerce
ETD	Ethiopian Trade Directory
ETJ	Ethiopian Trade Journal
FAO	Food and Agriculture Organization (UN)
GDP	Gross Domestic Product
IA+C	Information Analysis and Consolidation
IDRC	Institute for Development Research
IMR	Infant Mortality Rate
IOE	Investment Office of Ethiopia
ITC	International Trade Centre
LAN	Local Area Network
LDC	Least Developed Countries
MIGA	Multilateral Investment Agency

MOI	Ministry of Industry
MOT	Ministry of Trade
MTSC	Maritime and Transit Service Cooperation
NBE	National Bank Ethiopia
NPED	National Planning and Economic Development
OAU	Organization of African Unity
OCR	Optical Character Recognition
OECD	Organization for Economic Development
PMAC	Provisional Military Administrative Council, Dergue
PSSTE	Policy and Strategy On Science and Technology in Ethiopia
SISA	School of Information Studies for Africa
STCE	Science and Technology Commission of Ethiopia
STIDC	Science and Technology Information and Documentation Centre
TFR	Total Fertility Rate
TGE	Transitional Government of Ethiopia
TINET	Trade Information Network
TIS	Trade information services
UN-ECA	United Nations Economic Commission Africa
UNIDO	United Nation Industrial Development Organization
WAN	WIDE AREA NETWORK

# CHAPTER 1

## INTRODUCTION

### 1.0 INTRODUCTION

The Ethiopian economy, like that of many other developing countries, is linked to its foreign trade activities in many respects. The foreign trade is the source of income in many developing countries including Ethiopia. It plays a major role in meeting the requirements for both government expenditures, and expenditures of private enterprises. The manufacturing industries in developing countries have to depend heavily on foreign exchange, irrespective of the fact, whether they are public or private. The outputs of the agriculture and some industrial sectors, generate foreign exchange through exports. For any import, foreign exchange is a must. The export of many items is just impossible without the import of many essentials. Exports are the major sources for earning the foreign exchange. In this sense, nearly all, the vital spheres of the national economy of a developing country is linked up with foreign trade. Some of these vital spheres are:

- (1) the national income;
- (2) the domestic trade;
- (3) the manufacturing industries; and
- (4) the employment.

The contribution of export and import to the gross domestic product in Ethiopia has been, considerably low, as compared to that of many African countries. Their contribution has been declining over the past two to three decades. The declining feature of Ethiopian foreign trade; can be seen from the fluctuation of its foreign exchange earnings, and, at the same time, in its deterioration, leading to an overall negative balance of payment.

The export and import of a country, are the means of its sustainable growth through investments. Ethiopia falls within the category of nations, where their respective foreign trade has not contributed much to the growth and development of the economy. The main reason for this is that, its export sub-sector has never been functioning satisfactorily; nor, its sub-sector of import for promoting export. This is one of the primary reasons for the decline in its standard of living. Of course, there are many reasons for the poor performance of its export and import sub-sectors. Some of the important ones are the following:

- (1) The environment in which its export sub-sector functions, is extremely competitive.
- (2) The export base of Ethiopia did not get any opportunity of becoming large and extensive for a very long time.
- (3) For the purpose of carrying out export activities, as well as import activities to promote export activities, it is essential to have a conducive and promoting environment in the country; specially, at the government level. Unfortunately, it has been absent in Ethiopia for a long time.

It is a well-acknowledged fact that, the business of export and import calls for an appropriate information support system, in any country, for its efficiency and effectiveness. Such an information system is expected to provide information services, which are characterized by their pinpointedness, exhaustiveness, and expeditiousness. This is the kind of information service that can help the exporters and importers to function efficiently and effectively. Unfortunately, such an information system has been absent in Ethiopia. It is true that, there has been some information service systems to help export and import in Ethiopia. But, it has never been one, which could inspire all who are interested in export and import, to remain alert about what all they should know; and about the sources where they could find those important pieces of information.

The situation has changed in Ethiopia, largely to the satisfaction of those interested in export and import. Ethiopia is currently undergoing through a critical period of transition. It is now under the rule of the Transitional Government of Ethiopia (TGE). It has taken all the steps necessary to establish a democratic government through a free and fair election, according to the constitution adopted by its constituent assembly. By this time, the TGE has already adopted policies conducive to the development of export, import, and investment, by realizing their immense importance in the development of the Ethiopian economy. The TGE has identified the important reasons for the poor performance of the export and import sub-sectors of the foreign trade sector of Ethiopia.

Besides, it has full realization of the importance of an appropriate information support system for export and import in Ethiopia. The authorities concerned with export and import, are fully appreciative of such an information support system, that would help in creating a conducive environment to promote export and import activities in the country; and would also meet the information needs of the exporters and importers to their satisfaction. It is this line of thinking, that has promoted me to take up this project of designing a modern technology-based information support system for the export and import in Ethiopia. This chapter is devoted to furnish the following items of information relating to the project:

- (1) The statement of the problem;
- (2) The justification of the problem;
- (3) The objectives of the study:
  - (3.1) The general objectives;
  - (3.2) The specific objectives;
- (4) The scope of the study;
- (5) The limitations of the study; and
- (6) The organization of the thesis.

## 1.1 STATEMENT OF THE PROBLEM

Ethiopia is categorized with the countries having very low per capita income. The economic growth of Ethiopia, in the past 25 years was not at all satisfactory. Nevertheless, the fact that it is a country with substantial resource potential, leaves an excellent opportunity for investment and foreign trade, leading to its subsequent development. The availability of resources is not an end by itself. There is enough to do beyond acknowledging the existence of resources. It needs an all rounded effort from the government to utilize the resources appropriately; and thereby, achieve a sustained economic growth (World Resource Institute 1994).

A new economic policy, which is geared to the creation of a free market based economic system, has been adopted since 1991. The role of the state in direct production and export of items, is now limited to selected strategic sectors, and activities of comparative advantage. So also is the case with the import of essential items.

The Ethiopian government has taken several policy measures, such as, the following:

- (1) The liberalization of investment policy;
- (2) The modification of labour laws;
- (3) The updating of banking and insurance policies;
- (4) The amendment of custom laws; and
- (5) The devaluation of the exchange rate.

As a result, a new conducive business environment for trade and investment in general, and for export and import in particular, has been created.

The new economic policy, aims at an overall economic and social development. But, it would be impossible to speak of the Ethiopian economy as a viable proposition, unless its export capacity could be made to increase progressively. The economic development is largely dependent on foreign exchange, which, in principle, should ultimately come from exports. Despite the paramount importance of exports to the development of national economy, Ethiopia's export base and structure have remained more or less unchanged for the past three decades. Besides, its export performance has been very poor (Eshetu 1992).

The cause for the poor export performance of Ethiopia, can be attributed to the following factors:

- (1) Dependency on export of a few commodity products, which are highly sensitive to fluctuation, and drop of international commodity prices.
- (2) Lack of expertise in international trade and finance.
- (3) Lack of awareness of potential export areas by entrepreneurs.
- (4) Lack of awareness of potential export areas by exporters.
- (5) Poor export infrastructure.
- (6) Unfavourable land owning rules and regulations.
- (7) Lack of awareness of transportation, and communication charges.
- (8) The sporadic, haphazard, duplicated, and unsystematic approach in building, and running of export activities.
- (9) Lack of awareness of customs rules, regulation, and tariffs on export items.
- (10) Insufficient, and unplanned government investment in rural infrastructure.
- (11) Lack of foreign investment.
- (12) Lack of awareness, and difficulty in identifying currency exchange rates, insurance, and financial aspects like : way and type of payment, type of discount, letters of credit, export credit insurance, export credit guarantee, availability of loan, and its interest rate.

- (1) Over valuation of the Ethiopian currency.
- (2) Quality of items imported.
- (3) Amount of foreign exchange available for import.
- (4) Awareness, willingness, and capacity of citizens to purchase and utilize the items.
- (5) Local market niches, and know-how in marketing.
- (6) Awareness of the potential exporters, their prices, and the different guarantees related to the purchase.

Moreover, export and import activities need to be flexible, and innovative, so as to exploit the export and import opportunities; and identify market niches and know-how to market and purchase products. In addition, export products need to be produced in line with market demands; and import items need to be imported with quality. To meet these requirements, exports and imports should be planned by creating links with the different resources and their markets. This can only be met with a well designed trade promoting system (UNIDO 1987).

Therefore, the promotion of growth oriented competitive development of export and import activities has been given more emphasis in the development strategy of Ethiopia, because of their important contribution to overall economic and social development. Some of the activities in this regard are the following:

- (1) To generate income, and thereby, contributing to poverty alleviation;
- (2) To generate foreign exchange earnings, and foreign exchange savings; and
- (3) To contribute to the development of rural infrastructure; for, very many export items in Ethiopia are agricultural products.

Efficient and effective policies, and action mechanisms for the promotion and development of export and import enterprises in Ethiopia, can not be made in the absence of reliable and accurate information. Policies and plans should be backed by appropriate information. It would be evident from the earlier presentation that export and import activities are extremely information intensive. Solutions of many problems associated with these activities, simply depends upon to-the-point, exhaustive, and in-time information services. Such efficient and effective information services can be rendered, if and only if, there is a modern computer-based information support system, entirely dedicated to meet the totality of information needs of the exporters and importers of Ethiopia. Therefore, the problem at the national level, is the absence of such an information support system for export and import related information in Ethiopia. Corresponding to it, the study-problem is to design a computer-based information support system for export and import in Ethiopia; and to recommend its adoption by the appropriate authorities.

For the purpose of designing such a system, it would be necessary to take note of several factors, such as, the following:

- (1) The number of enterprises involved in export and import activities;
- (2) The respective size of each of these enterprises;
- (3) The differences in their respective information needs for this purpose;
- (4) The adequacy or inadequacy of relevant information for this purpose;
- (5) The problems of accessibility to relevant information;
- (6) The different forms in which the users would prefer to have their information;  
and
- (7) The accuracy, reliability, and timeliness of the information and information services generated by the proposed system.

## 1.2 JUSTIFICATION OF THE PROBLEM

The problem of the study has been specified to be as follows:

" To design a computer based information support system for export and import in Ethiopia; and to recommend its adoption by appropriate authorities."

The justification of this study-problem may be furnished in terms of the benefits that can be derived from the services of this information system. But, before that, the back ground situation may be characterized.

As the situation exists today, the new economic policy of Ethiopia is a market oriented one. In line with this, the Ethiopian government is actively seeking to strengthen the Export and Import capacity of the nation. The promotion of growth oriented competitive development of export and import activities has been given more emphasis in the development strategy of Ethiopia, because of their important contribution to the overall social and economic development.

Let us now take note of the benefits that can be derived from the services of proposed information support system.

- (1) It would assist the businessmen, who would wish to consult a range of facts, and data to asses the trading prospects of a particular product, and its markets; and also to decide about the type of action needed to explore an existing trading opportunity.

- (2) It would help in Developing the awareness of private and public enterprises, regarding the different banking, insurance, and financial policies in relation to the items the entrepreneurs would like to export or import.
- (3) It would help the politicians, and policy makers in recognizing the merits and demerits of the policy framework regarding export and import in Ethiopia.
- (4) It would help export and import activities to be flexible and innovative in exploiting business opportunities.
- (5) It would help in identifying market niches, and know-how to market and purchase products, and in importing quality products in line with market demands.
- (6) It would help in developing efficient management system for export and import; and in developing linkages, and business relationships with other enterprises, such as, suppliers, and buyers; and this would ensure collective efforts in achieving goals that are difficult to achieve individually, such as, carrying out market researches.
- (7) It would help in appropriate selection, processing, and analysis of export and import mechanisms and opportunities.
- (8) It would help to set priorities, and monitor progresses or deficiencies in the area of export and import.
- (9) It would help to take the advantage of regional, and international trade information networks.

## **1.3 OBJECTIVES OF THE STUDY**

### **1.3.1 General Objective**

The general objective of the study is the following:

To design a computer-based information support system for Export and Import in Ethiopia; and to recommend its adoption by appropriate authorities by demonstrating its usefulness.

### **1.3.2 Specific Objectives**

The specific objectives of this study can be derived from its general objective. Those are as follows:

- (1) To identify the business enterprises, and other organizations and institutions, which are in any way concerned with export and import in Ethiopia, as they will be the prospective potential users of the proposed information support system.
- (2) To identify persons, who can serve as, consultants, because of their expertise and experience in export and import.
- (3) To ascertain the information needs of each category of identified potential users.
- (4) To identify documentary sources of information on export and import in general, and that in Ethiopia in particular.

- (5) To identify the existing information service centres/systems primarily concerned with information on export and import.
- (6) To identify the projects in Ethiopia which are primarily concerned with the promotion of export and import in Ethiopia.
- (7) To identify the major items of export and import in Ethiopia.
- (8) To design prototype databases corresponding to each of the items identified, and enumerated above, such as,
  - (8.1) Database of business enterprises, organizations and institutions;
  - (8.2) Database of experts/ consultants;
  - (8.3) Bibliographic Database ;
  - (8.4) Database of information systems/centres;
  - (8.5) Database of projects; and
  - (8.6) Specialised Database relating to major items of export and import in Ethiopia.
- (9) To design an interface appropriate for the need of prospective users.

## **1.4 SCOPE AND LIMITATIONS OF THE STUDY**

### **1.4.1 Scope of the Study**

The term "Foreign trade" is used technically as a generic term comprehending 'Export Trade' and 'Import Trade', in relation to a country or a nation. The terms "International Commerce" and "International Trade" are synonyms for "Foreign Trade". Essentially, Foreign Trade refers to the exchange of goods, and services of all types between different countries. It may take different forms, such as, the following:

- (1) **Bilateral Foreign Trade:** When one country agrees to exchange a stated quantity of one commodity in exchange of a certain amount of another (a barter transaction), or where two countries, in a trade relationship, attempt to keep balance of their trade between them; the trade is referred as a bilateral trade.
  
- (2) **Multilateral Foreign Trade:** when a country or a nation carries out its buying and selling activities with two or more countries, the trade is referred to as a multilateral trade.

In comparison, multilateral foreign trade ensures a greater trade, than that ensured by a series of bilateral agreements.

The import trade of any country or nation refers to the process of bringing into the country the goods or commodities that it needs, from another country, by paying the price that has been agreed to between the two parties- that is, the importer and exporter. The exporter himself may supply the goods or commodities asked for directly to the importer, in response to his formal order. Or the exporter may arrange for their supply through consignment. In the case of a consignment, the exporter arranges for the supply of goods and commodities, which he has consigned to an agent. Here, of course, the agent enjoys the right of bargaining with the importer for setting the price.

The export trade of any country or nation, refers to the process of supplying goods or commodities, produced in the country, in response to the latter formal order. The exporter may supply the goods or commodities, either directly, or through consignment, as explained earlier.

In the business of import and export, there are always two distinct parties: (1) the importer; and (2) the exporter. The official status of each of these two parties varies. The import trade, or the export trade, may be two governments, or two public sector enterprises; or both parties may be two private sector enterprises. In addition, it is also not rare that one party is a government or a public sector enterprise, and the other party, is a private sector enterprise.

The import trade, and the export trade may pertain to goods or commodities, on the one hand; and services on the other. While the former group is referred to as visible items; the latter group is referred to as invisible items.

" Foreign Trade", which comprehends import trade and export trade of a country or nation, as a subject, forms an integral part of the broader subject, designated as "Commerce and Trade". From the point of view of the scope of this study, it has been kept confined to the import trade, and export trade of Ethiopia. Within this scope, it has been kept further confined to the import and export trade of visible items only.

#### **1.4.2 LIMITATIONS OF THE STUDY**

Reference is made to the specific objectives of the study, as enumerated in section 1.3.2. It be evident that, for the purpose of this study, I had to collect a lot of data corresponding to each of these specific objectives. Most of the data that I needed for my study were available with government agencies. It is a common experience that the collection of research data from government agencies becomes quite difficult on many occasions. The person, who can supply the requisite data, will not part with it, unless a formal permission is secured from the appropriate authority. For the purpose of approaching such an authority, for a formal permission, one has to bring a formal application from the head of an

institution. To go through, all these processes took a lot of time. As a result, it became very difficult to collect all data comprehensively. However, the amount of data that I have succeeded to collect ultimately, corresponding to each of my specific objectives of the study, may be regarded as adequate, as far as, this study is concerned.

The other sources of data for this study have been the business enterprises. It is a well known fact that, the private entrepreneurs involved in import and export trades, function within a very competitive environment; for, this reason, many of them consider the information available with them as confidential. For this reason also, difficulty arose in collecting data from these sources. However, there were quite a few others, who did not hesitate to cooperate. So in this case also, the collected data cannot be claimed to be comprehensive. But, they are also quite adequate for this study.

It is true that many items of information relating to a private enterprise involved in foreign trade may be regarded by it as confidential. For the purpose of designing the prototype database for my study, no attempt has been made to incorporate any confidential information of any enterprise. The data furnished in a profile of any database, are all that has been made public. For the purpose of this study all items that are designated as re-export items have been treated as export items.

The chapter on the proposed information support system, has a section designated as "Implementation". It is meant to specify all that is required to implement the system. But, in fact, this section has been devoted only to provide a set of general guidelines. In other words, the detailed implementation strategy has not been incorporated in this study.

## 1.5 ORGANIZATION OF THE THESIS

The thesis is organized as follows:

The first chapter is designated as "Introduction". This is, indeed, an introduction to the whole study. It deals with the statement of the study problem; and its justification. It is followed by the objectives of the study, which include, both the general objective and specific objectives. Besides, it specifies the scope and the limitation of the study.

The second chapter is designated as "Methodology". It is devoted to the specification of the different data collection methods employed for this study. The different methods used for the purpose are as follows:

- (1) The questionnaire method;
- (2) The interview method;
- (3) The observation method; and
- (4) The method of literature survey.

The purpose for which these different methods have been used, and the means adopted for using those methods are specified.

The third chapter is designated as "Export and import situation in Ethiopia". It reviews:

- (1) Ethiopian economy
- (2) Trade situations in Ethiopia
  - (2.1) Past export and import performances of Ethiopia
  - (2.2) Current export and import performances of Ethiopia
- (3) Factors that hinder the development of export and import in Ethiopia
- (4) Policy measures taken to promote export and import in Ethiopia
- (5) Action mechanisms adopted to promote export and import in Ethiopia

The fourth chapter is designated as " Organizations and institutions engaged in promoting the development of export and import in Ethiopia." It discusses, the export and import oriented activities, duties and responsibilities, market oriented activities; and information products, and services of the organizations and institutions which are directly or indirectly engaged in promoting the development of export and import in Ethiopia. A comprehensive list of these organization is given in Appendix 4.

The fifth Chapter is designated as " User study and the need for information in export and import". It discusses:

- (1) Basic features of export and import enterprises;
- (2) Role of information in export and import;
- (3) Value of information in export and import;
- (4) Sources of trade information; and
- (5) Basic functions of trade information systems;

The sixth chapter is designated as " System Structure and General System Specification for an Information Support System for Export and Import in Ethiopia". The item of information furnished in this chapter are as follows:

- (1) Problems of existing trade information services in Ethiopia;
- (2) Requirements for an export import information systems in Ethiopia;
- (3) General System Specifications and systtum structure for an information support system for export and import in Ethiopia:
  - (3.1) Hardware Specifications
  - (3.2) Software Specification
  - (3.3) Network

(3.4) Databases

(3.5) Interface

(3.6) Implementation

The seventh chapter is designated as " Conclusion and Recommendations". It is devoted to furnish relevant conclusions, and recommendations.

## **CHAPTER 2**

### **METHODOLOGY**

#### **2.0 INTRODUCTION**

The conclusion of any study depends on its premises. Even if the premises are appropriate it should be backed by reliable and valid facts. To achieve this, one has to look at the proper places, in order to get these facts. The identification of sources of relevant facts in carrying out a study is not an end on itself. The reliable facts could be obtained, only if one uses appropriate data collection methods.

To attain the specific objectives of the study, and for the purpose of developing a framework for an information support system for export trade and import trade in Ethiopia different data collection methods were adopted, for the different items of relevant information.

#### **2.1 DATA COLLECTION METHODS**

The methods that have been used are enumerated below:

- (1) The questionnaire method;
- (2) The interview method;
- (3) The observation method; and
- (4) The method of literature survey.

The following sections are devoted to explain how each of these methods was used.

### 2.1.1 Questionnaire Method

The questionnaire method was used for the following purposes:

- (1) To ascertain the information need of each category of identified potential users.
- (2) To ascertain pertinent facts about experts, organizations and institutions, information centres, and projects relating to export trade and import trade in Ethiopia; for the purpose of preparing profiles for each of these entities in each category to design the prototype databases.

It may be noted here that for the same purposes one or more appropriate other methods were used, to the extent necessary, for getting the collected facts confirmed, and supplement the already collected information.

Four different sets of questionnaires were designed for four different categories of entities. The questionnaires were distributed among the appropriate respondents, giving them sufficient time to fill them in. For the purpose of collecting the filled in questionnaires appointments were fixed according to their respective convenience. Wherever necessary, the respondent was informed that the researcher would like to utilize the opportunity to have a personal meeting with the respondent. The purpose was mentioned to be a short interview with him. In the case of an information centre, this opportunity was mentioned to be used for observational study. It may be mentioned here that in most of the cases the researcher succeeded to utilize this opportunity. For the purpose of collecting information by using questionnaire method, the researcher contacted:

- (1) Ten organizations and institutions;
- (2) Sixty Business enterprises;
- (3) Fifteen experts; and
- (4) Two information centres.

Data relating to the projects (Exhibitions and Trade fairs were collected mostly from the announcement literatures ( pamphlets, brochures,etc) issued during the time they were held.

### **2.1.2 Interview Method**

To ensure the reliability and validity of collected data, the interview method was used in most of the cases. It provided an opportunity for cross checking the data furnished by the respondents in the filled in questionnaire. In addition, it was used for seeking further clarification on many of the items of information furnished by the interviewees. It was of great help especially in ascertaining the information need of the user.

In ascertaining the validity of the facts about the information centres, the interview method helped a lot. Besides the items of information, which were collected by using the questionnaire method, there was a need for an important item of additional information. It was to ascertain the reaction of the prospective users of the proposed information support system. For all reasons, the research design included the use of the interview method for data collecting in addition to the questionnaire method. In fact, the interview method helped a lot. Even in identifying many of the organizations and institutions dealing with export and import in Ethiopia; as well as, those dealing with information on foreign trade. The information about the projects of export-import promotion was partially collected through interview method.

For conducting the interviews an appropriate interview schedule was designed and used. Interviews were conducted among the identified persons, business enterprises, organizations, and institutions. A list of those who were interviewed is given on Appendix 3.

### **2.1.3 Observation Method**

It was possible to identify two centres, which satisfy the condition of being designated as information service centres, so far as export-import information is concerned. In addition, there are several other organizations, and institutions, which provide information on export and import in Ethiopia. But, they are not actually information service centres. For the purpose of getting familiarity with the functioning of these establishments, the observational method was used. For this purpose prior appointments were fixed. It may be mentioned here that, the establishments visited for this purpose were fully cooperative in extending the necessary help to the researcher.

The establishments visited for this purpose are listed below:

1. Ministry of trade;
2. Addis Ababa chamber of commerce;
3. Ethiopian chamber of commerce;
4. Investment office of Ethiopia;
5. Ethiopian customs authority;
6. Ethiopian Standardization Authority; and
7. Ministry of industry.

#### 2.1.4 Literature Survey

The subject-scope of this study is complex and multifaceted. On the one side, it is the subject "Foreign Trade" comprehending "Import Trade" and "Export Trade" falls within the purview of this study. There again, the need arose to acquire the knowledge about "Foreign Trade" in general; and, with that background, to acquire the knowledge about "Foreign Trade in Ethiopia".

On the other side, the concern of this study is a "Computer-based Information Support System (CISS)". This is a very specific area within the discipline "Information Science". Designing a CISS calls for thorough knowledge about "Applied Computer Science". Besides, a CISS, as an information service production system, has to be thought of from the points-of-view of its (1) environment, (2) infrastructure, (3) input, (4) throughout (process), (5) output, and (6) feed-back mechanism. For designing the proposed CISS, it was essential to acquire update knowledge of all these facets of the complex subject of this study. The method of literature survey was the only effective means to perform this task. In addition, in many cases, literature survey has been used to supplement the information collected by using other methods. The documentary sources of information consulted and used for this purpose are listed in the bibliography, linking the sources to their respective references in the text.

The method of literature survey was used to collect relevant pieces of information from different documentary sources. But, for the purpose using those pieces of information in relevant chapters, the technique of "Information Analysis and Consolidation" (IA+C) was used.

## 2.2 FACILITIES AND TOOLS USED FOR SYSTEM DEVELOPMENT

It may be noted here that, for the purpose of developing the prototype information support system the following facilities and tools have been used:

- (1) The network facility available at the School of Information Studies for Africa (SISA);
- (2) The Micro CDS/ISIS software for the creation of the databases;
- (3) The ABNCD (Abebe et al 1992) integrated database approach; and
- (4) CDS/ISIS Pascal for developing the interface.

## CHAPTER 3

### EXPORT AND IMPORT SITUATION IN ETHIOPIA

#### 3.0 INTRODUCTION

The economy of a country always changes. The factors that cause the changes in the economy vary in time, space, and magnitude; and those are too many. So many tags are allotted to countries with different economic sizes, and distribution. These include economic groupings, such as, developed or underdeveloped; developed or developing; 1st, 2nd, or 3rd world countries; and low income, middle income, or developed. Such designations have their root to the performance, standard, and diversity of a country's economy. And, recently a new designation has come to existence, and that is, developed or less developed countries. These terms have been coined by the United Nations General Assembly, as well as, other regional institutions or individuals (ECA 1992; Todaro 19897)

The above mentioned designations are assigned based on the basis of a number of economic indicators that show the absolute social, and economic standing of a country; or the relative social, and economic standing of a country in comparison to other countries. These economic indicators mainly show or reveal the macro economic performance of a country. Some of the economic, and social indicators that are used to measure or indicate the extent of economic development of a country include: Gross Domestic Product, Annual Growth Rate of Population, Per Capita GDP, Average Annual Growth Rate of Real Per Capita GDP, Life Expectancy at Birth, Infant Mortality, Literacy, Per Capita Public Education Spending, Exports, Imports, and Balance of Payments (Roy and Paul 1983).

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But, it is a well established fact that, nations always strive to change and improve their economy. They need their economy to grow in a sustained manner. A sustained economic growth leads to economic development. The obstacles that countries encounter in their effort of accelerating their economic growth and development vary in degree and kind. The tools in their command also vary. The differences in the growth rate of countries reflect the enormous diversity in their command. The tools in their command could be availability of resources, economic structure, social and political traditions, management skills, and the last but not the least is their relationships to the international economy (The world bank 1994).

The relationship that countries have with the international economy takes the form of international trade. Trade between countries has been important due to the following conditions among others (CSA 1993):

- (1) Each country lacks some vital resources, either completely; or those are not sufficient enough; thus, it can only get it by trading with others.
- (2) Differences in each country's climate, labour force, and other endowments make it a relatively efficient producer of some goods within its territory.
- (3) Specialization permits larger outputs. Therefore, it offers economies of large scale production.

International trade is not simply the inter country flow of commodities, and financial resources. That is, international trade is not merely a transfer of goods and services of one nation to another. In the act of international trade and commerce apart from the transfer of goods, there is also a transfer of technology, consumption patterns, educational systems, health, and social systems, and institutional and organizational arrangements. In addition, ideas, life styles, and developmental and anti-developmental influences of other nations in the world will also be transferred.

The impact of such technological, economic, social, and cultural transfer on the character of development process can be either beneficial or malevolent. Much will depend on the nature of political, social, and institutional structure of the recipient country and its development priorities (Todaro 1989).

There is a persistent low levels of living, rising unemployment, and growing income inequality in the less developed countries. Ethiopia is not an exception to that rule. In addition, there is highly unequal distribution of economic, and political power between poor, and rich nations. It is manifested in the dominant power of rich nations, control of international trade. The root cause for such a division can be traced back to the revenue obtained from foreign trade.

Foreign trade is linked to all sectors of the Ethiopian economy: manufacturing, service, defence, etc. It is also linked to all aspects of economics, such as, income, employment, and living standard. Therefore, Ethiopia has to feet into the international trading environment in order to meet some of the requirements of its citizens. International trade has often played a very important role; though not necessarily a benign one, in the development of Ethiopia.

The benefit Ethiopia will obtain from foreign trade in its economic development can easily be justified, by looking more closely to the benefits and the rate of sustained economic growth achieved by the newly industrialized economies through their intensive effort for export (ECA 1992).

A considerable share of the monetary GDP of Ethiopia is derived from the overseas sale of agricultural primary commodities, such as, coffee, cotton, sugar, pulses, hides and skins etc (Ayalew 1992).

Ethiopia's foreign trade activity has influenced the rate of economic growth of the country. It also affects the further decline in the standard of living, poverty, unemployment, and raise in domestic prices. Ethiopian economy is highly dependent on, and is influenced by foreign trade conditions (Ghiorgis 1992).

This chapter is devoted to furnish, and examine the Ethiopian economy, and its foreign trade. It evaluates the past and current performance of export and import in Ethiopia. Then it enumerates factors that hinder the development of export and import in Ethiopia. Following that, it describes the trade and investment potential of Ethiopia. Lastly, it discusses the policy and action mechanisms adopted to promote export and import in Ethiopia.

### **3.1 ETHIOPIAN ECONOMY**

#### **3.1.1 General Information**

Ethiopia is located in the North-Eastern corner of Africa, popularly known as the Horn of Africa. It has a total land area of 1.2 million square kilometres (World Resource Institute 1994). It comprises a central highland mass, and lowlands surrounding it. With a population of 55.5 million, Ethiopia provides one of the largest potential markets in Africa. The Capital city, Addis Ababa, with a population of over 3 million, is the centre of business and industry in the country (CSA 1992). The organization of African Unity (OAU); the United Nations Economic Commission for Africa (UNECA); and several other international organizations have their headquarters in Addis Ababa.

The climate of Ethiopia is one of the nations great assets. It has a topography with an altitude ranging from -100 meters to 4620 meters above the sea level. Ethiopia lies within the tropical regions, and is endowed with "Thirteen months of Sun Shine."

The unit of currency in Ethiopia is Birr. The current official exchange rate with 1 U.S dollar is equal to 5.13 Birr (NBE 1995).

### **3.1.2 Economic Features**

#### **3.1.2.1 Agriculture and Livestock**

Ethiopia is predominately an agricultural country with 80 percent of the population living in rural areas. During the past twenty five years, agriculture contributed almost more than half of the country's GDP (Alemayehu 1992).

Ethiopia possesses the largest livestock population in Africa amounting to some thing over 130 million. The sub sector as a whole contributes approximately 40 percent of the total output of the sector. Of course, this is quite inadequate compared to its potential (The world bank 1994).

Ethiopia has big and medium sized river basins. The total annual run off through these river basins is about 105 cubic meters, out of which 96 percent flows to neighbouring countries. The country has potentially irrigable land, which is estimated to be 3.5 million hectares, however, only about 3 percent of this area is cultivated through irrigation (EAL 1994).

#### **3.1.2.2 Industry and manufacturing**

The industrial sector plays an important role in the national economy, by supplying consumer goods, generating employment opportunities, absorbing agricultural raw materials, and earning foreign exchange through exports.

### 3.1.2.3 Mining

It is believed that Ethiopia has a similar geological formation as in other Middle Eastern countries. Hence, possibilities exist for oil and gas deposits. Traces of several minerals have been found in many parts of the country. The potential has not been harnessed and the sector contributes only 0.47 percent of the total Gross output (EAL 1994).

### 3.1.2.4 Trade

The major export item of Ethiopia is Coffee, followed by hides and skins, pulses, gold, and fruits and vegetables. The major imports are machinery, transport equipment, chemicals, spare parts, and other raw materials. The country's major foreign trade link is well-established with the countries of the European Economic Community. It accounts for 50% of exports and 38% of Ethiopian imports. Japan, former USSR, the Middle east and East Africa are also major trade links or foreign trade partners of Ethiopia in their order of partnership (CSA 1993).

### 3.1.2.5 Tourism

Ethiopia, a home of striking contrasts, has constantly fascinated travellers, explorers, adventurers, and scholars. Historical places, monasteries, ancient castles, and palaces, age-old monuments, endemic wildlife and birds add to the attraction of the physical features of the country, and all those are invaluable tourist attractions (ECA 1990).

### 3.1.3 Economic Structure

#### 3.1.3.1 Gross Domestic Output and its Structure

The Gross Domestic Product (GDP), as the sum total of goods, and services produced in Ethiopia (see Tables 1 and 2) has shown some increment in nominal values in the past 25 years. It should be noted that, the growth in GDP of a country, in monetary terms, does not necessarily indicate the economic growth of a country, because the growth can not be in real Gross Domestic Product (GDP).

TABLE 1

GROSS DOMESTIC PRODUCT OF ETHIOPIA FROM 1967/68  
TO 1979/80 AT 1960/61 PRICES (in million birr)

YEAR	GDP	YEAR	GDP
1967/68	3199.4	1974/75	3939.5
1968/69	3327.1	1975/76	4031.4
1969/70	3443.2	1976/77	4055.3
1970/71	3598.8	1977/78	4009.3
1971/72	3771	1978/79	4221.7
1972/73	3878.4	1979/80	4456.2
1973/74	3976.8		

SOURCE: 1. NBE. 1975. National Bank of Ethiopia Annual Report.

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The real GDP measures the volume of real goods and services, by removing the effects of rising prices in nominal GDP. When GDP rises, it is not immediately apparent, whether the increase is due to rising prices or due to increasing outputs of real goods and services. Presumably, the material well being of a society is improved only by increasing output of goods and services. It should be noted that , it is not possible to compare the economies of countries using the magnitude of GDP. A country's gross output depends on, and is affected

by the area, resource availability, size of the population, and some other factors. However, the growth in the economy of a country can be revealed by computing the growth rate of real GDP of a country.

TABLE 2

GROSS DOMESTIC PRODUCT OF ETHIOPIA FROM 1980/81- 1993/94 AT  
1960/61 FACTOR COST( IN MILLION BIRR), AND GDP GROWTH RATES  
AT 1980 AND 1990 PRICES

YEAR	GDP GROWTH RATE AT 1980 PRICES	GDP GROWTH RATE AT 1990 PRICES	YEAR	GDP GROWTH RATE AT 1980 PRICES	GDP GROWTH RATE AT 1990 PRICES
1980/81	-	3.6	1987/88	6.50	2
1981/82	1.04	1.3	1988/89	-0.43	1.6
1982/83	5.33	5.4	1989/90	-4.10	-1.5
1983/84	-4.03	-3.4	1990/91	-	-0.5
1984/85	-6.50	-6.8	1991/92	-	-10.2
1985/86	2.03	6.6	1992/93	-	2.8
1986/87	2.20	9.4	1993/94	-	2.2

- SOURCES: 1. ECA. 1995. UN Economic survey of Africa 1993. Addis Ababa: ECA.  
 2. ECA. 1994. Survey of economic and social conditions in Africa 1991-1992. Addis Ababa: ECA.  
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 4. ECA. 1990. Survey of economic and social conditions in Africa 1987-1988. Addis Ababa: ECA.  
 5. ECA. 1988. Survey of economic and social conditions in Africa 1985-1986. Addis Ababa: ECA.

Although, the GDP of Ethiopia has shown some increment in nominal terms, the GDP has been declining in real terms. The decline was not in a very serious condition in 1970s. During these periods, though the GDP did decelerate, the total state of the economy had shown a moderate growth. It has shown an average growth rate of 4.4 percent before 1970, and 2.5 percent in 1970-76. But, in the latter years, its growth deteriorated to -10.2 percent in 1992; and then it had shown a growth rate of meagre 2.2 percent in 1994 (see Table 2) (ECA 1993; Eshetu and Manyazewal 1992).

It is also true that, as the gross output (and income) of a country grows, there are generally substantive changes in its economic structure. In Ethiopia, the percentage decomposition of the GDP into different economic sectors reveals (see Table 3) that, the lion share of the GDP comes from the agricultural sector. It indicates that, Ethiopia is agrarian in its economic, and social outlook.

Agriculture, both subsistent and commercial, is the principal economic activity in terms of the occupational distribution of the labour force, and the GDP. The sector has been contributing from 40-55 percent of the GDP in the past one and half decades. It is worth mentioning it that the sector has been contributing more than 50 percent of the GDP before fifteen years. The sectoral contribution to the Gross Domestic Output of the country has shown a decline for years( see table 3). It has shown a fluctuation and some times a significant deterioration in real terms (see Table 4) (Alemayehu 1993).

The decline in the percentage share, and contribution of the agricultural sector to the GDP was not caused by the improvements in the other sectors of the economy. It was rather, due to the decline in the output of the sector itself. Despite the fact that its contribution is declining, the share of the agricultural sector to GDP is still large.

TABLE 3  
SHARE OF THE MAIN ECONOMIC SECTORS IN TOTAL GDP  
FORMATION (PERCENT) IN 1980 PRICES

Year	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
AGR.	45.9	45.8	48.8	45	40.5	42.4	44.4	42.6	42.9	43.4	43.6	48.6
MAN.	16.2	16	15.9	17.8	19.1	18.5	17.6	17.4	17.2	16.2	15.8	14.1
SER.	15.4	15.6	15.6	16.7	17.6	17.3	17	17.3	17	17.2	17.3	20.

Source: 1. ECA. 1994. Survey of economic and social conditions in Africa 1991-1992. Addis Ababa: ECA.

TABLE 4  
AVERAGE GROWTH RATES IN REAL AGRICULTURE, AND  
MANUFACTURING OUTPUTS GROWTH IN THE 1990 PRICES, AND SERVICES IN  
1980 PRICES

Year	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
AGR.	3.7	-1.3	4.7	-9.9	-16.3	9.2	15.2	-2.1	2.2	0.2	8	-7.5
MAN	4.5	3.9	5.69	3.3	1	4.4	5.2	1.7	1.9	-3.8	-18.7	-2.8
SER.	5.40	4.62	0.07	2.22	5.49	6.19	4.95	6.93	1.5	0.62	-9.03	0.9

- SOURCES: 1. ECA. 1995. UN Economic survey of Africa 1993. Addis Ababa: ECA.  
2. ECA. 1994. Survey of economic and social conditions in Africa 1991-1992. Addis Ababa: ECA.  
3. ECA. 1992. Survey of economic and social conditions in Africa 1989-1990. Addis Ababa: ECA.  
4. ECA. 1990. Survey of economic and social conditions in Africa 1987-1988. Addis Ababa: ECA.  
5. ECA. 1988. Survey of economic and social conditions in Africa 1985-1986. Addis Ababa: ECA.

Moreover, the decline in the contribution of the agricultural sector to the GDP, was not compensated by a growing share of industry and manufacturing or the service sectors. The industry retains its share in the total output, at the expense of the agricultural sector (Alemu 1992). The former did not grow at all in the last decade or two. It has shown only some improvement in the last couple of years.

It is the service sector which has shown some improvement. Although, the service sector has shown some growth, the growth is ambiguous. Because, in developed economies, the contribution of the service sector is high, and rising in response to changes in the pattern of demand.

In Ethiopia, the growth in services is only partly based on changes in the pattern of demand. Nor, is its contribution significant. It also reflects its inability, rather than the absence of the industrial sector, to absorb fully the urban labour force (Roy and Paul 1978).

It should also be noted that, these broad changes in the GDP sectoral composition of production, do not convey the full character of changes in the economy. For instance, they do not depict the improvements in the availability of transportation, communication, etc. They do not depict the expansion in the capacity to borrow, and adopt technology that is vital to the expansion and diversification of the economy's productive capacity. Nor, do they suggest the gains in the human skills, both in industrial labour and management, that play significant role in modern economic growth. Such developments are difficult to quality and data about social factors are scarce in Ethiopia.

Therefore, from the declining nature of the real GDP and agricultural output, and the absence of development in the other sectors of the economy, it could be said that the economy of the country is declining.

### 3.1.3.2 GDP Per Capita

The GDP is the most commonly used measure of the overall level of economic activity. The GDP Per Capita is often used as a summary index of the relative economic well-being of the people in different nations.

Ethiopia is one of the five least developed African countries economies with very low Per Capita GDP. The per capita GDP of Ethiopia is very much lower than the average per capita GDP of the Least Developed Countries (LDC) of Africa (see Table-5).

The per capita GDP of Ethiopia has been declining every Year. The deteriorating nature of the growth rate of the Per Capita GDP of Ethiopia also indicates the deteriorating feature of the Ethiopian economy in the last decade. It indicates also the decline in the standard of living of its citizens. If we take the per capita GDP, and the growth rate of the per capita GDP, as indicators, and a measures of performance of Ethiopian economy Ethiopia stands as one of the very poor countries of the world according to the UN demarkation line (U.S.D 137.00) for absolute poverty (ECA 1993; Eshetu 1993).

**TABLE 5**  
**PER CAPITA GDP IN US DOLLARS( 1990 PRICES) OF FIVE**  
**OF THE LEAST DEVELOPED COUNTRIES OF AFRICA**

YEAR	ETHIOPIA	SOMALIA	MOZAMBIQUE	TANZANIA	AFR. LDC	GDP PER CAPITA GROWTH RATE of ETHIOPIA
1981	140.5	125.1	113.8	107.8	259	1.2
1982	139.9	125.8	110.9	104.7	256	- 1.2
1983	144.8	105.9	87.2	99.1	251.5	2.9
1984	137.5	112.5	85.3	98.9	246.9	- 5.9
1985	125.9	116.2	79.6	98.3	245.2	-9.5
1986	131.6	111.5	78.8	98.3	251	3.9
1987	141.1	109.6	80.1	99.6	247.8	6.7
1988	141.1	108.6	82.5	100.1	249.4	- 0.9
1989	140.5	107.7	84.7	99.7	250.2	- 1.3
1990	135.6	104.2	83.4	100.2	245.8	- 4.4
1991	132.2	92.4	83.4	100.7	241.3	- 3.4
1992	116.4	78.5	79.4	96.4	228.4	- 13.5
1993	117.3	76	81.3	97	222.9	- 0.3
1994	117.5	58.1	81.9	96.3	220.8	-0.9

SOURCE: ECA. 1995. UN Economic survey of Africa 1993. Addis Ababa: ECA.( The 1994 data is an estimated value)

### **3.1.3.3 Population**

Population size, and its growth rate are important determinants of the general pace of economic and social progress of a country. They have profound implications for development. The general picture is clear. The increase in population will affect resources, and the environment in many ways. Population growth will heighten demand for food, energy, water, health care, sanitation, and housing.

Population growth also creates increased demands in the fields of education, and leisure, not to mention protection against the development of crime, and violence. Population growth can also be linked to mortality rate, life expectancy, fertility rate, health and nutrition, and education to mention a few.

The rate of population growth matters because of human inability, to adopt to changing conditions. If population grows slowly human behaviour, institutions, and technology will likely adopt fast enough to accommodate the growth. The political, social, and administrative effects are also serious. But, in Ethiopia the population grows quickly. More stress is put on environmental resources, physical infrastructure and the government.

It has been indicated earlier that the contribution of the agricultural sector to the GDP of Ethiopia is deteriorating with the decline in the agricultural output. On the other hand, the population of Ethiopia is increasing on the average at the rate of 2.9 percent every year (CSA 1991). Nevertheless, the growth rate of agriculture did not go with the same rate.

If the sector has to feed the population at large, and if the country has to be self-sufficient in food, the growth of the population should be planned to go in parallel with the growth in the agricultural sector. Otherwise, the agricultural sector has to produce a surplus. But, the per capita agricultural GDP was almost negative in the past 15 years( see Table 6). As a result, the country is not yet self sufficient in food.

TABLE 6  
GROWTH RATES OF AGRICULTURAL OUTPUT, POPULATION, AND  
PER CAPITA AGRICULTURAL GDP OF ETHIOPIA 1981-1993

YEAR	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
AGR.	3.7	-1.3	4.7	-9.9	-16.3	9.2	15.2	-2.1	2.2	0.2	8	-7.5	-0.4	-1.2
POPU.	2.5	2.5	2.5	2.5	2.7	2.7	2.7	2.9	2.9	2.9	2.9	3.1	3.1	3.1
PerCAP														
AGR. GDP	1.2	-3.	2.2	-12.4	-18.9	6.5	12.5	-5.0	-0.7	-2.7	5.1	-10.6	-3.5	-4.3

- SOURCES: 1. ECA. 1995. UN Economic survey of Africa 1993. Addis Ababa: ECA.
2. The World Bank. 1992. World development report 1992. England: Oxford University press.
3. The World Bank. 1993. World development report 1993. Washington: The international bank for reconstruction and development.

The agricultural sector is very important. This is because, in addition to its being a consumption source, it is also a sector for employment generation. It absorbed more than 80 percent of the work force in Ethiopia. With a declining agricultural output, the consequences of population growth will undoubtedly have a disastrous effect to the Ethiopian economy (Alemayehu 1993; ECA 1994).

The high rate of population growth in the past 25 years affected the economic and social development of Ethiopia. It has made the economic development of Ethiopia very complex. But, development is about improving the wellbeing of the people. The essential components of economic development are: raising living standard; equality of opportunity; and human capital formation (The World Bank 1992).

TABLE 6  
GROWTH RATES OF AGRICULTURAL OUTPUT, POPULATION, AND  
PER CAPITA AGRICULTURAL GDP OF ETHIOPIA 1981-1993

YEAR	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
AGR.	3.7	-1.3	4.7	-9.9	-16.3	9.2	15.2	-2.1	2.2	0.2	8	-7.5	-0.4	-1.2
POP.	2.5	2.5	2.5	2.5	2.7	2.7	2.7	2.9	2.9	2.9	2.9	3.1	3.1	3.1
PerCAP														
AGR. GDP	1.2	-3.	2.2	-12.4	-18.9	6.5	12.5	-5.0	-0.7	-2.7	5.1	-10.6	-3.5	-4.3

- SOURCES: 1. ECA. 1995. UN Economic survey of Africa 1993. Addis Ababa: ECA.  
2. The World Bank. 1992. World development report 1992. England: Oxford University press.  
3. The World Bank. 1993. World development report 1993. Washington: The international bank for reconstruction and development.

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### 3.1.3.3.1 Human Capital Formation

Human capital formation is one of the most important factors in determining the population productivity, behaviour and values of a given society. Human capital is the result of investment in education and health. Such investments increase people's options, raise their productivity at work, and change their behaviour at home (World Development Report 1994).

Educational investment is measured by formal attainment levels by the number of total school enrolments. It is better result, if it is made to measure in connection between women education and fertility rates (World Resource Institute 1994-95).

TABLE 7

EDUCATIONAL ENROLMENT OF SCHOOL AGE CHILDREN OF ETHIOPIA,  
SUB-SAHARAN AFRICA AND THE WORLD (IN PERCENT)

COUN- TRY OR Region	PERCENTAGE ENROLMENT IN EDUCATION OF SCHOOL AGE CHILDREN IN DIFFERENT CATEGORIES										
	PRIMARY		SECONDARY		TERTIARY		LITERACY			FEMALE ENROL.	
										Primary	Seconda
	1970	1990	1970	1990	1970	1990	1982	1984	1986	1970	1990
ETH.	16	38	4	15	0	1	45	56	64	30	15
LIEA.	74	105	20	38	2	-	-	-	-	98	34
S.S.A.	46	68	6	17	1	2	45	51	61	44	26
WOR.	83	104	31	65		13	11	40	45	50	99

SOURCES: 1. The World Bank. 1992. World development report 1992. England:  
Oxford University press.

2. The World Bank. 1993. World development report 1993. Washington:  
The international bank for reconstruction and development.

This percentage increment of primary and secondary school enrolments (see Table 7) has shown some growth. That is, the human capital formation trend of Ethiopia has shown some improvements in relation to education. But, the improvement is not adequate. Because, first the literacy percentage has increased over time. Second, the tertiary level enrolment is still quite low. Third, the pattern of education in Ethiopia indicates that, the percentage enrolment of the school age children in education is far less than the average of that of the low income economies of Africa, the Sub-Saharan Africa, and even the world averages (See Table 7).

Education as a means for creating job opportunity is likely to increase the participation of women in the work force. Productivity is a reflection of women participation in the work force. Ethiopia is characterized by low levels of productivity. Educational investments are burden to Ethiopia, because of the poor economic stand. Education is also likely to reduce the total fertility rate and crude birth rate and, thereby, it would increase productivity.

TABLE 8  
CRUDE BIRTH AND TOTAL FERTILITY RATES OF  
ETHIOPIA, AFRICA, AND THE WORLD

PERIOD	CRUDE BIRTH RATE			TOTAL FERTILITY RATE		
	Ethiopia	Africa	World	Ethiopia	Africa	world
1970-75	48.0	46.8	31.5	6.8	6.6	4.5
1990-95	49.1	43.0	26.0	7.0	6.0	3.3

Source: The World resource institute. 1994. World resources 1994-95.

U.S.A.: World Bank.

Rapid population growth has two causes. First, improved health condition, that is, a better investment on health and primary care.( which is not the case of Ethiopia, because it is negligible as shown in Table 9) . Health investments are also reflected in the increasing life expectancy, declines in Crude Death Rate (CDR), and Infant Mortality Rate (IMR). Life expectancy in Ethiopia is far below the World average, and the African average.

Second, and an expanding population base, that is, a very high population size- with high population growth rate. Population growth is also affected by Total Fertility Rate(TFR); as a consequence to that, it will also affect economic growth and development.

The TFR has always been increasing in the Ethiopian perspective then causing to much influence on the agricultural sector. The latter has been declining every year. The high TFR also has an influence on the population base. Both the TFR and CBR have been increasing in Ethiopia. Both are also high as compared to the African and World averages (See Table 8).

Ethiopia's trend of human capital formation also signifies that investment on health has not been improving for years. The number of physicians, nurses, and daily calorie consumption, which are related to health investments in Ethiopia , indicate that the investment on health is at a very low level in comparison to the average of low income countries African, Sub-Saharan African and the World (See Table 9).

In addition to struggling with low income, many people in Ethiopia fight a constant battle against malnutrition, disease, and ill health. This indicates that investments in the area of health are not adequate. This reflects the very low economic potential of Ethiopia to put huge investments on health oriented infrastructures.

TABLE 9  
POPULATION PER PHYSICIAN, POPULATION PER NURSING PERSON, AND  
AVERAGE DAILY CALORIE CONSUMPTIONS OF ETHIOPIA, LOW INCOME  
ECONOMIES, SUB-SAHARAN AFRICA, AND THE WORLD

ECONOMY	HEALTH AND NUTRITION					
	No OF PHYSICIANS		No OF NURSES		DAILY CALORIE	
	1965	1984	1965	1984	1965	1984
ETHIOPIA	70190	78780	5970	5390	1853	1667
L. I. ECONOMIES	9640	5800	5980	2150	1975	2406
SUB SAHARAN AFRICA	33310	26670	5420	2180	2074	2122
WORLD	6050	4200	3700	1600	2383	2711

SOURCE: The World Bank. 1993. World development report 1993. Washington: The international bank for reconstruction and development.

TABLE 10  
LIFE EXPECTANCY AT BIRTH OF ETHIOPIA, AFRICA, AND THE WORLD

PERIODS	YEARS OF LIFE EXPECTANCY AT BIRTH		
	ETHIOPIA	AFRICA	WORLD
1970-75	41.0	46.1	57.9
1990-95	47.0	53.0	64.7

Source: The World resource institute. 1994. World resources 1994-95.  
 U.S.A.: World Bank.

A declining death rate is one of the major accomplishment of civilization. The death rate drops as the life expectancy rises. But unlike in other developed countries, as the life expectancy rose the birth rate didn't fell in Ethiopia. Rather, it accelerated as the death rate dropped. The growth rate of crude birth rate of developed countries is 0.4%; while it is 2.9% in Ethiopia, which is quite high as compared to world wide average of 2%. The Infant Mortality Rate (IMR) of Ethiopia is still higher than African and world averages. That still supports the proposition that health investments in Ethiopia is of a very low level. This is also an indicator of low level of economy (See Table 11).

TABLE 11

CRUDE DEATH RATE AND INFANT MORTALITY  
RATES OF ETHIOPIA, AFRICA, AND THE WORLD

Period	Crude Death Rate			Infant Mortality Rate		
	Ethiopia	Africa	world	Ethiopia	Africa	World
1970-75	23	19	12	155	135	92
1990-95	19	14	9	122	95	62

Source: The World resource institute. 1994. World resources 1994-95.

U.S.A.: World Bank.

The consequences of rapid population growth manifest as: an increase in the share of resources devoted to social sectors; and a massive exodus of rural youth towards urban centre, which leads to an increase in unemployment and underemployment.

3.1.3.3.2 Investment and Savings

Ethiopia's development strategies have laid considerable stress on expanding investment in order to accelerate economic growth. The effort made to raise the rates of gross domestic investment through public and private investments were not adequate. Thus it has resulted in the decline of the rates of investment and savings. The inflow of external capital due to investment was not adequate in the past. So also was the case of domestic savings (Eshetu 1993).

In the past three years, with the adoption of a new investment policy, the share of investment in GDP formation has shown improvement. Nevertheless, the savings have not shown significant improvement ( See Table 12) (ECA 1993; CBE 1994).

TABLE 12

SHARE OF INVESTMENT IN TOTAL GDP FORMATION (IN PERCENT)

YEAR	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	BB
INVES.	10	11.6	11.4	13	13	12.8	12.6	17.2	17.6	38	40.1	43.4	41.7

SOURCE: ECA. 1995. UN Economic survey of Africa 1993. Addis Ababa: ECA.

Therefore, the prevailing economic and social conditions of Ethiopia is characterised by:

- a very low standard of living,
- a declining GDP ,
- a high mortality rate and TFR; and
- low productivity.

These factors are all self- reinforcing social and economic phenomena in Ethiopia; and as such are the principal manifestations of underdevelopment or of low economic growth in the country.

### **3.2 TRADE SITUATION IN ETHIOPIA**

Nations trade in goods and services produced as a result of natural endowment or technological endeavour. This makes possible the division of labour and economies of scale in order to satisfy the expanding size of the market. Thus international trade serves as a venue for the transmission of new ideas via modern technology, capital, consumer goods and services. Therefore, international trade is a major global operation which has assumed great importance economically and politically over the years ( CSA 1993).

Ethiopia should improve its foreign trade activities to attain sustainable economic growth. This can be attained only by improving the contributions of all sectors of the economy to foreign trade, and thereby, to the GDP. The main objective of Ethiopia's foreign trade is to improve the quality of life, inter-alia, increasing productivity in the rural areas, and thereby, providing all people, especially in the rural areas, with adequate and constant supplies of better quality goods, essential commodities and services (Getachew 1990; ECA 1993).

However, since the 1970s, Ethiopia's trade performance, domestic, intra-African, and international, has been disappointing. The major cause for the very disappointing performance of trade is the very low priority given to the sector. Generally speaking, the government, international organizations, and bilateral donors put a very negligible effort in their investment, and resource allocation programs to the trade sector. As a result, the benefits that could have been obtained from the trade sector.

Despite efforts to strengthen its bargaining position in international negotiations, Ethiopia's share in world trade had been marginalized. The domestic trade of Ethiopia has not kept pace with demand functions. And it is indicated by serious shortages of food, essential commodities, and services in many parts of the country during the past two decades (Ghiorgis 1992).

The cause for the decline in the performance of domestic as well as international trade is attributed to the trade situation of the country. The trade situation of Ethiopia, in one way or another, was characterized by the absence of conducive environment both domestically and internationally. Factors contributing the genesis of such an environment are the

country's inward oriented trade, high priority to import substitution, and prohibition of import through high duties and taxes on export.

The environment did not allow the export and import sector to make its utmost contribution to economic growth of the country. It has resulted in the development of contraband and smuggled export. The consequence being reduction in foreign exchange revenues. Ethiopia's trade situation was characterized by as Ethiopians call it an "Ayer be Ayer Niged.", Its literal translation is "an air by air trade". This is a sort of a black market trade, which is characterized by trade of smuggled commodities into and out of the country, selling and buying things outside the legal market without a licence for trade, market price fixation based on creation of scarcity of goods and avoidance of all sorts of tax payments to the government. According to Wogene (1995) this accounts for 40 percent of the GDP.

Further, The foreign trade situation of Ethiopia, was characterised by unstable market, high degree of risk, uncertainty, and vulnerability to changes in the world market. Recently, the situation has been aggravated by the breakdown of the negotiations on international commodity agreements on primary commodities of interest to African countries (Getachew 1992).

This recent event has aggravated the adverse situation of Ethiopia's foreign trade and it has affected the economy of Ethiopia. On the average, 13.3 percent of the real GDP of Ethiopia is derived from the overseas sale of mainly agricultural and other primary commodities. The prices of many agricultural primary commodities, which are of export interest to Ethiopia, have declined steadily to the lowest levels in the past fifteen years (See Table 13). In addition, this state of affairs has resulted in the uncertainties in export earnings,

deterioration terms of trade, and fluctuation in the exchange earnings of Ethiopia (The World bank 1994; NBE 1992).

TABLE 13  
PRICE OF COMMODITIES WHICH ARE OF INTEREST  
TO ETHIOPIA AT CONSTANT 1990 PRICES(\$ U.S.)

YEAR	COMMODITY				
	COFFEE( KG)	TEA (Kg)	BANANA (Kg)	ORANGE (Mt)	COTTON (Mt)
1980	3.62	3.10	526.6	542.7	2.84
1981	2.88	2.79	555.4	560.5	2.55
1982	2.44	2.72	526.1	540.5	2.24
1983	3.05	3.35	616.7	536.7	2.67
1984	3.52	5.08	543.0	517.9	2.62
1985	3.29	2.89	554.4	560.8	1.92
1986	2.56	2.38	471.9	486.7	1.31
1987	2.24	1.92	411.3	513.3	1.86
1988	1.66	1.88	501.6	475.7	1.47
1989	1.31	2.13	577.7	470.6	1.77
1990	1.27	2.03	540.9	531.1	1.82
1991	1.17	1.81	548.1	510.4	1.64
1992	1.03	2.88	443.9	459.0	1.20

Source: The World resource institute. 1994. World resources 1994-95.  
U.S.A.: World Bank.

The only way for the country to cope up with such a decline was to produce more and more volume of these items. However, this also could not be attained. The major factors that hampered the development of foreign trade, and as a result the earning of revenue from the export of primary commodities are:

- (1) The utilization of traditional form of agriculture;
- (2) The lack of adequate awareness about the benefit of utilizing;
- (3) The cost of fertilizer; and
- (4) The failure in policies which sets quota to export products.

Though the last factor can be rooted to the absence of a conducive environment, the others can not be attained in the absence of an export revenue. The solution calls for foreign debt for foreign exchange.

The trade situation in relation to the export of manufactured and semi-manufactured goods is of very small volume. So is the revenue obtained from it. Moreover, the manufactured goods are mostly labour intensive products. Very few of those are modern technology-based products. The trade of such items is characterized by low adaptability and flexibility to changes in demand in the world market. The ultimate result is the deterioration of in terms of trade (Alemu 1993).

The foreign trade of a developing country largely depends upon the importation of raw materials, machinery, and capital goods. However, the import behaviour always exceeds the export potential (CSA 1993).

Ethiopia's foreign trade is also characterized by the chronic deficits of its balance of payments position. The severe deficits on current and capital accounts has, therefore, led to a rapid depletion of its international monetary reserves, and it has slowed down in its economic growth. (NBE 1992). The situation of the foreign reserve condition of Ethiopia has once reached a stage in which it could only cover only a 10 days import. Recently, the government has announced that its foreign reserve has shown an improvement, and will cover import of 26 weeks (President's address to the nation 1994).

TABLE 14

SHARE AND DESTINATIONS OF EXPORTS AND IMPORTS  
OF ETHIOPIA (IN PERCENT) IN THE LAST FIVE YEARS

DESTINATION	YEAR	1989	1990	1991	1992	1993
U.S.A	EXPORT	15.10	13.55	6.09	4.61	9.99
	IMPORT	8.67	6.53	14.26	7.32	11.41
ASIA	EXPORT	19.37	27.54	33.81	45.53	34.28
	IMPORT	15.58	15.68	28.87	33.69	35.11
AFRICA	EXPORT	6.62	12.61	5.21	7.22	13.44
	IMPORT	3.87	3.57	9.56	10.85	8.31
EUROPE	EXPORT	58.81	45.15	54.79	42.54	42.22
	IMPORT	67.53	68.02	44.62	42.97	42.07

Source: NBE. 1994. National Bank of Ethiopia, Quarterly bulletin; Fiscal year series, Vol 9 (2), Second quarter series, Second quarter, 1993/94.  
Addis Ababa: NBE.

It is also a well known fact that the degree of interdependence in foreign trade among nations does take different forms and strength. The trade system and situation in the past did not favour in deriving all the potential benefits usually obtainable from foreign trade; for, the trade structure was uni-directional. That is to say, though, the trade is equally important to Ethiopia as it is to its partners, the price of commodities were used to be primarily determined by its industrialized trade partners. Still today Ethiopia is more of a price taker on its own products than a fixer. In addition, the bigger share of exports from Ethiopia used to be sent to European countries, and not to countries where the trade agreements could ensure more mutual benefits (See Table 14) (CSA 1993; Getachew 1992).

The former government had adopted import substitution policies. It was not be a trade characteristic of an agriculture based economy like that of Ethiopia. As a result the trade situation at the time affected all sectors of the Ethiopian economy. Ethiopia had curtailed imports as part of its fiscal and monetary austerity aid measures. It had led to slowing

down of its over all economic growth, and to a rise of its unemployment. According to some economists, the contribution of the foreign trade sector to the GDP is small. So also is the revenue of the government from export taxes. This situation has been prevailing for a long period.

The poor trade performance is rooted in the failure to adopt appropriate policies, and the absence of appropriate promotion mechanisms. This has contributed much the trade deficit as well as to the decline in export volumes. Second, the trade sector as an engine for sustainable economic growth has not been accorded due recognition. That has made the foreign trade situation to be unstable in Ethiopia, in fact, it also affected domestic trade values. The country's trade situation as it exists today may be characterized in terms of the following attributes:

- (1) A very high and increasing trade deficits;
- (2) Growing foreign debt;
- (3) Diminishing international reserves;
- (4) Inflation of 20 percent; and
- (5) The wide spread adoption of fiscal and monetary measures like devaluation.

The result is a continued wide-spread mass poverty, further deterioration of the declining standards of living, high rate of unemployment, and increase in domestic prices.

### 3.2.1 PAST EXPORT AND IMPORT PERFORMANCES OF ETHIOPIA

It has been discussed in section 3.2 that the foreign trade situation of Ethiopia is characterized by the absence of an enabling environment for efficient and effective performance of export and import. However, sustainable economic growth, and development of Ethiopia could not be achieved without a continuous and sustainable revenue from the export sub sector of the Economy.

The structure of Ethiopia's exports is highly dominated by the export of quite a few major commodities which account for more than 97.9 percent of the total export earning of 1992/93 (See Table 15) (NBE 1993; Ghiorgis 1992).

TABLE 15  
SHARE OF MAJOR EXPORT ITEMS AS A  
PERCENTAGE OF THE TOTAL VALUE OF IMPORT

YEAR	COFFEE	BEE'S WAX	HIDES & SKINS	OIL SEEDS	PETROLEUM	PULSES	LIVE ANIMALS	FRUITS & VEGET.	CHAT
1983/84	63.5	0.4	10.10	2.99	7.95	2.17	1.57	0.45	3.11
1984/85	62.62	0.45	12.81	2.07	8.85	2.26	2.57	0.80	0.21
1985/86	71.96	1.37	12.93	0.83	4.78	1.36	2.04	0.65	0.91
1986/87	65.93	0.09	13.61	1.23	3.43	1.06	1.96	0.34	3.6
1987/88	56.76	0.31	17.19	2.84	4.66	2.08	4.18	1.05	2.7
1988/89	69.39	0	13.68	1.22	2.07	1.80	2.60	0.37	0.87
1989/90	54.57	0.23	18.19	1.13	3.56	4.88	1.46	0.20	2.8
1990/91	49.48	0.12	16.99	0.61	5.01	2.89	0.95	0.02	3.7
1991/92	60.32	0.23	21.01	0.13	6.74	0.13	0.16	0.16	1.8
1992/93	67.05	0.23	16.79	0.14	3.78	0.50	0.16	0.00	8.2

Source: NBE. 1994. National Bank of Ethiopia, Quarterly bulletin; Fiscal year series, Vol 9 (2), Second quarter series, Second quarter 1993/94. Addis Ababa: NBE.

Ethiopia's export items are mainly agricultural and animal husbandry products, such as, coffee, cotton, hides and skins. For this reason, the total export earnings are from primary commodities which are highly sensitive to changes in prices. Obviously, with a decline in price, there will inevitably be a corresponding decline in the revenue obtained from it (See Table 15).

The export item coffee accounts, on the average, for 67.5 percent of the foreign earnings for the period 1983/84- 1992/93. Hence, it shows that the export revenue of Ethiopia has been highly sensitive to changes in the price of its major export commodities, predominantly coffee. (See Table 13). With the decline of the price of coffee Ethiopian export revenue has been declining.

The decline of foreign exchange revenue was mainly associated with the mono commodity structure of the export sub sector. The export performance was poor because of the inability of the export structure to be flexible with the pattern of demand (NBE 1981; NBE 1993). On the other hand, the export of manufactured and semi-manufactured value added products constitutes a negligible amount of export revenue of the country. The export of these manufactured goods has been affected by increased domestic demand or input shortages (Alemayehu 1993).

The recurring fluctuation in export earnings is also attributed to the fluctuation in volume of most of the commodities. The fluctuation has been a bottleneck in planning for export. The decline in volume has been partly a result of the decline in price. The decline in price discouraged farmers. The result has been a decline in production, and in its quality. The inadequate production, poor quality of products, use of low level technology, absence of mechanization of production, inadequate infrastructure for transportation, and the lack of export promotion activities has, aggravated the decline of the volume export items, resulting in a poor export performance of the country.

The poor performance of the export sector has further influenced the remaining sectors. It has been the main source of revenue for investment to for importing equipments, raw materials, fuel and semi-finished goods, and spare parts. These account for 70 percent of the imports of Ethiopia. The import performance has been a reflection of the availability of foreign exchange. The decline in foreign exchange has resulted in a poor import performance (See Table 16).

TABLE 16  
SHARE OF MAJOR IMPORTED ITEMS AS A  
PERCENTAGE OF THE TOTAL VALUE OF IMPORTS

YEAR	FOOD AND LIVE ANIMALS	PETROLE	CHEMICAL	MACHINES AND AIRCRAFTS	ROAD MOTOR VEHICLES	GRAIN	TEXTILE	METAL & METAL MANU>	MEDICINE & PHARM.
1984/85	19.48	17.95	4.33	12.7	10.14	14.56	3.89	8.09	2.37
1985/86	24.10	11.47	3.99	12.47	13.04	17.37	3.59	7.58	2.65
1986/87	14.32	10.09	5.13	14.64	15.16	12.53	2.61	6.99	3.06
1987/88	10.83	9.52	4.86	20.45	16.26	7.80	3.05	7.67	2.21
1988/90	13.96	10.08	6.73	15.88	13.23	10.83	2.94	8.18	2.76
1990/91	5.82	12.33	6.80	16.69	10.37	3.99	3.03	11.66	3.53
1991/92	12.36	9.87	3.99	26.40	11.72	9.48	2.10	7.21	1.70
1992/93	0.79	10.66	2.35	10.46	9.78	0.00	4.06	2.73	2.26
1993/94	13.74	22.69	3.73	19.32	11.12	11.55	3.60	4.75	2.66

Source: NBE. 1994. National Bank of Ethiopia, Quarterly bulletin; Fiscal year series, Vol 9 (2), Second quarter series, Second quarter 1993/94.

Addis Ababa: NBE.

It has been identified that, the poor import capacity of Ethiopia is the main cause for the decline of input availability essential for export performance of the manufacturing sector. In addition, the inadequacy of domestic consumer goods calls for their import to meet the requirements of the country.

The import of food and other subsistence items do not have high share in the import activities of Ethiopia. In general, the poor import activities has affected the production of many consumer goods, as well as that of some value added export items. (Yohannes 1992). But, one very crude fact that one should note here is that, the import of the country always been exceeding its exports.

### **3.2.1.1 Balance of payments**

The overall balance of payments position of Ethiopia showed surplus only three times in the past 25 years. (See Table 17). First, those were in the years 1984/85, and 1985/86. The surplus was due to the overflow of foreign capital, services, and transfers obtained from abroad, in line with the assistance to overcome draught, and famine, which occurred in 1984. The overall balance shows surplus only in the fiscal year 1981/82, which was presumed to be due to the ever overall positive trade performance of the country (NBE 1981; NBE 1994).

Of course, there were years in which the trade balance showed an improvement. Despite the fact that there was a surplus in the overall balance of payment in the years mentioned above, the foreign trade balance, which is the net difference between export Free on board (F.O.B) and import cost, insurance and freight (C.I.F), was negative. That is, the amount of import was larger than the amount of export.

The trade balance was positive only twice in the past twenty five years. (See Table 17). And, that was two decades back from now. It was in 1972/73 and 1973/74 when the trade balance has showed a positive deficit. The all time high surplus during this year amounted to a total of 205.3 million Birr. The surplus was attributed to the foreign trade which was

characterized by a world wide virulent inflation; high shortage in supply of food; tremendous increases in oil prices; and turbulence in currency markets. Due to the shortage of food, other commodity prices raised. As a result, the export performance of less developed countries has increased. Ethiopia's trade balance also improved.

TABLE 17  
AMOUNT OF EXPORT, IMPORT, TRADE OVERALL BALANCE  
1970/71-1992/93 (IN MILLIONS BIRR) OF ETHIOPIA

YEAR	EXPORT	IMPORT	TRADE BALANCE	OVERALL TRADE BALANCE
1970/71	316.0	-448.4	-132.4	-52.4
1971/72	324.7	-467.1	-142.4	-15.8
1972/73	458.1	-436.1	21.7	-197.9
1973/74	599.4	-543.9	55.5	-265.3
1974/75	476.2	-700.4	-224.2	-15.3
1976/77	690	1028.8	-338.8	-133.8
1977/78	633.7	-1076.1	-441.4	-179.5
1978/79	881.7	-1249.5	-367.8	-7.8
1979/80	905.4	-1541.9	-636.5	-240.5
1980/81	805.1	-1528.9	-723.8	-199.6
1981/82	778.1	-1756.6	-978.5	125.3
1982/83	809.6	-1772.9	-963.3	-148
1983/84	929.6	-2007	-1137.4	-87.6
1984/85	744.6	-1770.4	-1025.8	95.8
1985/86	942.6	-2211	-1268.3	347
1986/87	809.6	-2236.9	-1427.1	-43.6
1987/88	788.1	-2274.7	-1486.6	-383.3
1988/89	918.2	-2110.4	-1192.2	-23
1989/90	756.9	-1824.2	-1067.3	-549.2
1990/91	572.1	-2130.2	-1558.2	-131.2
1991/92	318.4	-1810.9	-1492.5	-519.4

SOURCE: 1. NBE. 1975, 1981, 1990. National Bank of Ethiopia Annual Report. Addis Ababa: NBE.

2. NBE. 1994. National Bank of Ethiopia, Quarterly bulletin;

Fiscal year series, Vol 9 (2), Second quarter series, Second quarter 93/94. Addis Ababa: NBE.

However, with the decline in the price of the commodities, and with the stabilization of inflation in developed countries, the export performance of the country also deteriorated. Although, the increase in foreign exchange earnings from exports resulted in the improvement of foreign exchange holdings, the country's trade situation appeared paradoxical in the light of domestic food shortages and famine encountered during those years. The country during those days suffered from food shortages; for, all agricultural activities were focused towards the production of commodities for export (NBE 1984).

### **3.2.1.2 Share of Export and Import in GDP Formation**

The dependence of imports on exports, and the decline and stagnation of exports affected the country's GDP. It was seen that the export/import ratio was deteriorating; and the export/GDP ratio has also been declining. These indicated that, the share of the export sector has been declining (See Table 18). However, the ratio of import/GDP was increasing. That is, the country's import activity always exceeded its export activity. The imbalance affected the country's foreign exchange savings tremendously.

The deterioration of export earnings, coupled with its instability, influenced the measurement of monetary variables. The unexpected ups and downs, in export earnings adversely affected the domestic price situation, which was usually inflexible downwards. The high inflation rate discouraged savings and possibly distorted the allocation of resources further away from the optimum (Yohannes 1992).

TABLE 18

RATIO OF EXPORT/GDP, IMPORT/GDP AND  
EXPORT/IMPORT OF ETHIOPIA FROM 1981-1993

YEAR	EXPORT/GDP	IMPORT/GDP	EXPORT/IMPORT
1981	0.168	0.173	0.971
1982	0.154	0.197	0.781
1983	0.163	0.212	0.768
1984	0.176	0.261	0.674
1985	0.166	0.292	0.568
1986	0.144	0.302	0.476
1987	0.137	0.254	0.539
1988	0.137	0.228	0.548
1989	0.148	0.189	0.649
1990	0.136	0.223	0.719
1991	0.097	0.171	0.434
1992	0.79	0.171	0.461
1993	0.132	0.114	1.15

SOURCE: ECA. 1995. UN Economic survey of Africa 1993. Addis Ababa: ECA.

The total export earnings of Ethiopia was highly sensitive to changes in prices and quantities of the major export commodities. The degree of sensitivity of the relationships between these variables, that is, the relationship between export earnings, and changes in price and quantity of commodities has been studied in the Ethiopian perspective. The study shows there is under utilization of the export capacity, because of shortage of foreign exchange and market limitations. And, these two problems are largely results of lack of competitiveness in the world market. All these problems can be traced to the trade policies which do not favour exporters and the export sector at large (Yohannes 1992).

Therefore, the export and import sectors were performing in an environment which was not conducive for exporters and producers of export commodities to obtain a marginal profit, and thereby, to contribute to the economic growth to the country. This contributed highly to illegal exports and imports. The ever increasing flow of illegal exports to neighbouring countries was also another feature of the export and import sector of Ethiopia.

In conclusion, it is possible to say that the performance of the export and import sector was very unsatisfactory. It was the major cause and had the lion's share in the matter of the decline of the economy of Ethiopia.

### **3.2.2 Current Export And Import Performance of Ethiopia**

Hope and development is drawing in Ethiopia. After nearly two decades being ravaged and drained by war, recurrent draught, and draconian socioeconomic measures, the Ethiopian economy is showing signs of a new life following the change of government in may 1991.

The Transitional Government of Ethiopia (TGE) put into effect a new Economic Policy, declaring its commitment to democratic principles, and market oriented practices. This cleared the way for the government to come into agreement with World Bank, IMF and other institutions. A number of measures have been taken by the TGE in that road. These include:

- (1) Devaluation of the birr by 141.5 percent;
- (2) Restructuring the management of public administration, there by, sealing down the bureaucracy;
- (3) New labour laws; and
- (4) Exemption of duties and taxes on capital goods, spare parts, among others.

Moreover, Ethiopia has joined the World Bank's newest member body, the Multilateral Investment Guarantee Agency . The trend shows, from July 1992- December 9, 1994 1306 investors ( 1292 local and 14 foreign) entrepreneurs with a total investment capital of Birr 10 billion, has taken their investment certificates. This does not include those with investment capital less than Birr 500,000 and whose application does not get through Investment Office of Ethiopia(IOE) (IOE 1992).

Of the above figure, a total of 111 projects (8.5 percent of the total) with a capital of Birr 731 million have started production. 131 projects (10 percent of the total) have started project implementation activities. The sectoral decomposition indicates that, 552 ( 42 percent) are engaged in manufacturing 279 (24 percent) in agriculture, and 218 (16 percent) in real estate development. Although, the facilities needed for investment are not yet completely full filled, in line with the implementation of the rehabilitation and reconstruction programme, investment activities are encouraging.

Some signs of improvement have been witnessed in the export and import environment. The improvement can be justified from the registration, and issuance of certificates to 10,000 private entrepreneurs since 1991. But, still much more is expected from the sector to claim a success in this respect. Because, out of the 10,000 applicants, who received an export or import licence; only 300 exporters and importers have started their export and import activity.

The TGE 's new policies, and some of promotion mechanisms have shown encouraging results. The new economic policies and promotion mechanisms are also playing a significant role in revitalising the trade sector,thereby, to the development of export and import. Nonetheless, the export revenue or the trade imbalances have not shown significant change. This can be primarily d to the mono commodity structure of the export sector.

Expansion of export of existing commodities has been accorded the all time priority. But, the effect is not yet significant. The stagnation of the export sub sector recently has shown little improvement in volume. The diversification of commodities, and value added exports are a long way to be in effect. Export trade of non traditional commodities is changing for

In general, the performance of the export and import sub sector has not changed significantly during TGE. But, export is regarded as the back bone of Ethiopian economy. Nevertheless, the trade balance is still characterised by negative deficit. The continuous declining nature of the balance of payment has to be improved. Although, some measures that are centred at in the promotion of trade in general, and export and import in particular has been put to effect, still enough to be done till the deficit is reduced to zero let alone show a positive overall balance.

The creation of an enabling environment is under way. But, there is still a lag. The lag is in information. Decisions and policies should be information intensive. The export base and structure need to be designed, and made to absorb high changes in the international market. Changes should be absorbed, recorded, and analyzed. The development, and utilization of information support system in all spheres of the economy have been acknowledged and realised. In this regard, the development of an information support system has to get and given due importance. No time than now is a better time for the design and development of such an information system will assist in development of export and import in general and obtaining the utmost revenue out of foreign trade; consequently to sustainable growth and development.

### 3.3 FACTORS THAT HINDER THE DEVELOPMENT OF EXPORT AND IMPORT IN ETHIOPIA

The main objective of export trade is to reduce the state of foreign exchange deficits. While, that of import trade is to meet the demand of society through the importation of quality goods and services. The importance of exports and imports is aimed at improving the country's foreign exchange revenue, thereby, achieve a sustainable economic growth. Development of export and import will increase the share of the country in the world market, and reverse the domestic and foreign trade situation of Ethiopia. (See section 3.2) Despite the paramount importance of exports and imports revenues to the development of Ethiopian economy, the performance of the sub sector has been unsatisfactory, and disappointing (Getachew 1990)

In order to achieve a better result from the export and import sub sector, the sub sector needs to be promoted to function in a full gear. If the country seeks to attain a sustainable economic growth, the sector should be offered the utmost priority.

However, a number of factors hinder the efficient and effective performance of the sub sector not to function in its full year. These factors that contribute to the poor performance of both government and private export and import enterprises vary immensely in size. The problems encountered by export and import enterprises, which retarded, and affected obtaining the highest possible revenue from the foreign trade activity of the country, thereby, contribute to the poor performance of the sub sector and, there by, hinder the development of export trade and import trade in Ethiopia mainly include:

The factors that hinder development export and import in Ethiopia among others mainly include:

- (1) Excessive dependency on a few agricultural products, where price fluctuates, as well as declines over time;
- (2) Inadequate marketing strategies, and Lack of identification of trade opportunities
- (3) Control of trade and distribution by the government, and restrictive trade practices, which has hampered development in investment;
- (4) Inability to exploit existing markets; and introduction of new products;
- (5) Lack of adequate incentives, and motivation for export promotion;
- (6) Continued tariff; and other protection measures, which include subsidies in the industrialized countries which militate against African products, Ethiopia being not an exception in this respect;
- (7) Problems of ensuring competitiveness, arising largely from inadequate or inappropriate pricing policies;
- (8) Lack of adequate standardization, and quality control;
- (9) Unrealistic exchange rate policies; (Despite the fact that devaluation have been put into effect and there is auction of the dollar for purchases of items which are in the black list of the government, still the birr is over valued)
- (10) Excessive export duties;
- (11) Lack of an enabling environment for the development, and expansion of export and import; such as, long formalities and bureaucracy.
- (12) Export instability, due to a large, and unanticipated fluctuation in export earnings;

- (13) Limited range of labour intensive manufactured, and semi manufactured products,
- (14) Excessive dependency on export of limited number of items commodities;
- (15) Import of goods and commodities, which are mainly inputs to other economic sectors, there by, resulting more dependency on export;
- (16) Stagnation of exports, and increase in imports there by resulting in an overall negative trade balance;
- (17) Trade partnership with developed economies, thus the country is a price taker that fixer. That is, for commodities are destined only to few markets; there is difficulty in obtaining the utmost revenue from the system.
- (18) The decline in foreign exchange reserves, so as to obtain loans for necessary imports;
- (19) Policies of the government on interest rate;
- (20) Lack of expertise in international trade and finance;
- (21) Unfavourable land owning rules and regulations;
- (22) Absence of accurate statistical and other relevant information related to export and import;
- (23) High vulnerability of export to supply and demand. That is any short fall in domestic supply, and changes in market demand affects volume of export;
- (24) Unfavourable banking and insurance policies.
- (25) Amount of foreign exchange available for import;
- (26) Lack of awareness of customs rules, regulations, and tariffs on export and import items; by exporters and importers;
- (27) The duplicated and unsystematic efforts in building, and running export and import activities;

- (28) Deficiency of technical, and managerial capabilities; and readily access to international markets;
- (29) Lack of awareness of the importance of trade promoting organizations;
- (30) Lack of adequate export and import promoting organization;
- (31) Absence or inadequacy of supply of domestically produced goods;
- (32) Lack of adequate investment;
- (33) Poor export Infrastructure (transportation, communication, etc);  
(Export or perish 1994; Getachew 1993)

### **3.4 TRADE AND INVESTMENT POTENTIAL OF ETHIOPIA**

So far as the basic resources are concerned, Ethiopia has all those that a country can be proud of. It has adequate man power resources, as well as natural resources. A World Bank study in the 1970s stated (EAL 1994) that the resources within its over one million sq.km area could comfortably sustain 150 million people, that is, three time its current population. The specific findings of this study are as follows:

- (1) Over 80 percent of the population derives its livelihood from agriculture. 65 percent of the Country's total area is arable. Of this only 15 to 20 percent of the arable land is under cultivation. The two Administrative Zones, Wollega and Gojjam, together have more well-watered cultivable land than Kenya. Ethiopia is first in Africa; and tenth in the world in its livestock resources. The sub sector holds considerable promise, particularly for exports.
- (2) Only two percent (1.2 billion Kwh/year) of the country's substantial hydro electric potential (60.0 million kmh/year) is being used and none of its known geothermal power potential are used. In addition, the contribution of the industrial sector to the

GDP is 13.4 percent. Compared to its potential, it certainly opens wide opportunity for investment.

- (3) Proven deposits of natural gas and associated liquids are estimated at 2.7 trillion cubic feet. The first development project, is now in progress; while exploration for oil is going on several regions.
- (4) There is already mining of Gold, tantalum, and platinum on a vary limited scale. Meaningful deposits of coal, Copper, Iron Ore, Nickel, Potash, Zinc, etc are known to exist.
- (5) Seven of its many natural, and man made wonders are listed by UNESCO as world heritage sites. Ethiopia's potential for a strong tourist industry is immense.
- (6) But, Ethiopia's greatest endowment by far is its industrious and tough people, giving it a large, and growing pool of trained man power.

The trade, and investment potential of Ethiopia is reflected through its large population, and abundant natural resources. But, the trade, and investment potential of Ethiopia which is reflected due to initial size, population, and natural resources may influence the timing, and pattern of early industrialization, and subsequent improvement in foreign exchange revenue, thereby, early economic growth. But, further progress along the path is greatly influenced by the government policies. Sustained economic development, could only be attained by a stable institutional, and macroeconomic environment; and domestic and foreign trade policies.

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### **3.5 POLICY MEASURES AND ACTION MECHANISMS TAKEN TO PROMOTE EXPORT AND IMPORT IN ETHIOPIA**

To offset the adverse effects of export instability, it is necessary to adopt conducive policies that would facilitate the holding of adequate foreign resources, an easy access to international borrowing by improving credit worthiness, and/or intervention in commodity markets through international commodity agreements. The off setting measures are not, however, so much helpful in improving upon the prevailing export instability, apart from awaiting the immediate satisfaction of the foreign exchange needs of the country (Yohannes 1992).

The ever increasing flow of the illegal foreign trade and the lack of competitiveness lead to the deterioration of the quality and volume of the legal export. These problems are all due to the absence of conducive environment for export and import. Further, these are the unfavourable trade policies of the government which gets reflected in its exchange rates, interest rates, etc. The adoption of appropriate policies could, therefore, enable the country increase the volume of legal exports by diverting illegal exports into legal channels.

#### **3.5.1 Investment Incentives**

In order to promote investments and technology transfers, Proclamation No.15/1992 provides the following packages of incentives:

- (1) Exemption from payment of duties and taxes levied on import of capital goods, and equipment as well as spare parts up to fifteen percent of the value of the capital invested to import for investment purposes, provided however, that they are not available in the country in comparable quantity, quality and price;

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- (2) Exemption from payment of income tax for a period of 3 years from the date of commencement of production or operation;
- (3) Additional exemption from payment may be granted for a period of 3 - 5 years in respect of investments in specifically designated localities and investment areas of priority, technical know how, technology and expansion;
- (4) In case of expansion, exemption from the payments of income tax for a period of 2 years from the date of commencement of production or operation of such expansion;
- (5) A loss incurred by an investor, enterprise or expansion within the exemption period as stipulated above may be carried forward for one year following the expiry of such exemption period;
- (6) A foreign investor who reinvests his profits shall be exempt from the payment of income tax for up to 3 years in the case of new investment and for 2 years in the case of expansion from the date of commencement of production or operation;
- (7) Any expense incurred by an investor on research improvement studies or training relating to the existing enterprise or expansion shall be deductible for income tax purposes;
- (8) Exemptions from the payment of import duties or taxes levied on imports shall be granted for imported raw materials necessary for the production of goods by an investor, enterprise or expansion for export market;
- (9) Ethiopian products destined for exports and services supplied to foreign countries from Ethiopia shall be exempted from the payment of duties and other taxes levied on export upon decision by the board as may be necessary;

- (2) Exemption from payment of income tax for a period of 3 years from the date of commencement of production or operation;
- (3) Additional exemption from payment may be granted for a period of 3 - 5 years in respect of investments in specifically designated localities and investment areas of priority, technical know how, technology and expansion;
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- (6) A foreign investor who reinvests his profits shall be exempt from the payment of income tax for up to 3 years in the case of new investment and for 2 years in the case of expansion from the date of commencement of production or operation;
- (7) Any expense incurred by an investor on research improvement studies or training relating to the existing enterprise or expansion shall be deductible for income tax purposes;
- (8) Exemptions from the payment of import duties or taxes levied on imports shall be granted for imported raw materials necessary for the production of goods by an investor, enterprise or expansion for export market;
- (9) Ethiopian products destined for exports and services supplied to foreign countries from Ethiopia shall be exempted from the payment of duties and other taxes levied on export upon decision by the board as may be necessary;

### **3.5 POLICY MEASURES AND ACTION MECHANISMS TAKEN TO PROMOTE EXPORT AND IMPORT IN ETHIOPIA**

To offset the adverse effects of export instability, it is necessary to adopt conducive policies that would facilitate the holding of adequate foreign resources, an easy access to international borrowing by improving credit worthiness, and/or intervention in commodity markets through international commodity agreements. The off setting measures are not, however, so much helpful in improving upon the prevailing export instability, apart from awaiting the immediate satisfaction of the foreign exchange needs of the country (Yohannes 1992).

The ever increasing flow of the illegal foreign trade and the lack of competitiveness lead to the deterioration of the quality and volume of the legal export. These problems are all due to the absence of conducive environment for export and import. Further, these are the unfavourable trade policies of the government which gets reflected in its exchange rates, interest rates, etc. The adoption of appropriate policies could, therefore, enable the country increase the volume of legal exports by diverting illegal exports into legal channels.

#### **3.5.1 Investment Incentives**

In order to promote investments and technology transfers, Proclamation No.15/1992 provides the following packages of incentives:

- (1) Exemption from payment of duties and taxes levied on import of capital goods, and equipment as well as spare parts up to fifteen percent of the value of the capital invested to import for investment purposes, provided however, that they are not available in the country in comparable quantity, quality and price;

- (10) Exemption from the payment of any tax on the proceeds from sales of assets upon the liquidation or winding up of the business of a foreign investor or enterprise due to bankruptcy;
- (11) Exemption from the payment of any tax of proceeds from the sale or transfer of shares of an investment or acquisition in part or in whole of an enterprise by a domestic investor;
- (12) Capital goods and equipment imported without the payment of duties and taxes levied on imports may be transferred to another investor having similar privileges under the investment legislation;
- (13) An investor, enterprise or expansion which earns foreign exchange may open and operate a foreign currency account in accordance with the regulations of the National Bank of Ethiopia; and
- (14) An investor, enterprise or expansion which earns foreign currency may retain a portion of such earnings as may be determined by regulations or directives of the National Bank of Ethiopia, and where foreign currency is not readily available by NBE, the earnings so retained may be used to acquire machinery, equipment, raw materials, spare parts and other needed supplies and inputs.

There are areas and sectors that are accorded eligibility for incentives to investors and requirements to qualify for incentives. If the requirements are met the manufacturer exporter or the importer distributor, or importers who help the above areas can make use of the incentives for the improvement of their export and import activities (TGE 1992).

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### 3.5.2 Agency Representation

Exporting has been proved to be a difficult venture which requires too much efforts in order to enter into a well-developed and competitive international market. One has to get and have a foothold for one's own or the country's product for export. The process becomes a very difficult task, if the exporters need to export from a developing country, the products of which are mainly primary commodities, and are less likely to be competitive in a foreign market. The causes of such difficulties are many. Important among those are the:

- Deficiency in Quality;
- Poor and inadequate packaging and labelling experiences;
- Prices of export items;
- Absence of service facilities; and
- Distance between the two parties.

Then there is the lack of information about the buyers standard specifications; or about the potential of the buyer to get a credit. Many exporting enterprises have a very low capital to run the business.

In such circumstances, being represented by an agent helps significantly. The Ethiopian Chamber of Commerce tried to promote exports of Ethiopia by putting an agent representing the exporters of Ethiopia in eight different places overseas. These overseas agents supplied detailed information about the products in which an Ethiopian exporter or importer is interested, and intends to will promote the export or import. Agency representation has been proved to be effective means for promoting export and import of a company. It helps :

- (1) In securing a firm standing for the export products in the otherwise inaccessible foreign market.
- (2) Supplying the exporters with market information on market areas and opportunities, and on the activities of competitors.
- (3) In informing the final users of the product about the potential of the market when necessary, and about the product adaptation.
- (4) In assessing buyer's and supplier's reaction, that is, in getting a feed-back information.
- (5) In giving manufacture exporters the information on controlling market operation.
- (6) In strengthening the existing market potential on behalf of exporters and importers by introducing the producers and by selling their products. Obviously export and import will develop.

### **3.5.3 Outward-Oriented Trade**

The policy of import substitution has been found to be inappropriate in Ethiopia. This goes with the proposition that, in the early stage of development, the engine of growth depends largely on the expansion of primary commodity exports. This is often experienced by low income countries in general, Ethiopia being not an exception. The idea is that as Ethiopia enters the take-off stage, the pattern of production shifts away from primary products, and it advances towards consumer goods and import substitution, depending more on the expansion of the domestic market for own products. Hence, the dependence on exports decreases. However, as the economy approaches the end of the take-off stage, the domestic market becomes increasingly saturated, and it becomes unable to accommodate further expansion. Thus economic growth becomes, once again, dependent on export performance (Yohannes 1992).

### **3.5.4 Privatization and Price Liberalization**

Parastatal bodies in the trade sector are now being privatized in Ethiopia. The sale of a number of trade enterprises have been made. The retail sale corporations have become the major trade areas. A number of other enterprises in the sector for sale are on the line. Price liberalization has now come into effect in main areas. Price control of commodities has been abolished. A market economy has been introduced in Ethiopian trade environment. It is expected that the mechanism will improve the competitive capacity of exporters and importers.

### **3.5.5 Trade Fairs and Exhibitions**

Exhibitions in general and trade fairs exclusively are used for the purpose of trade promotion. Trade fairs usually centre round a particular type of product or commodity. Trade fairs organized in countries, where the import is high contribute in the efforts to improve trade imbalance.

A trade fair exclusively and exhibitions at large bring altogether a large number of buyers and sellers. They offer exceptional opportunities for assessing company designs, quality and standards of identical products. Trade fairs save importers from carrying out market surveys. The exporters get the opportunity to introduce their products in new markets.

Buyers, sellers and agents come face to face and can discuss about the quality, quantity of production, export or import capacity, and potential of a market. In short, the exporter or seller can get a feed back from possible and potential buyers on the spot about their

products or commodities. A producer manufacturer or exporter comes to know about his competitors, and other producers along with the prices, qualities, and designs of their respective products. In addition he comes to know about their market promoting techniques.

Trade fairs also assist private entrepreneurs in avoiding or minimizing the risks involved in entering into an unknown territory. Publications or similar other supplementary and related works help to avoid confusion; and thereby, offer enlightenment, in regard to export-import issues.

### **3.5.6 Diversification of Exports**

Ethiopia's economy, as mentioned earlier, is primarily dependent on agricultural products. Some of the agricultural commodities are also the main foreign exchange earning products. The country is excessively dependent on a few products for its export. Moreover such commodities are very much sensitive to price fluctuation. The disbursement of International Trade Organization also has an effect on these commodities. Therefore, the country has to adopt a new strategy so as to earn a sustainable foreign exchange revenue and to improve upon it. The strategy includes activities relating to the promotion of exports of non traditional items. This can be achieved by playing an active part in export diversification drive. The traditional cash crops, such as, coffee, oil seeds and pulses, which contribute 80% of the total export revenue are facing a bleak future on world markets. The Ethiopian government has emphasised the diversification of exports by granting agricultural credits; by supplying appropriate equipment, by offering training; and by developing the appropriate infrastructure. In addition, the government is encouraging the private sector in producing non traditional items for export.

### **3.5.7 Expansion of Cash Crop Production**

Considerable attention has been paid to the production of cash crops in Ethiopia. The cash crop expansion measures are now being implemented carefully. The former Ethiopian government planned an all round cash crop expansion measure, which had a negative impact on its economy. Overemphasis on cash crops results in the shortage of food crops. Though the mechanism may improve export capacity, it may result also in a value added or otherwise import of food grains. On the other hand, if one would have grown food crops instead of cash crops, it would have been cheaper for the country. Of course, incentives should be given to producers of high volume and high quality of all crops. An export financing scheme needs to be introduced to encourage exporters, who can develop innovative items and approaches for exports..

### **3.6 TRADE INFORMATION INFRASTRUCTURE OF ETHIOPIA**

The resources that are available for the development of a nation are several, such as, human, financial, materials, and technological. It is said much of these resources got lost in the process of their utilization. One of the resources for this loss is the lack of information about their use. In this respect the information required is many-fold. (IDRC 1988).

The concept of information as a national resource for economic and social development has gained wide acceptance in Ethiopia in recent years. This has resulted in the drafting of a national information policy. (ESTC 1991)

### 3.6.1 National Information Policy of Ethiopia

"Information policy refers to the explicit actions taken by governments that define the guidelines along which the information system should operate and involve." (Montuilo 1990). A national information policy is essential for ensuring local allocation of financial resources for the purpose of developing a national information infrastructure. One of its main function is to establish priorities for evaluating alternative development plans. It is also concerned with the definition of the principles and the criteria which will be used in evaluating alternative courses of actions regarding information systems.

It is obvious that information policy will dictate the priorities or the alternative areas for the development of national and sectoral information infrastructures. The priority that should be given to the different sectors is set by the policy. The need for a national information policy can not be viewed separately from the need for a national information system. The need for a national information system is founded on the premise that information is a vital economic input to the development of any country including Ethiopia. A national information policy which is part of a national development strategy will facilitate the acquisition, capture and dissemination of information for all development purposes.

Ethiopia still does not have a National Information Policy (NIP). A series of meetings and conferences were held to develop a draft information policy document. The Science and Technology Commission of Ethiopia (STCE) was the organization which proposed the policy document for discussion. The document had been enriched by participants from different developmental sectors. It was sent to the Prime Ministers office in 1991 for further action.

The salient features of the draft policy document are as follows:

(1) It describes the importance of Science and Technology for the development of Ethiopia, and the need for scientific and technological information. It also discusses the need for a scientific and technological information system.

(2) The policy document describes the general objective of science and technology information policy as " To guide, support and promote science and technology in Ethiopia." It also specifies the specific objectives of the science and technology information policy.

(3) It sets priority relating to the strategies and programmes for the implementation of the NIP.

(4) It suggests the establishment of a Science and Technology Information and Documentation Centre (STIDC) under the STCE. It also suggests that the Centre should serve as the nations power-power-house of science and technology information.

However, the draft was not approved by the Council of Ministers. This has been responsible for the low level of development of the adequate information infrastructure for the country. After the change in the government, the issue of the NIP was raised again. Discussions were made among officials of the government and experts in STCE on the changes that would be needed to be made in the policy document with the change in the policy of the government. Later, it was agreed that the development of sectoral information policies should get priority. But, still this could not be implemented. Because, it was

impossible to prepare sectoral information policies in the absence of sectoral development policies. For instance, it is impossible to design an " Agricultural Science and Technology Information Policy" in the absence of a " Policy and Strategy on Agricultural Science and Technology."

Both the national information systems and services ( actually the national science and technology information systems and services will serve as a national information system and service) and sectoral information systems and services are incorporated as directives in the policy and strategy for science and technology, and policy and strategy on sectoral policy respectively.

A responsible officer in STCE explained to the researcher that, there were two situations which did not allow the setting up of a NIP at this stage. The first was the prevailing economic condition of the country. And, the second was the main objective of setting policies itself. The importance of policies was mainly to get due recognition from the government and other donor organizations. The recognition is accorded. Thus, if they could get results from the sectoral information systems and services in the utilization of the capital fund allocated to them in their information work and services as per the directives, then they could write the policy later. If they could develop the awareness they would not need much time in designing a policy framework. But, if they would fail, and policy design would become the absolute solution then they would draft it by then. He commented currently we are getting better results from the directives relating to the different sectors.

### **3.6.2 Directives on Information Systems and Services**

The directives in the sectoral policies regarding sectoral information systems and services are found in every salient feature of the each of the sectoral policies. The national and sectoral policies include the general and specific objectives, the priority programs, and strategies and organizational structure for research and development of each sector.

Although, there is no NIP, the Policy and Strategy on Science and Technology in Ethiopia (PSSTE) states the following directives within the policy framework of PSSTE about scientific and technological information systems in Ethiopia. The salient features of the directives about the national information systems and services are the following:

#### **General Objectives**

- (1) To guide, co-ordinate, support and promote science and technology in the country.

#### **Specific Objectives**

- (1) To establish a system that facilitates the coordination of science and technology activities in the country;
- (2) To enhance and encourage selection and transfer of technology;
- (3) To create public awareness about available research results and to promote the culture of consuming research results by the people.

#### **Priority Programs**

- (1) To create of an information network in science and technology.
- (2) To establish a system that will enable the collection and dissemination of science and technology information.

- (3) To raise the awareness of the public about available research results and promote the culture of utilizing research results.

### **Organizational Structure of the Research Centre**

- (1) To organize a system that is capable to collect, deposit and disseminate sectoral research information; and
- (2) To establish a system that facilitate the coordination of research, development, the transfer of useful research results to users.

The newly adopted science and technology policy incorporates four sectoral policies. The selection of the sectors is based on the priority set by the government currently. The sectoral policies are as follows:

- (1) Policy and Strategy for Health Science and Technology for Ethiopia.
- (2) Policy and Strategy for Agricultural Science and Technology for Ethiopia.
- (3) Policy and Strategy for Industrial Science and Technology for Ethiopia.
- (4) Policy and Strategy for Environmental Science and Technology for Ethiopia.

According to STCE, the national science and technology information systems and services is to serve as the national information systems and services. The overall policy and strategy for science and technology has incorporated within it the sectoral policies and strategies pertaining to different sectors recognized by it. Each of these sectoral policies is to incorporate as directives the sectoral information systems and services. The formulation of the sectoral information systems and services are incorporated in the overall policy and strategy for science and technology.

The responsible officer in STCE, who kindly allowed the researcher for an interview, was kind enough to explain the scope of information systems and services in each of these recognized sectors. In response to my query about information systems and services for Ethiopian trade, he replied that it forms part of the information systems and services for industrial science and technology sector. He explained that the logic behind this is that, information systems and services in industrial science and technology sector can not be complete without the information systems and services for Ethiopian trade. On the basis of this explanation, it is possible to conclude that the information systems and services for Ethiopian trade sub sector has already been recognized by PSSSTE. Another reason for this conclusion is that the determination of the scope of information systems and services in each recognized sector has been left to the care of the authorities made responsible for the development of the concerned sector. Of course, it has to be admitted that no specific statement about information systems and services for Ethiopian trade has been incorporated in the policy document.

The indirect recognition of the need of information systems and services for Ethiopian trade and commerce play a very significant role in the development of the country; and it has been recognized by the government of Ethiopia. It may be noted that a policy is only a means a means that is geared at institutionalization of a new idea. Once it is institutionalized it is up to the institutes to strive and put maximum effort to obtain the maximum benefit out of it. Corresponding to this line of thinking, it is possible for us to identify the organizations and institutions which have been made responsible for rendering information services on Ethiopian trade and commerce to contribute to the development of Ethiopian economy.

### 3.6.3 Organizational and Institutional Infrastructure for Ethiopian Trade and Commerce

There are quite a few organizations and institutions in Ethiopia which have been made responsible to render information services on Ethiopian trade and commerce to the users who are interested in the sub sector. In order to satisfy these conditions each of these organizations and institutions now does have a cell to carry out this function. Of course, it is true that the dimension of such a cell has not yet taken the shape of a full fledged information centre as commonly understood in each of these recognized institutions or organizations.

The following are the recognized institutions and organization at the moment.

- (1) Ministry of Trade of Ethiopia;
- (2) Ethiopian Chamber of Commerce;
- (3) Investment Office of Ethiopia;
- (4) Central Statistical Authority of Ethiopia;
- (5) Ministry of Industry of Ethiopia;
- (6) Addis Ababa Chamber of Commerce;
- (7) Ethiopian Standardization Authority;
- (8) Maritime and Transit Corporation of Ethiopia;
- (9) Ethiopian Air Lines;
- (10) Ethiopian Customs Authority;
- (11) National Bank of Ethiopia;
- (12) Ethiopian Freight Transport Corporation;
- (13) Ethiopian Shipping Lines; and
- (14) Commercial Bank of Ethiopia;

However, only some of these organizations and institutions render direct trade information services. Others produce or have access to information that are needed by export and import information seekers. Both the types of information and the service level in these organizations and institutions vary significantly. The groups of users that use the systems are also different. Only six of these organizations and institutions carry out direct trade information services. They do have the rights, powers, duties and responsibilities of collecting, technical processing, storage, and retrieval of trade information. The following are those organization and institutions:

- (1) Ministry of Trade of Ethiopia;
- (2) Ethiopian Chamber of Commerce;
- (3) Investment Office of Ethiopia;
- (4) Central Statistical Authority of Ethiopia;
- (5) Ministry of Industry of Ethiopia; and
- (6) Addis Ababa chamber of commerce.

Once again it is necessary to point out that the functions performed by these organizations and institutions vary considerably. the primary reasons for this variation are the differences in their capabilities in terms of finance, manpower and technical and technological support.

The extent of these resources in these organizations and institutions, and the different types of information services that are offered by the information systems of these organizations and institutions are covered in Chapter 4 of the thesis.

### 3.6.4 Information Technology

The task of taking note of the existing information infrastructure pertaining to any specific sector of information systems and services in any country should necessarily be carried out with reference to and in the light of modern developments in the field of information activities all over the world. Modern development in this field are largely a contribution of the machines and equipment which are products of advances in modern information technologies which have been identified and used as appropriate for this purpose include the following:

- (1) Computer technology including its hardware and software;
- (2) Telecommunication technology;
- (3) Network technology;
- (4) Storage technology; and
- (5) Graphic technologies, such as,
  - Reprographic technology; and
  - Printing technology .

The extent of utilization of information technology in carrying out their professional and administrative activities relating to information services in the aforementioned organizations and institutions vary significantly. Only two of the above organizations use computer technology. These are the Ministry of Trade, and the Investment Office of Ethiopia. All the organizations do utilize telecommunication technology. All have telex, facsimile, and telephone equipment and facilities. Only the Ministry of Trade has a local area network. Except for the software used by the IOE the storage capacity of the machines in IOE and

Ministry of Trade are more or less the same. But, the Ministry has more terminals than IOE. All do have reprographic machines, but they use it only for internal purposes. Printing facility is available only in the Ethiopian Chamber of Commerce.

It is possible to conclude that, trade information services and products in Ethiopia in general encounter infrastructural constraints. The constraints are both in the organization and execution of research and development activities, as well as the infrastructure for the dissemination of trade information services and products.

It is true that there are quite a few trade information service facilities in Ethiopia at this point of time. But, that does not imply a guarantee about the solution to all problems pertaining to trade information services. The reason for this is that all these service facilities suffer from inadequacy in many respects the main reason for this is that the financial, material, and human resources available for carrying out this service is still quite inadequate so far as the demand for these services is concerned. Perhaps, this is due to the fact that no explicit no explicit statement about trade information services has not been incorporated in PSSSTE referred to earlier sections. That the Policy covers trade information also is based on interpretation only. But, it has to be admitted that this interpretation has been accepted indirectly. Otherwise, all the organizations and institutions mentioned above would have not been so conscious about rendering of trade information services to interested users. In addition, perhaps it may be mentioned here that the practice of private trade information services is not yet in vogue in Ethiopia as it is experienced in many other countries both developed and developing.

### 3.6.5 Conclusion

In conclusion we can say that the trade information infrastructure of Ethiopia has been a developing one. The trade information infrastructure needs to be upgraded and/or restructured wherever warranted. The country can only get a better revenue from its foreign trade activity, only if there is a well developed information support system for export and import in Ethiopia, which is at the moment lacking. The development of a computer based information support system for export and import in Ethiopia can be considered as a major step in the process of upgrading the trade information infrastructure of Ethiopia.

**CHAPTER 4**

**ORGANIZATIONS AND INSTITUTIONS ENGAGED IN PROMOTING  
THE DEVELOPMENT OF EXPORT AND IMPORT IN ETHIOPIA**

**4.0 INTRODUCTION**

The performance of the foreign trade sector of Ethiopia has never been satisfactory. The country has a very high potential for investment and subsequent development. Better revenue from the foreign trade sector is unthinkable in the absence of a well structured trade infrastructure. But, we have seen that the trade information infrastructure is not satisfactory enough to help the planning for a better foreign trade structure.

The economic development of the country is the topmost priority in Ethiopia. The development efforts of Ethiopia have been focused towards the two basic objectives: (1) the rapid economic growth of the country; and (2) the reduction of the number of people leaving in absolute poverty as quickly as possible. Rapid economic growth, and reduction of poverty are interlinked. The lower the standard of the economy of the country, the higher the number of its people living in absolute poverty. Ethiopia has to improve the standard of its economy as a measure for the reduction of its poverty.

With all its resources Ethiopia is categorized as one of the low income economies of the world. However, economic development is not merely an outcome of the national resources within the boundary of a nation. Special action programs to improve the quality of life of the poor, has now become an integral part of the development strategy of Ethiopia. One of such strategies that Ethiopia has adopted is to plan and take actions to

accelerate the sustained growth of its economy. In order to come out of poverty the country has set plans and put an all rounded effort to improve the outputs of the different sectors of the economy. The foreign trade sector is one of the main sectors that needs to be given the utmost importance and priority in Ethiopia. Under the prevailing economic situation, the contribution of the trade and commercial sector to the development of the national economy is immense. Nevertheless, the contribution that is expected from the foreign trade sector of Ethiopia has not been as it should be. The country has to develop its export capacity to achieve its economic growth leading to sustained economic development.

The low level of development of the trade information infrastructure in Ethiopia is to be improved upon to help the foreign trade sector generate the foreign exchange necessary for the development of its economy. The necessity to export for the well being of a country is not disputable. The need is far greater in developing countries, like Ethiopia. The development of an economy brings at its wake the need for increased imports in the form of capital goods, technology, and infrastructure for the creation of services. All these need payment in foreign exchange, which has to be earned largely through exports. " Export or perish," a slogan adopted by many developing countries, is intended to earn the much needed scarce foreign exchange for the development of other sectors.

Therefore, the utmost priority given to export and import in Ethiopia is founded on the premise that, export and import are presumed to be the engines for a sustained economic growth and development of Ethiopia. This Chapter is to take note of the objectives, functions, structures, and services of the organizations and institutions engaged in promoting export and import in Ethiopia.

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#### 4.1 THE NEED FOR A TRADE PROMOTING ORGANIZATION

The complex legal, and financial nature of export business, is very frightening for many entrepreneurs to enter into export and import activities. Due to this, many producers in Ethiopia, prefer to trade at home, where products of a lower quality than those acceptable in a highly competitive international area, may be marketed.

It is true that the international market is ruthless, selective and furiously competitive. Selling especially manufactured products in the highly sophisticated markets of the developed countries is difficult. In general, penetration into a new market is not an easy task. And it is even more difficult in a market conquered by goods of developed countries.

Many export enterprises suffer a variety of handicaps in attempting to enter into an export field with products, which are competitive in price and quality. The lack of technical know-how and equipment; inadequate knowledge of the techniques of international marketing; and poor facilities for quality control, and of attractive packaging-- all add to the problems of manufactured export goods. Besides, the absence of a well organized export centre with wide overseas contacts, limitations of finance, and ignorance about the changing needs and tastes of the foreign markets-- all points to the necessity for a trade promoting organization. Such a trade promoting organization which has the necessary capability to assist in the full exploitation of the export potential that exists, is essential. Such an organization should perform the following functions:

- To promote export and import;
- To promote best trade practices;
- To Promote the diversification of export and import markets;

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- To promote export and import;
- To promote best trade practices;
- To Promote the diversification of export and import markets;

- To control, monitor and improve export and import techniques ;
- To analyze fluctuation of commodity prices;
- To improve export of non traditional export commodities;
- To supply information on companies and potential exporters and importers;
- To enhance participation in both domestic and foreign trade;
- To render advisory services; and
- To gather, classify, and disseminate current local and international trade information.

The benefit obtained from the presence of a trade promoting organization can be well recognized from the experience of other countries. Information about the trade promoting organizations are furnished in the succeeding sections.

## 4.2 MINISTRY OF TRADE

### 4.2.1 Establishment

The Ministry of Trade (MOT) Ethiopia, was reestablished under the TGE's new decree to establish the objectives, powers and duties of the different ministries in Ethiopia. (Proclamation No. 4/1993) It was set as a ministry to ensure the development of both domestic and foreign trade in Ethiopia. The ministry is the sole organization with the power of issuing trade licences in Ethiopia. In accordance with the policy of the Ethiopian government, the ministry has the responsibility to register, licence, revoke, cancel, and regulate any person or organization engaged in trade activities.

#### 4.2.2 Powers, Duties and Responsibilities

The Ministry of Trade, Ethiopia, has the following powers and duties (TGE 1993):

1. Formulate policy and strategy to regulate trade activities of the country and, upon approval, follow up and supervise their implementation.
2. Prepare and submit draft laws concerning the regulation of trade activities and, upon approval, their enforcement.
3. In co-operation with the appropriate organs issue and follow up and supervise the implementation of directives relating to the proper distribution within the country of basic commodity and services.
4. Undertake studies relating to basic commodities and services that have to be under price control and, upon approval, follow up and supervise the implementation of the same.
5. Devise ways and means of expanding and promoting export trade and the proper handling of import trade.
6. Cause the organization of exhibition, within the country and in other countries, of the country's industrial, agricultural and other products and participate in exhibitions organized by other countries.
7. Issue licences to the supervising organizations and persons engaged in foreign trade as well as foreign investors engaged in any trade activity.
8. Organize and administer a central commercial register.
9. Undertake studies relating to and collect, compile, and disseminate information on the country's trade activities.

10. Provide professional advice and assistance to regions relating to market studies, collection of data, registration of traders and other related matters.
11. Encourage the establishment of chambers of commerce; give assistance to the chambers of commerce established at the national level.

#### 4.2.3 Trade Oriented Activities

The Ministry of Trade offers some trade information services in line with the powers, duties and responsibilities set for it by the government.

- (1) On request, it provides information about potential exporters and importers in the Common Market for East and South Africa (COMESA) region through its computerised information system. The database is acquired from The Trade Information NetWork (TINET) Database on CD-ROM.
- (2) It provides statistical trade information on the amount of export, value of export and import, destination of exports and sources of imports through its periodic reports on major export-import items.
- (3) It publishes highlights on the current policies from time to time.
- (4) It prepares price indexes.
- (5) It organizes seminars, conferences and meetings with traders of all types, and informs traders on the different agreements made with foreign governments.

#### **4.2.4 Market Oriented Activities**

The Ministry of Trade has to carry out some market-oriented activities. The Ministry causes the organization of different trade exhibitions and trade fairs within and outside the country. The trade fairs, exhibitions, and conferences held outside the country help to get a market survey about various aspects of export interest. It also helps to study the competitive ability, and evaluate the capacity of export and trade routes.

The Ministry of Trade has trade promotion and information centres in USA, Japan, England, East Germany, Saudi Arabia and Republic of Djibouti. In these places there are well-trained persons who work as agents of the Ministry to promote the products of different enterprises within the country. There are also commercial attaches in the Ethiopian embassies in some countries. These attaches carry out market surveys in those countries. On the basis of the results of those surveys, the country decides about its export to or import from those countries.

#### **4.2.5 Libraries, Databases, and Publications**

The Ministry of Trade has a Data Processing and Disseminating Division (DPDD). The division consist of: (1) the Library Section; (2) the Computer Section; and (3) the Publication Section. DPDD functions under the MOT's Planning and Policy Department.

It has the following facilities and information technology machines.

1. Eleven Microcomputers;
2. A Dot matrix printer and a Laser printer;

3. An Uninterruptable Power Supply (UPS) facility; and
4. Databases.

DPDD has two different library and documentation centres. Both of them are understaffed. Currently, they have only one person working in both the centres in two different shifts. In addition, it is not adequately financed. The library's collection of recent publications is not satisfactory.

The information contents of the databases in the computer section consist of the profile of exporters in COMESA region. The number of personnel in DPDD information system are only four. From time to time reports and different market news are published by MOT.

#### 4.3 THE ETHIOPIAN CHAMBER OF COMMERCE

##### 4.3.1 Establishment

The Ethiopian Chamber of Commerce (ECC) was established in 1978, as per the Proclamation No. 148/78. ECC has its own juridical personality and is set to ensure the development of trade, industry and commerce in Ethiopia (ECC 1990).

#### 4.3.2 Objectives

The Ethiopian Chamber of Commerce has the following objectives:

- (1) To ensure the advancement of industry and commerce in Ethiopia;
- (2) To render information services to its members; and
- (3) To establish friendly relations with the chambers of commerce in other countries;  
and
- (4) To publicize the country's products and services in foreign trade markets.

#### 4.3.3 Powers, Duties and Responsibilities

The Ethiopian Chamber of Commerce has the following powers, duties and responsibilities (PMAC 1978):

- (1) To find foreign markets for national products;
- (2) To exchange information with chambers of commerce of other countries;
- (3) To organize and participate, with the permission of the Minister of Trade, in exhibitions and seminars;
- (4) To participate in international conferences and seminars related to its purposes, powers, and duties;
- (5) To settle, when the parties so request, by way of arbitration, disputes arising out of business transactions;
- (6) To conduct studies on matters pertaining to the betterment of export products;
- (7) To undertake studies concerning trade constraints;

- (8) To make members aware of the appropriate government policies, regulations, directives, practices and techniques which have bearing on their and its activities;
- (9) To prepare commercial gazettes, reports, and directories concerning trade;
- (10) To collect, prepare, and disseminate statistical information on the country's economic activities;
- (11) To issue, on request, certificates of origin and certificates of inspection for imported goods;
- (12) To translate, on request, commercial documents from one language into another;
- (13) To determine, in consultation with the Minister of Trade, the urban centres where city chambers would be established, and to establish the same;
- (14) To open and operate its own bank accounts; and
- (15) To enter into contracts with interested parties

#### **4.3.4 Trade Oriented Activities**

ECC performs from time to time the following activities for the benefit of its members:

- (1) It organizes national and international seminars, and conferences to make its members aware of the current government and international policies, regulations, directives, practices and techniques, which would have a bearing on its and their activities.
- (2) It provides forums where the government, the public, and private business organizations engaged in commerce, industry, tourism, transport, and other fields related to export and import, to come together and discuss their mutual activities, and relations; about their products; and also about the economy of the country.

- (3) It publicizes the country's export-products and commercial enterprises to foreign markets.
- (4) It replies trade enquiries arriving from foreign and local business organization.
- (5) It also disseminates vital and timely trade promoting information through its periodic trade bulletins to both local and outside users.
- (6) In addition, it has the following means of disseminating information to the business community:
  - Information Desk;
  - Permanent Exhibition Hall; and
  - Documentation Centre;

It may be noted that several of its activities are related to rendering information services.

#### **4.3.5 Market Oriented Activities**

The main market oriented activity that is carried out by ECC is the search for market areas for Ethiopian commodities. This is being done by participating in trade fairs and trade exhibitions in foreign countries. The participation in trade fairs and trade oriented exhibitions by ECC in the past three years, has initiated and increased the export of many non-traditional export items.

#### **4.3.6 Libraries, Databases, and Publications**

The Ethiopian Chamber of Commerce does not have its own computerised information services. Of course, its efforts in this respect consist of its collaboration with the DPDD. ECC has quite a few publications. These include trade directories, trade journals, and

gazettes. Pamphlets and hand-bills relating to the organization of trade fairs and exhibitions are also published by ECC from time to time.

ECC exchanges published trade, economic, and statistical information with similar organizations, trade promotion centres, and information centres throughout the world. ECC has a library. It provides some trade information services to interested users. The library's main collection include a number of directories. These directories were acquired through purchase or exchange. These assist exporters and importers in identifying different potential market areas.

#### 4.4 INVESTMENT OFFICE OF ETHIOPIA

##### 4.4.1 Establishment

The Investment Office of Ethiopia (IOE), established under The Investment Proclamation No. 16/1992. It serves as a one-stop agency for facilitating foreign investments in Ethiopia. The IOE is responsible for the issuance of investment certificates, the approval of contractual agreements, and for granting incentives, and concessions. The IOE arranges also for other assistance, as may be required by potential foreign investors, at various stages of planning and implementation of investment projects.

#### 4.4.2 Objectives

The IOE has the following objectives:

- (1) To guide, promote, and co-ordinate investments;
- (2) To receive, review, screen, and decide on applications for the establishment or expansion of enterprises;
- (3) To approve the purchase or holding of shares in existing enterprises or the expansion of shares by foreign investors; and
- (4) To approve benefits from incentive schemes.

#### 4.4.3 Powers, Duties and Responsibilities

The IOE is responsible for carrying out the following specific duties and activities (TGE 1992):

- (1) To promote the inflow of foreign investment, and to receive and process applications for investments in Ethiopia;
- (2) To assist and co-ordinate in the establishment of business organizations involving foreign investments;
- (3) To issue certificates of approval with regard to foreign investments;
- (4) To assist foreign investors in selecting local partners in proposed investments;
- (5) To monitor implementation of foreign investment proposals and projects through periodic reports and analysis;
- (6) To examine and approve proposals for major expansion of enterprises involving foreign investors; and
- (7) To facilitate administrative and support services required by foreign investors.

#### 4.4.4 Trade Oriented Activities

IOE performs the following activities:

- (1) It provides foreign investors with the necessary information on government policies, priorities and procedures in Ethiopia.
- (2) It provides, as are required by foreign investors, information on cost, available material inputs, and available services in Ethiopia.
- (3) It provides foreign investors with the necessary information on project profiles.
- (4) It provides information on potential areas and sectors for investments and profits in Ethiopia.
- (5) It provides information on potential investors in some of the sectors, and their specific projects.
- (6) It identifies the areas and sectors that facilitate the transfer of technology and know how. and
- (7) It provides information about industries which are based on indigenous input resource based import substitution.
- (8) It provides information about industries which produce import substitutes.

#### 4.4.5 Market Oriented Activities

Sectors, which are expected to emerge as significant investment areas for new investments, and substantial expansion of existing facilities, are specially identified by IOE. In this regard, potential areas with a considerable scope for wide range of agriculture, agroprocessing, manufacturing, mining and service industries in Ethiopia have been already identified by IOE and the process of identifying other areas is still being carried out. It may be noted here that several of its activities pertain to rendering of information service.

#### **4.4.6 Libraries, Databases and Publications**

IOE publishes Investment Guides in Ethiopia. It has its own computer-based information service system, which collects data on investors in different areas. The information service system is undergoing restructuring. The databases are made up of profiles of investors and projects. They are created by using a Lotus 123 software. The number of personnel in the unit is too inadequate to run the system.

### **4.5 CENTRAL STATISTICAL AUTHORITY**

#### **4.5.1 Establishment**

The Central Statistical Office (CSO) was established in 1962. It was an autonomous public authority which was accountable to the then Planning Commission. From then the Central Statistical Office passed through different development stages. Through time, it improved its technical, and organizational capabilities along with its manpower. It contributed highly to the process of national development planning by providing valuable statistics on many aspects related to the country (CSO 1978). However, need was felt to get it restructured. In 1972, this consideration led to the establishment of Central Statistical Authority (CSA) in accordance with the proclamation No. 303/1972 (Negarit Gazeta 1972).

#### **4.5.2 Objectives**

The objectives of CSA is to ensure that reliable statistical information is made available to the government and the people, so that wise decisions may be taken and valid inferences drawn about the current and future economy of the country.

#### **4.5.3 Functions of CSA**

CSA performs the following functions:

- (1) To formulate and implement statistical programmes in conformity with the general priorities laid down by the authorities; and
- (2) To assist the sectoral and sub sectoral statistical offices in formulation and adoption of standards, and statistical methods, in conformity with the recommendations of the United Nations and other international agencies (CSA 1978)

#### **4.5.4 Trade Oriented Activities**

CSA has a Trade Statistics Unit. The prime objectives of the Unit is to collect, process, compile and disseminate trade oriented statistical information. In relation to foreign trade CSA provides the following information:

- (1) Statistical data on total volume of export and import;
- (2) Statistical data on total value of export and import;
- (3) Statistical data on Destination of export commodities and their volume;
- (4) Statistical data on source of imported goods and their volume;

(5) Statistical data on the balance of payments position of Ethiopia in respect of each of its trade partners; and

(6) Statistical data on the trade deficit of Ethiopia.

#### 4.5.5 Libraries, Databases, and Publications

The statistical information activities of CSA relating to several sectors, such as, those of population, and housing are carried out by using computers. But, unfortunately the activities relating to the trade sector is still being carried out manually. As a result the performance efficiency of the trade section of the CSA is very much restricted.

The authority compiles different trade oriented statistical publications. All the publications and statistical abstracts are compiled manually. Trade statistics related to foreign trade activities of Ethiopia are obtained in the form of the following publications:

- Statistical abstracts;
- Statistical reports, (specially relating to the manufacturing, agricultural, and service sectors, published quarterly and annually);
- Statistical data relating to the quantity of freight carried by Ethiopia Shipping Lines, and Ethiopian Air Lines. (The statistical data in these regards show a minimum of two year time lag).

The Authority has a Library from which interested parties can obtain statistical information relating to various areas. The areas which are of interest to the trade sector are the following:

1. National Income;
2. Agriculture;
3. Trade and Transport;
4. Industry; and
5. Finance including Banking and insurance

## 4.6 MINISTRY OF INDUSTRY

### 4.6.1 Establishment

The Ministry of Industry, (MOI) Ethiopia was reestablished, as per The Proclamation No. 4,1993, under the TGE's new decree to establish the objectives, powers and duties of the different ministries in Ethiopia. It was established as a Ministry to ensure and facilitate the expansion and development of large scale industries within the country. Apart from that, the Ministry is also responsible for issuing industrial and manufacturing licenses in Ethiopia. In accordance with the policy of the Ethiopian government, the Ministry has the responsibility to register, licence, revoke, cancel and regulate any person, organization, enterprise or industry (TGE 1993).

### 4.6.2 Powers, Duties, and Responsibilities

The Ministry of Industry, Ethiopia, has the following powers and responsibilities (TGE 1993):

1. To formulate the country's industrial development policies and strategies and, upon approval, follow up and supervise their implementation;
2. To initiate and cause the study and implementation of industrial projects that may enable to exploit natural resources, enhance industrial development, earn foreign exchange, and build the capability of science and technology;
3. To promote the expansion of industries, and facilitate the provision of assistance for the promotion of handicrafts and cottage industries;
4. To classify industries, issue licences, and supervise large scale industries as well as any industry established by foreign investors;

5. To collect, compile, and disseminate information on industrial development;
6. To examine and approve agreements concluded with a foreign party relating to the acquisition and transfer of technology and industrial patents; and
7. To establish, as may be necessary, research and training establishments that may assist the enhancement of industrial development.

#### 4.6.3 Trade Oriented Activities

The Ministry of Industry provides the following trade-oriented information services:

- (1) It functions as a liaison office between enterprises, and regional and international developmental information systems. The ministry acts as an information pool to enterprises, which would like to get information services and products from these developmental information systems and agencies.
- (2) It carries out information activities on quality production, and good packaging practices. These activities are meant for different small and medium scale industries. Seminars, conferences, periodical publications and pamphlets are produced by the Ministry or other organizations to reach the targets.
- (3) It publishes from time to time statistical data on products of different large, medium and small scale industries, and on their sales.
- (4) It communicates information on grants, and other vital information to interested groups.
- (5) It renders consultancy services.

#### 4.6.4 Market Oriented Activities

Trade fairs are the main types of trade promoting activities. Some conferences have also been used to assess markets for some of the commodities that are produced in the country. The Ministry is more of a place for promotion of production than promotion of trade.

#### 4.6.5 Libraries, Databases and Publications

The Ministry of Industry has a computer-based information centre. It was set up in 1985, with the assistance from the United Nations Industrial Development Organization (UNIDO).

The system maintains the following databases:

- (1) The database of the profile of employees in the 10 industrial co-operations;
- (2) The database of production and sales statistics; and
- (3) The database of industrial projects.

The computer system consists of one HP 3000 mini computer system with and 13 terminals. According to the views of the current employees in the system, the system is no more functioning.

The Ministry has a library and documentation centre. The number of documents in the library are not many; but the collection is valuable. The collection in the MOI's library consists mainly of working papers, thesis, proceedings of industrial conferences; and reports of the different manufacturing enterprises and of international industrial organizations.

At the moment, the library is engaged in converting its manually maintained bibliographic databases into its machine readable form. For this purpose the Ministry is using MINISIS. This conversion will enable then to conduct retrospective searches.

#### 4.7 ADDIS ABABA CHAMBER OF COMMERCE

##### 4.7.1 Establishment

The Addis Ababa Chamber of Commerce (AACC) was established in 1974, as per the General Notice No. 90/1947. The chamber was established for the following purposes: (1) to ensure the advancement of industry and commerce; (2) to render information to its members; and (3) to establish friendly relations with the chambers of commerce in other countries. In 1979 AACC was reestablished, when the Proclamation No. 148/78 was issued to provide for the establishment of a national and city chambers of commerce. At this stage, it became one of the autonomous city chambers ( AACC 1994).

##### 4.7.2 Objectives of the AACC

The Addis Ababa Chamber of commerce is set up to achieve the following objectives:

- (1) To provide forums where members engaged in commerce, industry, tourism, transport and other related fields to come together and discuss their activities, mutual relations and the economy of the country;
- (2) To provide forums to its members for training on the latest techniques and ideas in areas of their activities and related matters;

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- (3) To publicize the countries products and services to domestic and foreign markets;  
and
- (4) To establish friendly relations with chambers of commerce of other countries.

#### **4.7.3 Duties and Responsibilities**

AACC has the following duties and responsibilities (AACC 1994):

- (1) To organize and participate in trade related training and seminars;
- (2) To conduct studies relating to the improvement of the quality and quantity of commodities produced within the locality;
- (3) To undertake studies concerning trade constraints;
- (4) To make its members aware of the appropriate government policies, regulations and directives related to commerce and industry;
- (5) To prepare and distribute commercial gazettes and other publications concerning trade;
- (6) To collect, prepare, and disseminate statistical information on the economic activities within its jurisdiction; and
- (7) To translate, on request, commercial documents from one language into another.

#### **4.7.4 Trade Oriented Activities**

AACC conducts different seminars, training, and conferences to inform its members on possible new market, trade and investment areas as well as to discuss on points of common interest among the traders. AACC functions all the trade information activities as those carried out by the ECC except policy analysis.

#### **4.7.5 Market Oriented Activities**

AACC carries out all the market-oriented activities including market research, just as those carried out by ECC, restricting its scope with in the Addis Ababa region.

#### **4.7.6 Libraries, Databases and Publications**

The Addis Ababa Chamber of Commerce neither has a computerised library. Its computers are not used for rendering any information service. The Chamber publishes different journals and trade directories as a means of carrying out trade information services.

## **4.8 Ethiopian Standardization Authority**

### **4.8.1 Establishment**

The Ethiopian Standardization Authority (ESA) was reestablished in accordance with the Proclamation No 378/1987 (PMAC 1987). Earlier it was established in 1963 as the "Standardization Department" under the Ministry of Trade, Industry, and Tourism. The Authority is established to achieve the objectives of setting standards for the different products of the country. ESA has passed through a series of developmental stages to attain its current status. The effort of setting standards was started in 1962, when the Addis Ababa University (AAU) had faced a problem in identifying the types and qualities of electrical equipment and determination of water quality in relation to hygiene. With the development of Ethiopian exports and imports in volume and variety over time, the situation called for the establishment of a standardization team. The team was set up with the main objective of quality control of exports and imports.

### **4.8.2 Objectives**

The principal objectives of the Ethiopian Standardization Authority are:

- (1) To provide a means of communication between the manufacturer and the customer; and to list the products which are available, their size and performance;
- (2) To limit the number of types and preparation of clear specifications, including performance and dimensions;
- (3) To promote the use of good " up to date" technology;
- (4) To provide acceptable and reliable standards for the consumer;

- (5) To promote the safety and health of its citizens; and
- (6) To facilitate international trade through reliable standards and quality control for export products.

#### **4.8.3 Power, Duties and Responsibilities**

The Ethiopian Standardization Authority has the following duties and responsibilities:

- (1) To promote quality control, and production of quality goods to ensure buyers benefits and right;
- (2) To control the quality of products for export, and act accordingly;
- (3) To prepare rules and regulations related to standards, measurements and prices; and
- (4) To set standards of products and correlate them with international standards.

#### **4.8.4 Trade Oriented Activities**

It produces and publishes small scientific and technological glossaries. It also provides, on request, information services on standards of some commodities and goods to export-import information users.

#### **4.8.5 Libraries, Databases, and Publications**

The Ethiopian Standardization Authority does not have a computer-based information system. However, it has a well-organized library and documentation centre with a collection of 132,500 books and bound volumes of periodicals. The Authority also has a permanent display centre, where it displays standardised commodities and goods.