

Ambassador Samuel Assefa
Address to NASBITE Conference on Attractions of Investing and Doing Business in Ethiopia

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It is a pleasure to be with you here at the 21st annual NASBITE Conference. NASBITE's goal of advancing the practice of global business is an important one. As the Federal Democratic Republic of Ethiopia's representative to America, I salute your efforts to reach across the oceans that divide us and to use business as a way of bringing not just companies, but people together.

When thinking about the global community, Ethiopia certainly should be a country that comes to mind. After all, Ethiopia is where it all began—the birthplace of mankind. Discovered in 1974 near Hadar was the 3 million year old skeleton of Lucy—one of humanity's earliest known ancestors.

From the prehistoric past through the 21st century, Ethiopia's story has been one that inspires. The unbroken continuity of Ethiopia as a state dates back to the reign of Emperor Menelik in 1,000 B.C. Ethiopia is the only African nation that was never colonized. In terms of geography, we are uniquely positioned—sitting at the crossroads of Africa, the Middle East and Europe.

Despite my current position as an ambassador, I am not actually a diplomat by training—I am an academic. In fact, I would like nothing more than to lead a discussion on the history of Ethiopia and its evolution through the centuries. However, the past is not what I have come here today to discuss.

I have come to talk about the present—why investing in and doing business with Ethiopia is such an attractive prospect. And perhaps more importantly, I have come to talk about the future—a future that is looking increasingly bright for Ethiopia.

In fact, a new day is dawning for Ethiopia. We have already begun opening a new chapter in our proud history—and the world is increasingly coming to see that Ethiopia is both a nation steeped in history and tradition and a pioneering economic dynamo leading by example and setting a new standard for Africa.

When it comes to Ethiopia's economy, there is quite frankly a lot to talk about. The biggest challenge that I faced when putting drafting my remarks for this event was determining which stories to tell. For the sake of today's discussion, I would like to give you an overview of Ethiopia's economy and touch upon a few key sectors.

Overview of Ethiopia's Economy

The Federal Democratic Republic of Ethiopia was established under the new constitution of August 21, 1995. We are a federal, parliamentary democracy. The current government, which is led by Prime Minister Meles Zenawi, has made the economy a central focus—and has worked to put in place the critical infrastructure and economic development incentives to take the country forward.

Ethiopia is blessed with a favorable climate, vast land, water and labor resources, which combine to make it an incredible hub for investment.

In real estate it is often said that the three most critical factors are location, location and location. Ethiopia has all it covered. We are situated in northeast Africa, within easy reach of the Horn's major ports that connect Ethiopia with its traditional markets for export products—the Middle East and Europe

Ethiopia has demonstrated remarkable economic development as evidence by an average 10 percent annual growth rate since 2003. This rate is among the fastest growth rates in the world and is double the African average.

During a recent visit to Ethiopia, Special Economic Advisor to the U.N. Secretary General Professor Jeffrey Sachs predicted that Ethiopia is poised to sustain double digit economic growth for the coming two decades.

Foreign direct investment in Ethiopia more than doubled in 2006 to \$545 million. The advancement of Ethiopia's economy appears poised to continue with financial analysts rating the nation as a place to invest. Recently, the International Monetary Fund ranked Ethiopia as one of the top 10 sub-Saharan nations in terms economic growth and in the top 10 of those attracting foreign investment.

An investment magazine published by *The Financial Times* recently placed Ethiopia first on its list of countries in cost effectiveness for foreign direct investment, noting its cheap labor and rapidly developing infrastructure.

Other promising developments include the government's imminent launching of the Ethiopian Commodity Exchange-mainly drawing from the Chicago Commodity market Experience , and the pushing ahead on the application process for membership in the World Trade Organization.

The astronomical growth experienced by Ethiopia has been mostly export-led. Exports in 2006 totaled \$1.2 billion and figures are expected to show another 20 percent increase in 2007. Perhaps most importantly, Ethiopia has diversified the number of products that it exports, and export revenues are no longer tied almost exclusively to coffee. The world renowned economic educator Joseph E. Stiglitz has noted that the economic surge in Ethiopia "has got to do with an increase in production output, diversification, and going into new areas."

Meanwhile, the exchange rate in Ethiopia continues to be stable. The rate of inflation was in single digits for more than a decade, although it has risen during the past two years.

Ethiopia's macro-economic stability is a strong reflection of our political stability. Recent unrest elsewhere in Africa has underscored just how vital an element this is for African nations. Ethiopia provides a safe and secure working and living environment, which have been identified as key assets for investors.

The Ethiopian government guarantees constitutional protection from expropriation, and both the United Nations and the International Chamber of Commerce has noted that Ethiopia is "exceptional in its almost complete absence of routine corruption."

The growth in Ethiopia's economy is due in no small part to strong government commitment to private sector investment. Corporate income tax is set at 30 percent, while tax on annual rental income is between 0 and 35 percent depending upon the level of rental income.

Export duty is not levied, and the government has signed tax treaties with a number of countries to avoid double tax payments, along with bilateral treaties for the protection and promotion of investments.

In addition, Ethiopia's government is committed to working with businesses, and has put together a menu of attractive incentive packages for foreign investors. These include customs duty exemptions, export incentives and income tax holidays for a time period ranging from two to seven years.

Businesses operating in Ethiopia also benefit from global efforts to jumpstart the African economy. Under the African Growth and Opportunity Act, which is commonly referred to as AGOA, Ethiopian manufactured export products are entitled to completely duty-free and quota-free access to the U.S. market. Ethiopian exports to the United States—led by products such as spices and coffee—doubled between 2006 and 2007 to \$8.9 million.

Since being signed into law in the United States in May of 2000, AGOA offers tangible incentives for African countries to continue their efforts to open their economies and build free markets. AGOA aims to forge stronger commercial ties between Africa and the United States, while helping integrate Africa into the global economy. U.S. firms may find new opportunities in privatizations of African state-owned enterprises or in partnership with African companies on infrastructure projects.

Under another program, the Generalized System of Preference (GSP), a wide range of Ethiopia's manufactured goods are entitled to preferential duty treatment in the U.S. and beyond—including the European Union.

Another attractive aspect of doing business in Ethiopia is the ease with which investors can get started. The Ethiopian Investment Agency is truly a one-stop shop for foreign investors. It provides them with all the necessary information and is empowered to execute all the necessary transactions. The agency approves and issues permits, provides trade registration services, issues licenses and walks international investors step-by-step through the entire process.

Despite having all the trapping of a functioning, democratic bureaucracy, the speed at which the Investment Agency can carry out the process is remarkable. An investor who applies for a new investment permit can expect to walk away with it in hand in just four hours.

Within 60 days of receiving their applications, regional governments are expected to allocate land to investors so that they can move ahead with setting up their operations.

Construction is currently underway in Ethiopia on a number of industrial parks that will further eliminate the time between a foreign investor's decision to operate in Ethiopia and getting the infrastructure in place to begin operations. State-of-the art ready-made facilities are being erected so that manufacturing and technology hubs are standing by for use. Businesses will simply need to move in their equipment—duty free by the way—and hook it up to the critical infrastructures already in place.

Across the country, the dramatic growth and improvement of public services is a testament to the government's efforts to invest in its people to a degree never before seen in Ethiopia. More than 90 percent of school age children go to school—just 10 years ago that number was only 26 percent.

Twenty percent of Ethiopia's budget goes toward education, and Ethiopia is expected to meet the goal of providing universal education in 2009, six years ahead of the schedule set by the U.N.

Meanwhile, more than 24,000 health workers are deployed throughout the country, bringing primary health services to 92 percent of the population. Maternal health services have increased from 4 to 36 percent in the past 10 years.

Access to clean water rose from 34 percent in 2003 to 47 percent in 2006. An estimated 85 percent of the population will receive clean water during the coming three years.

While still only 22 percent of Ethiopia's population has access to electricity, the government has launched a program aimed at increasing access to 50 percent of the population within five years.

While diseases such as AIDS and malaria continue to ravage the entire continent of Africa and impede economic growth, Ethiopia is considered a regional success story. Ethiopia has reduced its child mortality rate by 40 percent during the past 15 years through measles vaccinations and by distributing mosquito nets in malaria prone areas. The Ethiopian government also recently announced an ambitious plan to provide free AIDS drugs for all its citizens who need them by 2010.

The Ethiopian economy—across a variety of sectors—continues to be buoyed by the remarkable environment, strong and developing infrastructure and affordable manpower.

Agriculture

The logical place to begin a detailed discussion of Ethiopia's economic sectors is agriculture, which employs more than 80 percent of the country's population.

The land itself in Ethiopia is remarkably fertile--Ethiopia is blessed with climate and soil suitable for growing more than 100 different types of crops.

Since 1991, the Ethiopian government has made agriculture its primary priority, and has developed and implemented its Agricultural Development Led Industrialization Strategy (ADLI).

The key concept underlying ADLI is an export-led development strategy to promote economic growth in Ethiopia, coordinating agriculture and industrial development in parallel. Commenting on this program, Prof. Sachs said: "This is a good strategy that has been followed right now, which is why the economic growth rate is consistently above 10 percent per year."

Major Ethiopian export products include fruits, vegetables and flowers, coffee, livestock products, oil seeds and pulses, textiles, natural gum and mineral products.

The Ethiopian government offers a variety of incentives to encourage foreign investment, including joint ventures and marketing arrangements. The agricultural sector has and will continue to make a significant contribution to Ethiopia's development.

Ethiopia has enormous potential for investment in agro-processing. Many of its agricultural products can be exported without being processed, while others can be processed before they are brought to domestic and foreign markets.

Textiles and Clothing

An industry closely related to agriculture is textile and clothing, which is undergoing massive development that is helped by the presence of a cheap, skilled and highly-motivated workforce. In fact, all the essential ingredients for a competitive textile industry are available in Ethiopia: raw materials, low-wage workers and small energy costs.

At the foundation is the bountiful presence of cotton, which is deeply rooted in the agricultural history of the nation. Just as Ethiopia is the birthplace of man—it is also believed to be one of the origins of cotton.

The local production of cotton forms the basis for the full cycle of business opportunities for textile companies. This production is well integrated into the textile sector, with garment factories relying heavily on domestically produced cotton. Other textile products manufactured in Ethiopia include nylon fabrics, acrylic yarn, woolen and waste cotton blankets and sewing thread.

Textile is already the largest manufacturing industry in Ethiopia, with many state-owned and private textile and garment factories. Ethiopia's textile industry encompasses spinning, weaving and processing. There are five public textile factories that produce mostly work-wear garments for the domestic market, while many private factories produce clothing for national and foreign markets.

However, there is still plenty of room for growth in this sector. Ethiopia's access to domestic, regional and international markets, in combination with the availability of the raw, natural fibers, forms the basis of its enormous export potential. The domestic potential of cotton production is far more than the current spinning capacity demands, and the Ethiopian government is actively promoting the further modernization of the textile sector with the aim of attracting foreign investors that can penetrate the global market.

To make the textile industry work, Ethiopia can rely upon a large pool of trainable workers with a strong cultural disposition toward warm hospitality. Additionally, Ethiopia is turning out more than 10,000 university graduates per year, with particular strengths in business, management, economics, accounting and law.

Floriculture:

Another agricultural industry that Ethiopia is looking to expand is floriculture. Temperatures in Ethiopia are conducive to growing flowers, as are the long hours of good sunshine—usually more than 11 hours a day.

Water for irrigation is available in ample quantity in much of the country, and the well-drained soils of Ethiopia are ideal for growing plants.

A variety of flowers are currently in production in Ethiopia, including roses, gypsophila, hypericum, limonium, chrysanthemum and carnations. I am not sure that I could identify all of these by sight, but I do know that my wife was sorely disappointed when I did not present her with a dozen of each on Valentine's Day last month.

The growth in the industry is strong and the numbers themselves are nothing short of staggering: within a five year period, Ethiopia emerged as Africa's second largest exporter of flowers, with a 500 percent increase in the last year alone.

In 2002, the export of flowers brought in just \$159,000 in revenues. In 2007, that number had ballooned to \$64 million. Ethiopia expects that flower exports could generate an estimated \$300 million within two to three years.

Ethiopia's Flower Growers and Exporters Association is expecting the sector to generate \$1.4 billion annually within five years, and the industry hopes to hire 1.5 million employees and involve 50,000 small-scale farmers in floral production.

Earlier this year, the second largest flower and horticulture investment project in Ethiopia was launched. It was valued at 1.5 billion birr, which is roughly \$160 million dollars.

The volume of cut flowers is growing and showing great promise as a developing industry sector. FloraCulture International—the industry magazine for floriculture worldwide, has compared the ideal conditions in Ethiopia’s flower regions to the Naivasga area of Kenya, where well over 50% of Kenya’s flowers are grown.

Coffee

Another Ethiopian industry that is on the brink of a major economic breakthrough is coffee. Today, Ethiopia represents just 3 percent of the global coffee market, but sales are expanding exponentially. An estimated 15 million Ethiopians living in impoverished regions rely on this product for their livelihood

In November, I had the pleasure of accompanying Starbucks Chairman Howard Schultz to Ethiopia to visit coffee farmers and to open business discussions. That visit has laid the foundation for a deepening relationship with Starbucks that should help catapult Ethiopian coffee into the global limelight in a way never before seen.

Of course, Ethiopia is already the biggest producer of coffee in Africa, with a reputation for producing the world’s finest coffees. You probably did not know this, but the word coffee actually comes from the name Kaffa- the birthplace of the beans the world cannot live without and one of many parts of Ethiopia where coffee is grown

Ethiopian coffee is pesticide-free and the naturally enriched soil in the coffee-growing regions makes fertilizers unnecessary. The abundance of labor in Ethiopia also makes it possible to use manual weeding techniques, rather than relying upon chemical weeding

Ethiopian coffee has always been special- in its rich history as the mother of all coffees, in its distinctive coffee culture, in its captivating characteristics with the right proportions of acidity, oil, color and size. For centuries, the uniqueness of Ethiopian coffee has been recognized by Ethiopian producers and exporters as well as buyers and distributors the world over.

That’s why Ethiopian coffee holds a unique place among specialty retailers in foreign countries where roasters and distributors have promoted it under their own brands. Sadly, Ethiopian farmers who cultivated and protected our country’s “black gold” have until now failed to reap the financial benefits—living a life of poverty despite the lucrative harvest they produce each year.

After coffee prices plummeted in 2002, Ethiopia decided to correct that unfair situation and ensure that its farmers receive a larger slice of the multi-billion dollar global coffee market. In partnership with local and international organizations who shared its concerns, the government launched the Ethiopian Trademarking and Licensing Initiative to acquire trademark protection for our country’s premium coffee brands: Yirgacheffe, Harar and Sidamo.

By securing trademarks in 28 countries and signing licensing agreements with more than 60 companies, we have been able to build a network of partners committed to protecting Ethiopia’s coffee brands and helping our farmers garner a higher price for their beans.

The world’s largest and most prominent coffee organization, the Specialty Coffee Association of America, has recognized these efforts and granted Ethiopia the opportunity to become the Portrait Country at the upcoming SCAA conference in May in Minneapolis. It is befitting that Ethiopia will be the

portrait country at this SCAA conference, dubbed “Roots” because as the undisputed birthplace of coffee, we can truly lay claim to being the real “roots” of coffee.

We have come a long way, but I assure you that Ethiopia is on the brink of taking its coffee industry to a whole new level. Juan Valdez—beware!

Livestock/ Leather

The same elements that bolster so many of our industries: the abundance of raw materials, a highly disciplined workforce, and low prices help Ethiopia’s leather sector and footwear industry enjoy significant international advantages.

For starters, Ethiopia is the largest livestock production and exporter in Africa. In fact, we have the 10th largest livestock population in the world.

The cost of raw hides and skin constitute on average between 55 to 60% of the production of semi-processed leathers.

Ethiopia’s leather product sector produces a range of products from semi-processed leather in various forms to processed leathers, such as shoe uppers, leather garments, stitched upholstery, school bags, handbags, industrial gloves and finished leather.

Ethiopian footwear factories produce men’s casual shoes and children’s shoe uppers from pure leather. Leather factories sell directly to overseas importers and wholesalers as well as direct buying offices.

Our factories facilitate the production and export of footwear under the private labels of department stores, boutiques, shoe retail chains and mail order houses and we facilitate the production of internationally well-known brands under contract.

Not only are the wide variety of Ethiopian leather products globally competitive in terms of price—the Quality and Standards Authority of Ethiopia examines and tests all leather products for export,

Tourism

The last industry that I would like to briefly touch upon is tourism. Ethiopia is an exciting place to visit and a developed tourist infrastructure already in place. In short, there is something for everyone in Ethiopia.

The combination of attractions is rare in a single country and includes a wealth of historical, cultural, archaeological and anthropological sites, as well as numerous areas rich in wildlife.

Ethiopia’s wealth of attractions and mix of people and cultures gives it great potential for anthropological and educational tourism, photo and hunting safaris, bird watching, water sports, desert trekking, mountaineering, hiking, camping and eco-tourism.

Ethiopia is also emerging as a religious tourism destination. For centuries, Ethiopia has been home to members of the world’s three Abrahamic religions—Christianity, Judaism and Islam. In Ethiopia, there is a rich and celebrated history of members of the three great faiths living together in mutual respect and peaceful coexistence.

The economic policies implemented by the current government have created a climate conducive for growth in the tourism sector, and the number of international visitors grows each year.

The Hilton and Sheraton groups have made sizable investments and are already operating in the capital city of Addis Ababa. The government is interested in attracting other major international hotel chains to the country to address the shortage of high-quality hotel facilities currently available.

As in every other industry, Ethiopia has created ripe conditions for growth and expansion.

Ethiopia's tourism sector is poised to benefit from a major program of upgrades and expansion through the construction of roads, airports and communication networks, electric power generation and water works.

Over 800 towns and villages were hooked up to electric grids in 2007 and another 6,000 will be enjoying electricity by 2010, the year that three major hydroelectric projects will be completed.

Current telecommunication plans have attracted \$1.2 billion of investment for a project that will provide phone service to all rural towns this year, as well as 1.2 million more phone lines and 3 million more mobile phone service lines.

The Ethiopian government has also removed constraints relating to visa and customs regulations in order to facilitate growth in the tourism sector.

10 Reasons to Invest in Ethiopia

During this talk we have covered a lot of territory related to Ethiopia, its current economic state and the dramatic growth the nation is poised to experience in the coming years.

I would like to conclude this presentation by giving you an abridged version of the top 10 reasons to invest and do business with Ethiopia.

Number 10—Good Infrastructure Standards

Ethiopia already has good transportation, telecommunications and power infrastructure standards that continue to improve.

Number 9—Trainable Labor

Ethiopia's 75 million people—the second highest population in sub-Saharan Africa—is motivated, highly trainable and inexpensive labor force

Number 8—Strong Natural Resource Base

Ethiopia's climate, soil and massive livestock resources combine to create ideal conditions for agriculture and agro-processing.

Number 7—Strong Market With Excellent Market Access

Ethiopia is uniquely positioned astride Africa, the Middle East and Europe and enjoys duty- and quota-free access to the U.S. and E.U. markets.

Number 6—Investment Opportunities

Remarkable investment opportunities exist across a variety of sectors, including agriculture, textiles, coffee, leather, horticulture, tourism and others.

Number 5—Conducive Tax Environment

The Ethiopian government has established low tax percentage levels structured to make doing business in Ethiopia attractive.

Number 4—Significant Tax Incentives

From 100 percent customs duty exemptions to no export tax to tax “holidays” ranging from 2 to 8 years, Ethiopia is willing to work with investors and offers a menu of economic incentives.

Number 3—Security of Investment

Government guarantees and constitutional protection from expropriation, Ethiopia’s membership in international investment related institutions, and its highly responsive Foreign Investment Agency ensure secure and smooth business.

Number 2—Liberalized Economy

All major sectors of the economy are liberalized for investment and marketing and 100 percent foreign ownership of investment is permitted.

Number 1—Stable Economic Environment

The safe and secure living and work environment, steady double-digit economic growth, low inflation rate, absence of corruption and stable, democratic government combine to make Ethiopia an incredible investment opportunity for foreign investors.

Closing

When I began my remarks today I reflected briefly on the incredible history of Ethiopia—the nation that I am so honored and privileged to represent here in the United States.

Yet I believe—In fact, I know—that the finest days for Ethiopia lie not in our glorious past, but in the economic promise of our future.

Thank you for the opportunity to be with you today, and I look forward to using the remaining time to answer your questions.