

RPTBI

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: ADDIS ABABA

Country: ETHIOPIA

ETHIOPIA'S ECONOMIC POTENTIAL CONTINUES TO BE HINDERED BY A NUMBER OF FACTORS: INTERNAL STRIFE, INSTITUTIONAL AND POLICY DEFICIENCIES, DROUGHT AND ECOLOGICAL VAGARIES. THE ANNUAL POPULATION GROWTH RATE AVERAGED 2.9% WITH A POPULATION OF ABOUT 46 MILLION IN 1987; ETHIOPIA IS THE THIRD MOST POPULOUS AFRICAN COUNTRY. IT IS WITH A PER CAPITA INCOME OF ABOUT 93 US\$, THE WORLD'S POOREST COUNTRY.

AGRICULTURE IS THE DOMINANT SECTOR OF THE ETHIOPIAN ECONOMY CONTRIBUTING ABOUT HALF OF GDP, 90% OF EXPORT AND 80% OF EMPLOYMENT. DESPITE EVIDENCE OF SECULAR STAGNATION AND THE TRAGIC 1984 AND 1987 DROUGHT AND FAMINE THERE IS A SUBSTANTIAL POTENTIAL FOR DEVELOPMENT OF AGRICULTURE, TO INCREASE FOOD PRODUCTION, IMPROVE AGRICULTURAL EXPORTS AND PROVIDE AGRICULTURAL RAW MATERIALS FOR DOMESTIC INDUSTRY. THESE OBJECTIVES ARE SET FORTH IN THE TEN YEAR PLAN. (THE 1.3 MILLION MT OF COMMERCIAL IMPORTS AND FOOD AID OF THE INTERNATIONAL COMMUNITY COMPENSATED FOR THE FOOD DEFICIT OF 1987-88).

THE INDUSTRIAL SECTOR, WHICH ACCOUNTED FOR ABOUT 17.3% OF GDP, IS MAINLY DEPENDENT ON LARGE SCALE OR MEDIUM SIZE STATE-OWNED ENTERPRISES WHICH DEPEND HEAVILY ON AGRICULTURAL RAW MATERIALS. THIS SECTOR IS ALSO HAMPERED BY LOW INVESTMENT, HEAVY IMPORTATION COSTS AND LACK OF SKILLED MANPOWER. THE OVERALL ECONOMY IS PRESENTLY STAGNATING. THE ONLY MAJOR IMPROVEMENT CAN COME FROM A DIVERSION OF HUMAN AND MATERIAL RESOURCES FROM THE WAR FRONT. STILL, THE ETHIOPIAN GOVERNMENT HAS DECIDED TO IMPLEMENT NEW MEASURES IN THE AGRICULTURAL SECTOR WHICH ARE SUPPOSED TO IMPROVE PRICING AND MARKETING FOR AGRICULTURAL PRODUCTS. IT IS ALSO REPORTED THAT ADDITIONAL REFORMS ARE EXPECTED WHICH WOULD EASE TRADE AND INDUSTRIAL RESTRICTIONS WITH THE HOPE OF SECURING MUCH NEEDED INVESTMENTS.

THE SHENGO APPROVED THE COUNTRY'S DEVELOPMENT PLAN AND THE NATIONAL BUDGET OF 5,043 MILLION BIRR (ONE U.S. DOLLAR EQUALS 2.07 BIRR) FOR THE 1981 ETHIOPIAN FISCAL YEAR (JULY 1988-JUNE 1989).

THE NEW BUDGET SHOWS AN INCREASE OF 1,443 MILLION BIRR OVER THE PREVIOUS TOTAL OF 4,600 MILLION BIRR.

ETHIOPIA'S DEVELOPMENT PLAN FOR 1988-89 ENVISAGES AS ITS MAIN OBJECTIVE THE RAISING OF THE GROSS DOMESTIC PRODUCT (GDP) BY 4 PER CENT, THE PRODUCTIVITY OF THE INDUSTRIAL SECTOR BY 8.5 PER CENT AND THAT OF THE SERVICES SECTOR BY 5.1 PER CENT.

A TOTAL OF 2,680 MILLION BIRR INVESTMENT IS NEEDED FOR THE IMPLEMENTATION OF THE VARIOUS ECONOMIC SECTORS OF THE DEVELOPMENT PLAN. OVER ONE-FIFTH OF THE INVESTMENT CAPITAL, OR 21.5 PER CENT, WAS ALLOCATED FOR NATURAL RESOURCES DEVELOPMENT, 13.4 PER CENT FOR INDUSTRY, 13 PER CENT FOR MINING, 11 PER CENT FOR TRANSPORT AND COMMUNICATIONS AND 10.2 PER CENT FOR ENERGY. IN PRACTICE, HOWEVER, MUCH OF THE TOTAL ALLOCATION HAS BEEN REDIRECTED TO MILITARY PURPOSES (45%).

THE TOTAL INCOME OF THE CENTRAL GOVERNMENT FOR THE FISCAL YEAR IS SET AT 4,328 MILLION BIRR, OF WHICH 3,050 MILLION BIRR IS TO BE DERIVED FROM REGULAR SOURCES OF INCOME, 309 MILLION BIRR FROM FOREIGN AID AND 972