

# Ethiopia: growing and transforming at speed

The dynamic East African nation is a hotbed of activity, ripe for investment

Politically and socially stable, globally minded and abundant with natural resources, fast-growing Ethiopia is portraying itself as one of the most exciting African economies in which to invest.

With transparent laws and business procedures, competitive incentives that include tax exemptions for between two and seven years, depending on the sector, and the exemption of import taxes for raw materials, the country is wide open for investment.

Following a visit from Chinese Premier Li Keqiang to Ethiopia last year, when 16 bilateral agreements were signed, the African country is continuing to seek out mutually satisfying partnership arrangements.

Ethiopia holds great opportunities and potential and plans to become a middle-income country by 2025. It has successfully achieved all its growth targets, with the industrial sector growing by 20 percent during the past four years. Construction, mining, energy and manufacturing are all contributing to the building of a sustainable economy.

"Agriculture is our major source of economic growth at the moment, but over the coming years we plan to support industrialization through the development of light manufacturing, shoe



**Hailemariam Desalegn**  
prime minister

production, textiles and agro-processing, in particular," said Ethiopia's prime minister, Hailemariam Desalegn. "We also want to gradually transition into the high-tech and chemical sectors. Our main focus however will remain light manufacturing, so this is where we would like to see more Chinese investment. We have a skilled and plentiful labor force, but we need financing for infrastructure, power generation and tourism."

While telecommunications and financial services remain under state control, there has been a recognizable shift in Ethiopia's focus since the government introduced its growth and transformation plan. China remains a committed ally in terms of development.

"We are very thankful to China for its presence in Ethiopia, and the fact it is fully committed to our development," said Redwan Hussein, minister of government com-



**Ahmed Abtew**  
former minister of industry

munication affairs. "We would like to see more in the way of technology transfer and capacity building from Chinese companies, which would be in the best interests of both countries.

"If Ethiopia grows faster, the internal market will be profitable for other companies. We could also increase the production of goods that are needed in China," he said.

Former minister of industry, Ahmed Abtew described how government investment in infrastructure has helped attract private investors.

"Foreign investment in Ethiopia is growing very fast," he said. "We have cheap, sustainable energy so we would like to attract energy-intensive industries, such as petrochemicals or pharmaceuticals. Last year, we developed a national framework for Special Economic Zone Development and identified



**Guna Trading** is Ethiopia's leading exporter of gum, coffee, sesame and pulses.

four different zones.

"One has been set up in Addis Ababa and another in Bole Lemi. Built as a pilot scheme, this has about 360 hectares of land with 20 buildings, some of them are 10,000 square meters. All of them are rented, some of them by companies that have already started to export. It was a World Bank-funded project and as a result, we decided to conduct feasibility studies for two other zones. Construction is already starting on one and we began a feasibility study last year at a site 300 kilometers from Djibouti. The consult-

ing company was Chinese and we would like to give the contractors the possibility of designing their own zone," he said.

In the meantime, mines minister Tolesa Shagui is keen to introduce the mining potential of Ethiopia to Chinese financial institutions.

"We know the funding capacity is huge in China and it is time for them to become familiar with our policies. Our relationship with the Chinese government is very important. We need genuine companies and genuine finance," he said.

Canadian-owned East Africa Metals, a mineral exploration company, has already partnered with China's Sinotech and is investing in the Harvest and Adyabo sites in Ethiopia and the Handeni project in Tanzania. "When we came to Ethiopia, we made a discovery at the third hole we dug, which eliminated a lot of the risk intrinsic to mineral exploration," said the company's director Andrew Lee Smith.

## Local companies think ahead to potential for added value

Big projects hold the key to Ethiopia's growth for all, according to president

Exciting things are happening with companies working on the ground in Ethiopia. With a country in the midst of development, the construction sector is expanding with public sector investment in large infrastructure projects and rapid urban expansion fueling the boom. Roads, bridges and dams are springing up, thanks to Chinese support. China has either financed, or financed and built, about 70 percent of the paved roads in the country.

One company rising to the challenge is Derba Midroc Cement, which is executing a number of cement production projects in different parts of the country.

The company's 5,000 tons per day clinkerization production plant under construction in Derba, 70 kilometers from Addis Ababa, will be the largest cement production plant in the country when complete.

Part of the Midroc group of companies, a firm known for its commitment to Ethiopia's development, the Derba Group is an ambitious company for an ambitious country. The new factory should reach a 50 percent market share, contributing to the development of the industry sector and meeting the nation's need for cement, according to Haile Assegide, executive director of Derba.

"We are aiming to be the leading cement supplier in the country and

the group has plans to invest \$3.4 billion over the next five years that would lead to the creation of 370,000 jobs, plus the implementation of the latest technology into the national industry. Our target is to build a second plant as demand increases. Ethiopia is self-sufficient in cement," he said.

The design and manufacture of the plant's production machinery are based on cutting-edge cement technology, using coal and heavy fuel oil as fuel.

Among the major raw materials required for cement production, limestone, clay, basalt, sandstone and gypsum are available in significant quantities in the Derba-Mugar Valley. A preliminary geological study of raw materials in the area showed that there are more than enough to keep the new plant going for life.

"Pumice, the raw material required for the production of PPC cement is not available in the Derba-Mugar Valley, however, so this will need to be transported by truck from the Nazareth or Zeway areas," Assegide said.

Managing director of the Bahirdar Tannery, Yigzaw Assefa, said betting on Ethiopia's future is a wise move.

"Ethiopia has become a focal point for tanneries because its sheepskin, goatskin and cowhide are renowned



**Mitiku Beyene Abebe**  
general manager, Ambasel Trading House

for being high-quality," he said. "We buy new machines every year and have increased our capacity from 2,000 to 3,000 tons. It is not the number that matters, but the quality and the value we can add."

### Sowing seeds of growth

Employing about 80 percent of the population, Ethiopia's agricultural sector has one of the largest and most diverse genetic resources in the world, yet only 16 percent of its arable land is currently being cultivated.

The sector offers excellent incentives to local and foreign investors and is a promising source of export

diversification. Oil seeds and pulses, for example, are known for their flavor and nutritional value, with sesame being Ethiopia's primary export to China. Sesame seed exporter Ambasel Trading House began to export its product 15 years ago and its export volumes have increased each year.

Growth for 2014 was expected to reach about 10 percent.

General manager of Ambasel Trading House, Mitiku Beyene Abebe, said, "Sesame exports are a government priority. It is a matter of economic policy since it brings in foreign currency. The farmers are aware of the situation and are encouraged to produce sesame."

"There is huge demand to export in greater volumes, and we are marketing ourselves by participating in different trade fairs in places such as Dubai and Japan. We are interested in participating in events in China too, as we really want to expand our market there. Our goal is to keep producing high-quality products at fair prices and maintain client trust," he said.

Since opening a new processing plant, Ambasel has embarked on an expansion drive and plans to branch out into red peas, white peas and coffee in the near future.

Guna Trading House, part of the Effort group of companies, has successfully implemented import-export operations in Ethiopia for more than 20 years.

Berhane Tesfay, deputy general manager of Guna Trading said, "We have already opened communication with China and, in the future, we

hope to be one of the biggest distribution centers for consumer goods in East Africa."

## A trusted partner for China

Established in 2005, Abebe Mulugeta Genet Trading Import & Export (AMGTIE) quickly became a leading Ethiopian trader, exporting commodities like dry coffee, sesame and pulses, and importing tires, construction machinery and materials, pulp, and trucks, amongst others, from around the world. After passing \$20 million in annual turnover, the company is now focusing on quality to secure and expand its customer base.

Abebe Mulugeta, CEO, explained, "As storage is vital in agricultural commodities, our company has three excellent facilities. We own machinery to clean and process coffee and sesame before

export, thus increasing their value." The company also boasts its own freight transport, as well as licenses to transport goods across to Djibouti Port.

AMGTIE trades worldwide, sending coffee to Europe, North America and Middle East. In China, the company has large corporate clients, secured through a consistent dedication to quality. As a result, exports are expected to increase to 5,700 metric tons this year. AMGTIE trades 99 percent of its sesame exports with China, while importing tires, machinery, and stationery from it.

Anticipating a 10 to 15 percent yearly growth in exports in



**Abebe Mulugeta, CEO, AMGTIE**

the coming years, Mulugeta said, "To stand out in this sector and enhance our reputation, we have to provide the best quality. Customers trust us and work with us precisely because of the high quality of our products."

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**Ambasel Trading House PLC is a reliable and sustainable development partner**

A leading player in the export of Ethiopian agricultural products, we process and export a range of pulses, oil seeds, tahini, coffee, gum-olibanum and spices to competitive overseas markets—our strong roots and reputation making us a great partner for Chinese importers.

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