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**ETHIOPIA INVESTMENT PROSPECTS:
A SECTORAL SCAN**

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Ethiopia Investment Prospects: A Sectoral Scan*

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ABSTRACT

Ethiopia is in the midst of a sustained growth surge that is becoming increasingly broad-based, building on major improvements in educational attainment, improved health outcomes, and infrastructure capacity in terms of access to power, transportation and telecommunications. The Government's Growth and Transformation Plan sets ambitious targets for further improvements in these areas, together with significant reforms aiming to improve trade logistics, including through the roll-out of the authorized economic operator program across the growing number of export-oriented industry parks and a major improvement in the main export corridor to Djibouti. This industrialization push is taking place at a time when global trends are coming together to provide Ethiopia an opportunity to integrate its economy into the modern "Made in the World" system of production, including by attracting some of the labor-intensive production that is currently migrating out of China and other East Asian economies as wage rates rise in those regions. This paper considers Ethiopia's prospects to succeed in this endeavor. It provides a brief overview of Ethiopia's investment prospects at the macroeconomic level, including a macro scan of overall economic management and performance indicators and a horizontal scan of the framework for investment. It then summarizes the investment prospects in several major sectors of the economy in light of Ethiopia's emerging capacities and the global developments: agriculture, mining, oil & gas, economic infrastructure, manufacturing, and selected services, including health and tourism.

Keywords:

Ethiopia, Investment, Growth and Transformation Plan, Sectors

JEL Codes: F21, F63

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ABBREVIATIONS

ADLI	Agricultural Development Led Industrialization	IMF	International Monetary Fund
AEO	Authorized Economic Operator(s)	LPI	Logistics Performance Index
BIPPT		MIGA	Multilateral Investment Guarantee Agency
BRICS	Brazil, India, China, South Africa	R&D	Research and Development
ETB	Ethiopian Birr	UN	United Nations
FDI	Foreign Direct Investment	USD	United States Dollar
GDP	Gross Domestic Product	WTTC	World Travel and Tourism Council
GTP	Growth and Transformation Plan		

1 INTRODUCTION

Ethiopia, like many countries in Sub-Saharan Africa, has enjoyed a period of rapid growth in the past decade. Building on the expanding economic base and working within the developmental state model (e.g., Kefale 2011), the Government is seeking to transform the economy, based on major investments in economic infrastructure, economic management reforms, and strategic public sector engagement in the economy.

The recent period of rapid growth, initially led by agriculture, has become more broad-based, with an increasing share of output being generated by the mining, services and manufacturing sectors (IMF 2011). The basis for accelerated industrialization is being laid in terms of rapidly increasing educational attainment,¹ improved health outcomes, and quantum increases in infrastructure capacity in terms of access to power, transportation and telecommunications. Industry parks are starting to spring up across Ethiopia much like in China 20 years ago.

On paper, Ethiopia's business climate ranks relatively low globally. But Ethiopia's exports are growing rapidly, including in time-sensitive products such as cut flowers, a sector in which Ethiopian production has grown from nil to make Ethiopia one of the largest exporters of cut flowers in the world. While this development reflects in part Ethiopia's suitable climatic conditions, it also reflects Ethiopia's facilitation of just-in-time supply chain participation. What it has achieved in the perishable export sectors of flowers, vegetables, and meat, Ethiopia is now seeking to do for labor-intensive manufacturing through the establishment of industry parks in which all firms will be "authorized economic operators" (AEOs) which greatly facilitates their import and export processes. This status has already been conferred on some firms; reforms now underway aim to roll this out to entire industry parks, a "game changer" for business operating costs.

Ethiopia's timing may well be highly propitious: with wages rising across Asia, the factors that made Asia the "Workshop of the World" for the past several decades are changing. Ethiopia's strategic location, natural resources, and abundant labor position it to attract labor-intensive manufacturing.

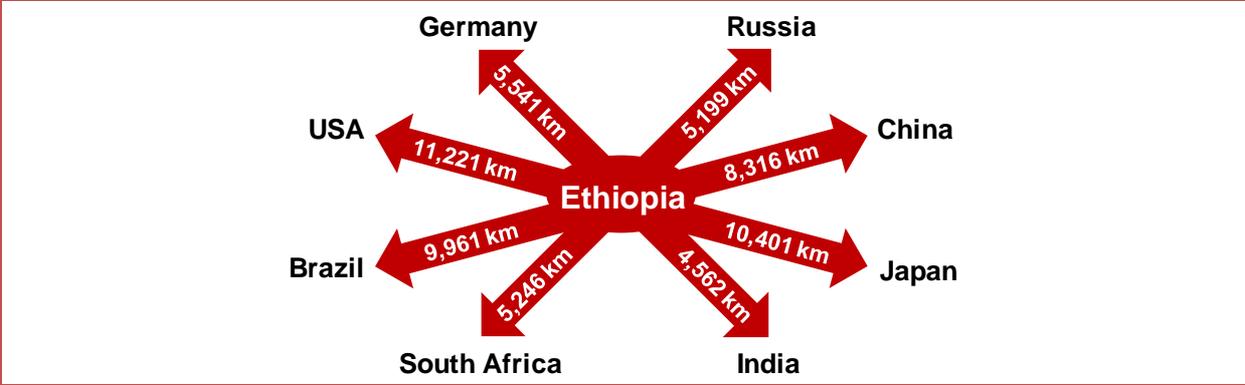
As regards labor costs, a recent World Bank study affirms that Ethiopia is already cost competitive with China in manufacturing textile and garments and other labor-intensive light manufacturing industries (Dinh et al. 2012).

At the same time, Ethiopia is centrally located in the global economy, within non-stop transport distance to all major markets, being roughly equidistant between the United States and Japan,

¹ Ethiopia has achieved a massive increase in school enrolment at the primary, secondary and post-secondary levels over the past two decades with a major contribution from public spending on education, which reached 5.5% of GDP in 2008/09, one of the highest rates in Africa. See One.org, "Ethiopia's progress in education" July 27, 2011, <http://one.org/livingproof/en/article/ethiopias-progress-in-education/>. School enrolment is now over 20 million, including about 4 million in secondary schools and 265,000 in tertiary education (see UNESCO, Global Education Digest 2011, Tables 6 and 10).

between China and Brazil, between Europe and India, and between Russia and South Africa (Figure 1).

Figure 1: Ethiopia’s Distances to G7 and BRICSA Economies



Source: CEPII Distance Data.

Moreover, reforms to trade logistics are about to dramatically shrink the effective distance between Ethiopia and global markets. Addis Ababa is already the main air hub for Africa and the home of Ethiopian Airlines, which carries two thirds of Africa’s air freight and has just significantly extended its cargo capacity and range. The infrastructure program now underway will stitch the country’s internal economy together and connect that economy to global markets with new, high speed rail and road corridors. For the internal market, this will do for Ethiopia what the United States accomplished by building its Interstate Highway network in the 1950s and what China did with its rail and road program in the 2000s. For international trade, this will position Ethiopian industrial parks closer to fully modern seaport facilities than Munich is to Rotterdam, on the trade route that accounts for 30% of global container traffic and connects East, South and West Asia to Europe and the Americas. Ethiopia’s location on this trade corridor has always been its natural advantage.²

This paper is organized as follows. Section 2 provides a brief overview of Ethiopia’s investment prospects at the macroeconomic level. It reviews trends and prospects for real growth, inflation, and external performance including the exchange rate, trade and the balance of payments. As well, it provides a macro scan of overall economic management and performance indicators and a horizontal scan of the framework for investment, overall investment trends, and the challenges that Ethiopia faces to sustain its resurgence. Section 3 reviews the global trends that are coming together to provide Ethiopia an opportunity to integrate its economy into the modern “Made in the World” system of production, including the migration of labor-intensive production out of China. Section 4 summarizes the investment prospects in major sectors of the economy in light of these developments: agriculture, mining, oil & gas, economic infrastructure, manufacturing, and selected services, including tourism and health. Section 5 discusses and draws conclusions.

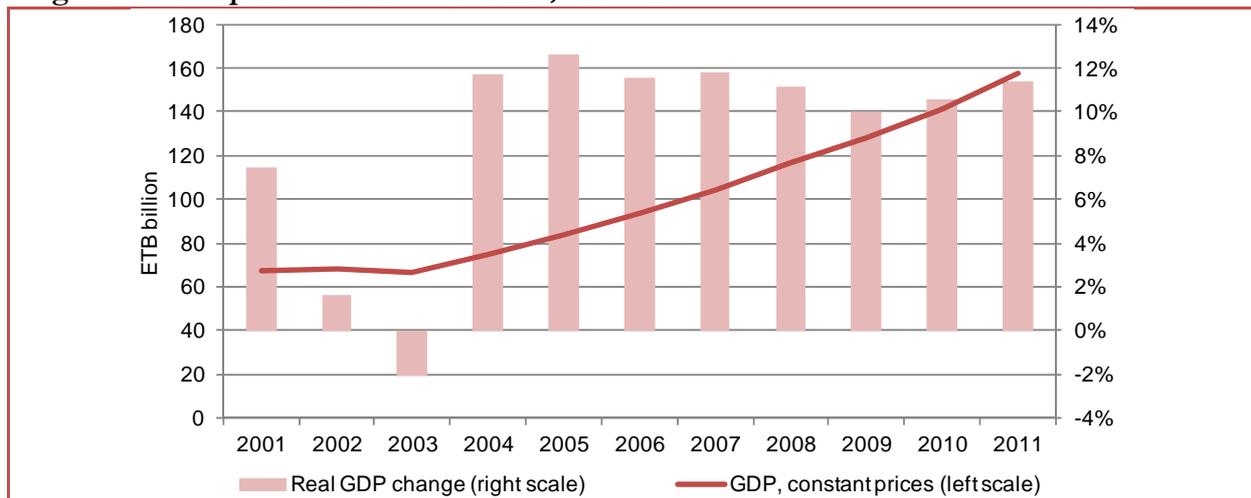
² The Axumite Empire of Ethiopia, which flourished as one of the five most powerful kingdoms in the world during the first millennium AD, drew its strength from its control of Red Sea trade. In building its new connections to global markets, Ethiopia is in effect restoring the basis of its historic prosperity.

2 ETHIOPIA'S INVESTMENT ENVIRONMENT

2.1 Macroeconomic Scan

Ethiopia has been one of the fastest-growing countries world-wide since 2003. The growth momentum is expected to be sustained in 2012 and 2013, although at a slower pace in the 7% range.³ Excluding oil and gas exporters, only China has outpaced Ethiopia in the last eight years.

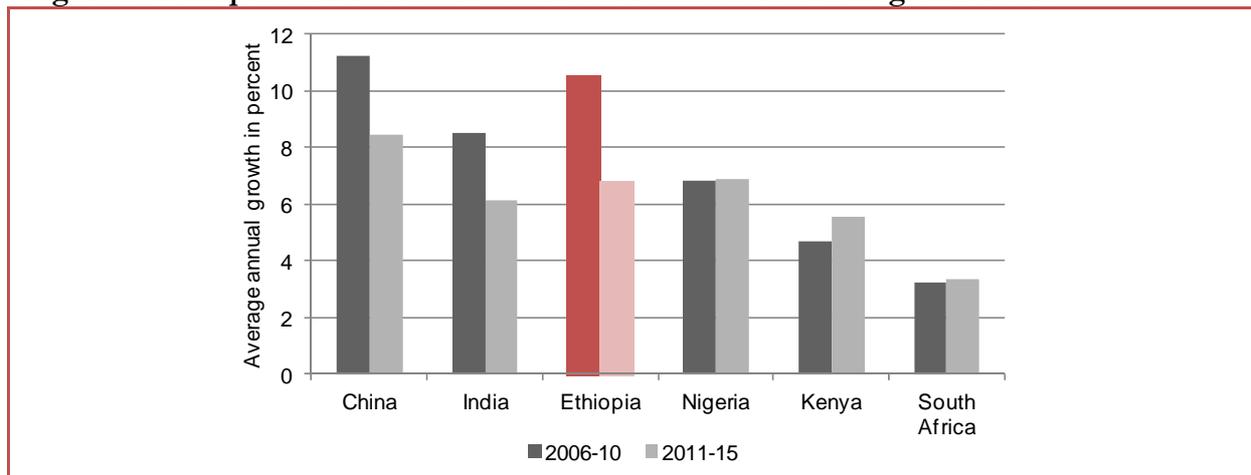
Figure 2: Ethiopia's Real GDP Growth, 2001-2011



Source: Own calculations based on IMF World Economic Outlook, October 2012, and Central Statistical Agency National Accounts data. See notes to Figure 14.

Although forecast growth is well below the ambitious growth projections under the Growth and Transformation Plan (GTP) of between 11.2% and 14.9%, it still places Ethiopia among Africa's and the world's growth leaders over the medium term.

Figure 3: Ethiopia's GDP Growth vs. Global Pacesetters and Regional Peers

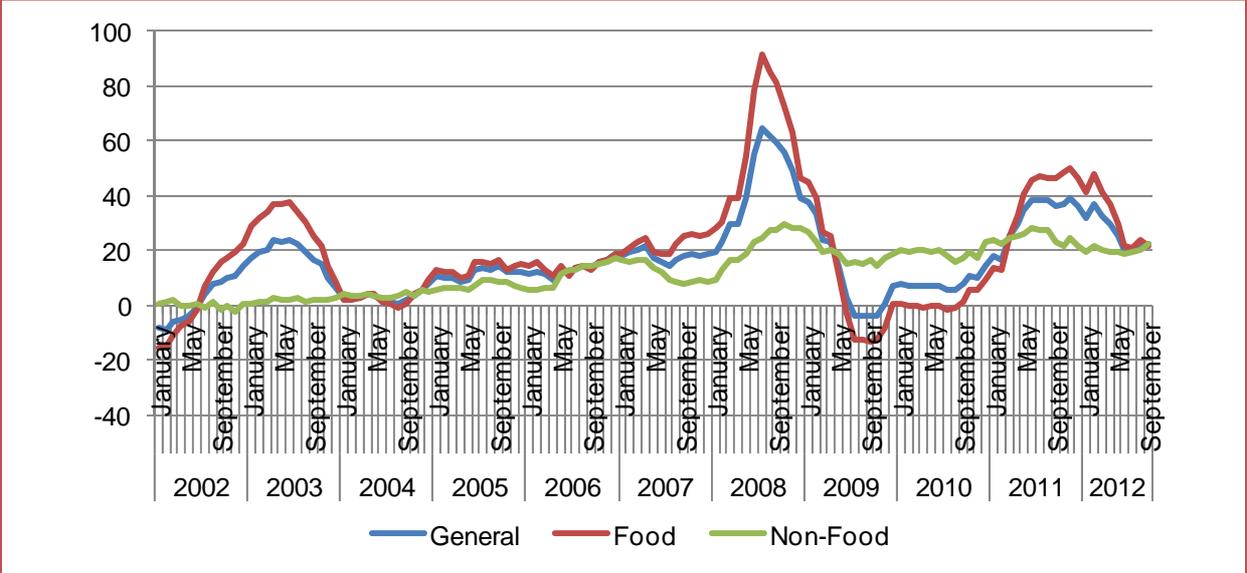


Source: Own calculations based on IMF World Economic Outlook, October 2012, and Central Statistical Agency National Accounts data. See notes to Figure 14.

³ The African Development Bank (2012) forecasts growth in the 7% range for 2012-2013; the IMF forecasts 7% in 2012, slowing to 6.5% in 2013. See IMF (2012).

Headline inflation has been strongly affected by volatility in food prices, much of it reflecting international price developments and the exchange rate adjustment. Non-food-price inflation has been steady but relatively high at approx. 20% (Figure 4). While the temporary surge in headline inflation in 2011-2012 was worrisome, inflationary pressures have since eased as the effects of some of the shocks that had contributed to the surge—including the rise in import prices following the currency devaluation in September 2010, steep international commodity price increases, and drought—have run their course. IMF analysis suggests that Ethiopia is in a position, given appropriate monetary policies (in particular increases in interest rates), to restore a reasonable measure of macroeconomic stability (IMF, 2012a). A restoration of positive real interest rates would also activate the treasury bill market which would facilitate monetary policy management and mobilize domestic savings which in turn would provide the basis for the investment required to maintain the pace of development. Inflation declined over the course of 2012, and the most recent IMF projections (IMF, 2012a) suggest the measures taken will result in inflation being contained to single digits over the medium-term horizon.

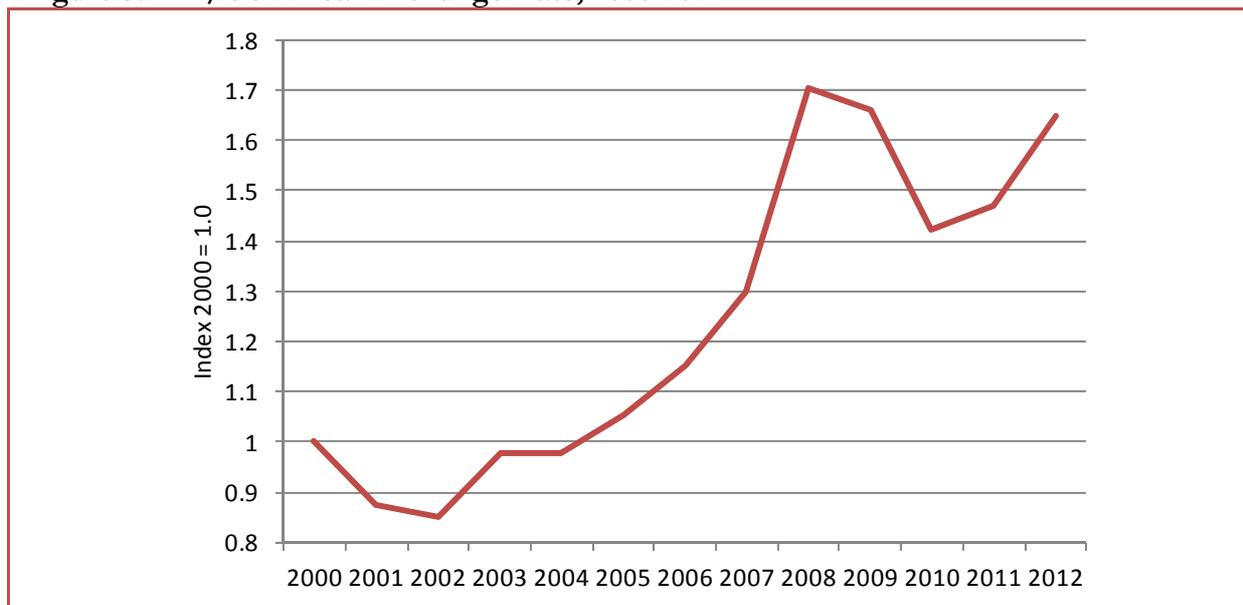
Figure 4: Inflation Trends: Rolling Monthly Year-On-Year Inflation Rates in %, 2002-2012 (September)



Source: Central Statistical Agency

After appreciating steeply during much of the past decade, Ethiopia’s real exchange rate temporarily returned to more competitive levels due to a series of nominal exchange rate adjustments in 2009 and 2010, but this trend reversed in 2012, therefore calling for renewed policy attention (Figure 5).

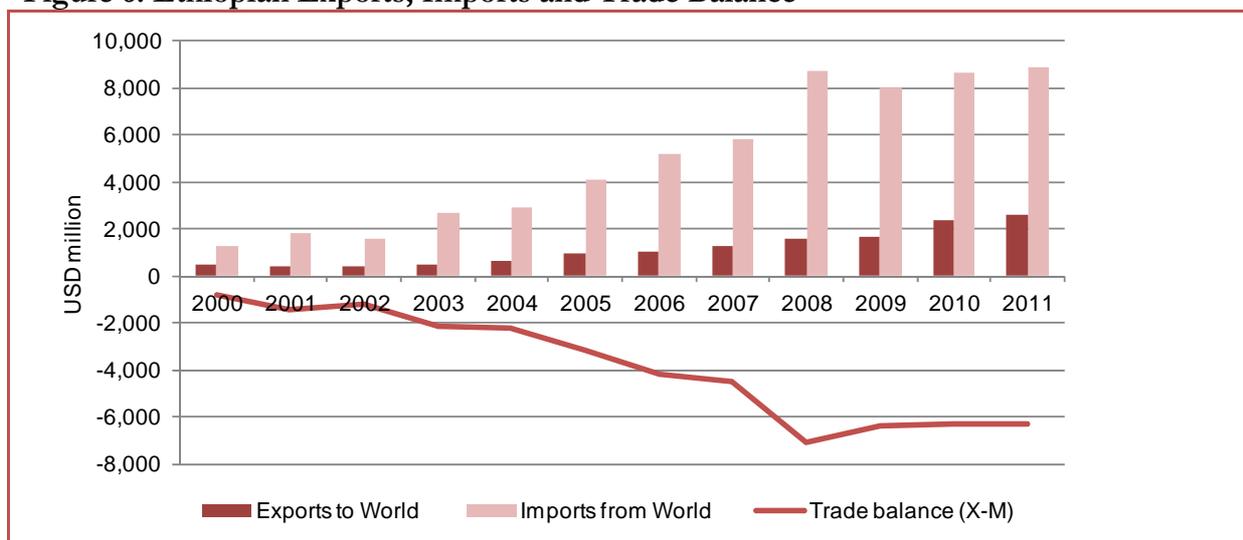
Figure 5: Birr/USD Real Exchange Rate, 2000-2011



Source: National Bank of Ethiopia, own calculations.

Ethiopia’s international trade has grown rapidly over the past decade (Figure 6). Until 2008, import growth was especially strong, reflecting not only Ethiopia’s rapid industrialization but also the real exchange rate appreciation. Export growth picked up strongly in 2010 and 2011 following the real exchange rate adjustment, which has resulted in a stabilization of the trade deficit, although there was a significant slowdown in the final quarter of 2011, which the National Bank of Ethiopia attributed to both reductions in volumes of major export products and the pace of international prices of the export products.⁴

Figure 6: Ethiopian Exports, Imports and Trade Balance

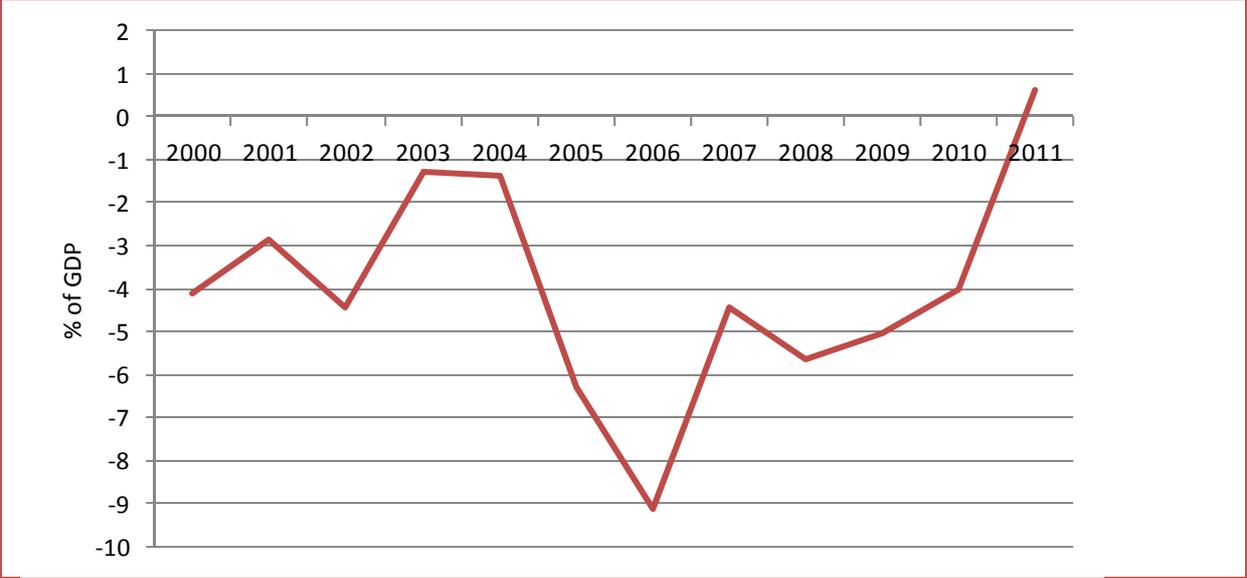


Source: Own calculations based on UN COMTRADE data.

⁴ National Bank of Ethiopia, Quarterly Report, Second quarter 2011/12, at p. 2.

Ethiopia’s external position is vulnerable to terms of trade shocks from international food and fuel price movements and to weather-related shocks, such as the current East Africa drought. However, the stabilization of the trade balance and strong growth in remittances have improved the current account position significantly since 2008 (Figure 7). Together with continuing public transfers, this has strengthened Ethiopia’s balance of payments substantially: indeed, Ethiopia recorded a comfortable balance of payments surplus of almost USD 1.45 billion or over 4% of GDP in the fiscal year 2010/11, before registering a shortfall of USD 1.2 billion in 2011/12 (IMF, 2012a); the IMF Article IV projections assume modest surpluses over the medium term (IMF, 2012a).

Figure 7: Current Account as Percent of GDP, 2000-2011



Source: IMF World Economic Outlook, October 2012.

2.2 Policy Framework

Ethiopia’s economic policy framework is set out in the Growth and Transformation Plan (Ministry of Finance and Economic Development, 2010). This plan involves government stepping in where there are apparent market failures (e.g., trade logistics), the identification of strategic sectors to drive economic growth (textiles, leather, agro-processing, and mining), and an ambitious program of economic infrastructure development (transport, energy, telecommunications), together with the continuing drive to meet the socioeconomic Millennium Development Goals by 2015, and to achieve middle-income status for Ethiopia by 2020–23. Framed in terms of the developmental state model of industrial policy, the Plan applies all the tools of traditional industrial policy:

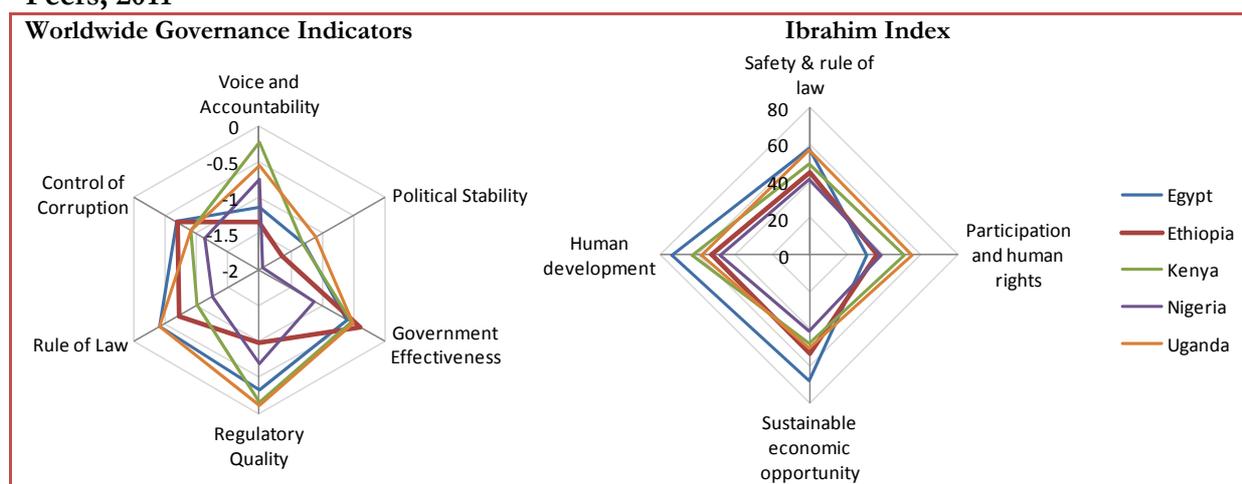
- targeted financial support, such as subsidies, loans from domestic policy banks, and equity participation, including setting up public corporations or, where necessary to address a market failure, nationalization of firms or even industries (as it recently did with the trade logistics industry which was folded into Ethiopian Shipping Lines);
- trade policies that favor export-oriented and import-substituting industries;

- tax incentives, including import duty exemptions, tax holidays, etc. that promote priority sectors, particularly where these sectors face particular handicaps such as the currently inadequate trade logistics;
- strategic government procurement (e.g., assured profit margins for domestic pharmaceutical manufacturers in government health-care procurement);
- investment in specific supporting economic infrastructure, and/or
- regulatory exemptions to attract, preserve or foster the growth of particular industries, including by attracting foreign direct investment.

The scale of public involvement is large: for the five-year GTP period, the sum of budgetary government spending and off-budget spending by public enterprises is programmed to reach ETB 1.26 trillion or an average of 41% of GDP, disproportionately weighted to capital spending.

As regards policy delivery, overall governance is comparable to African peers – Ethiopia is in the middle of the pack on most indicators, with the strongest suit being government effectiveness, an area where there has been marked improvement since 2000 (Figure 8).

Figure 8: Worldwide Governance Indicators & Ibrahim Index – Ethiopia vs. Regional Peers, 2011



Source: Own calculations based on Worldwide Governance Indicators and Ibrahim Index.

The 2013 edition of the World Bank’s *Doing Business* ranks Ethiopia 127 out of 185 economies in terms of overall “Ease of Doing Business”. This is roughly in line with the average score of regional peers (Figure 9). Ethiopia’s relatively low rank is mainly the result of low scores in three sub-indices: “getting credit”, “trading across borders”, and “protecting investors”.

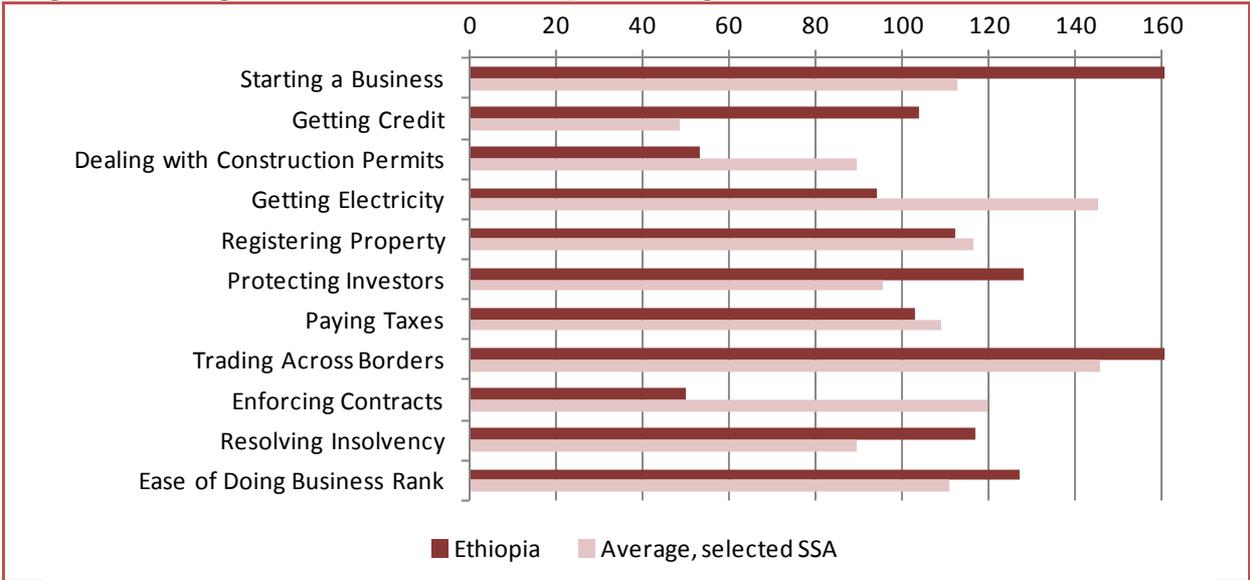
The first of these indicators is of limited importance to foreign investors, which rarely source funding on the destination country’s capital market.

With regard to the facilitation of trade across borders, Ethiopia’s low score is confirmed by the World Bank’s Logistics Performance Index (LPI), which measures on-the-ground trade logistics performance. The 2012 edition of the LPI ranks Ethiopia at number 141 out of 155 economies,

down from number 123 in 2010. However, as discussed in the introduction, major initiatives are currently under way to improve trade logistics. These include: new high-speed rail and multi-lane highway connections to the main port of Djibouti and improved border connections to neighboring countries; reforms to shipping logistics through the consolidation of the management of Ethiopian Shipping Lines, logistics operators and interior dry ports; and the establishment of new industrial parks for export production in which all firms will benefit from the Authorized Economic Operator (AEO) procedures for dealing with import and export processes.

With regard to protection of investors, Ethiopia provides an attractive policy regime for foreign investment in terms of protection of investments and repatriation of profits: The Constitution and the Investment Law protect private property and assure the repatriation of capital and profit. No restrictions are made on the modality of participation, nor does Ethiopia discriminate between domestic and foreign investors. Investments can also benefit from guarantees from the Multilateral Investment Guarantee Agency (MIGA), and from measures in Ethiopia’s Bilateral Investment Promotion & Protection Treaties (BIPPTs).

Figure 9: Doing Business Ranks – Ethiopia vs. Regional Peers, 2012



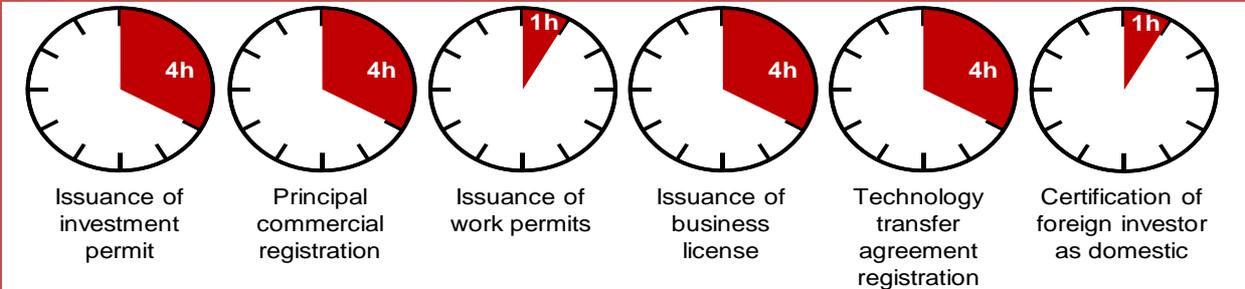
Note: Selected SSA is the simple average of Kenya, Nigeria, South Africa, Sudan and Uganda.
 Source: Own calculations based on Doing Business Index 2013.

There is also a comprehensive set of incentives, particularly for investors in priority sectors:

- Exemption from the payment of customs duty on capital goods and construction materials and on spare parts whose value is not greater than 15% of the total value of the imported capital goods;
- Income tax exemption from two up to seven years for manufacturing or agro-processing and agricultural investments;
- Carry forward of losses: half of the tax holiday period;
- Several export incentive schemes, such as a Duty Draw-Back scheme, a Voucher scheme, a Bonded Manufacturing Warehouse scheme, and an Export Credit Guarantee scheme.

Finally, the process for approval of investments has been expedited—recently passed legislation will make a reality of the promise of one-stop shopping for investment approvals. Together with pre-approval and post-approval services to foreign investors (facilitation & aftercare services), foreign investors can expect to obtain the necessary approvals within a few hours (Figure 10).

Figure 10: Duration to Obtain Approvals for Foreign Investors

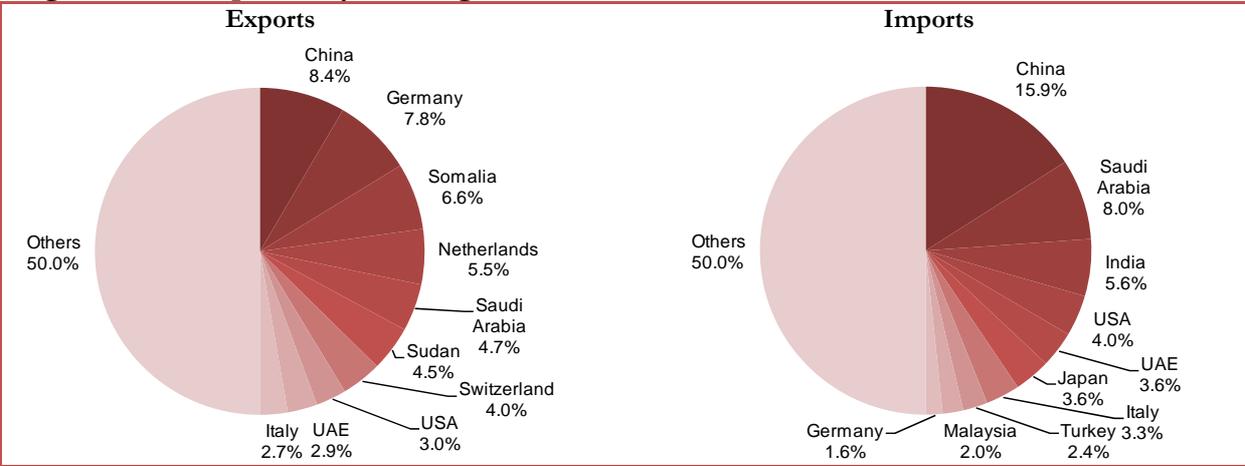


Source: Ethiopia Investment Agency.

2.3 Ethiopia’s Global Integration: Trade and Investment Trends

In terms of geographical trade patterns, while China and India have been the most important sources of Ethiopian imports, China has also become Ethiopia’s most important foreign market in recent times (Figure 11).

Figure 11: Ethiopia’s Key Trading Partners, 2009-2011

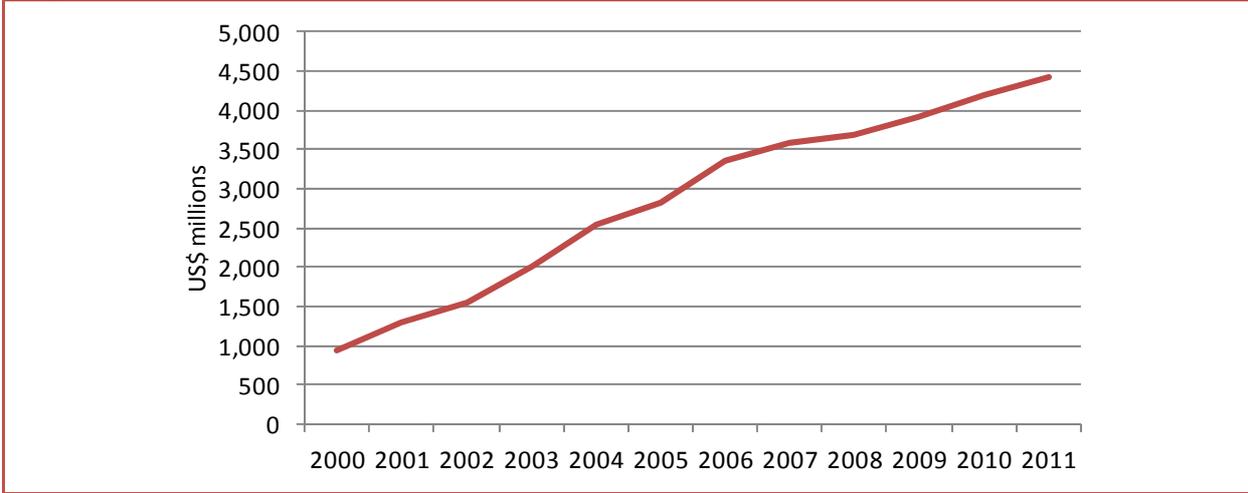


Source: Own calculations based on UN COMTRADE data.

At the same time, exports reflect Ethiopia’s global position at the cross-roads between the East and the West. It is telling, therefore, that the three most important destinations of Ethiopia’s exports are China (east), Germany (west), and Somalia (region). This pattern of export markets ensures that Ethiopian exports are not vulnerable to business cycles in any one of the global regions.

The stock of inward FDI in Ethiopia has grown steeply in the past decade, although the rate of accumulation has slowed since the onset of the global crisis in 2008. The level in 2011 was almost five times the level in 2000 (Figure 12).

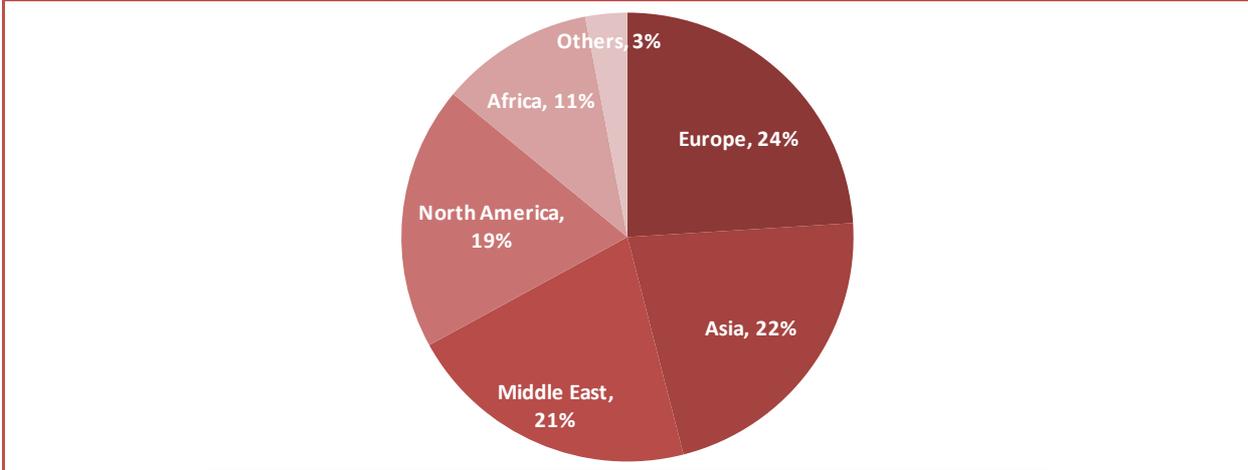
Figure 12: Inward FDI Stock, 2000-2011



Source: UNCTAD.

Like Ethiopia’s trade, its sources of FDI are remarkably diversified. This is another indicator of how central Ethiopia is in the global economy, taking distance and size of economic partners into account (Figure 13).

Figure 13: Sources of Foreign Direct Investment in Ethiopia



Source: Ethiopia Investment Agency.

2.4 Summary of Macroeconomic Environment

Ethiopia’s growth is underpinned by a wide range of factors. Foreign investment is pouring in from all over the world and into a wide range of sectors, corroborating the impression obtained from analysis of the statistics. In summary, Ethiopia macroeconomic features a number of important positive developments:

- Strong growth based on an increasingly diversified economy;
- Stable non-food price inflation;
- Increasing exports to a diversified range of markets;
- Improved trade balance; and
- Stable economic policies and investor protection framework.

At the same time, there remain some important macro challenges, most notably the combination of still high and volatile headline inflation rate, renewed upward pressure on the real exchange rate, and the negative real interest rates. This situation, which generates a broad range of macroeconomic management challenges for the authorities, constrains the growth of the savings needed to fuel Ethiopia's investment requirements.

Figure 14: Development of Key Economic Indicators of Ethiopia, 2001 - 2011

	Source*	Notes	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Growth & inflation													
GDP at current market prices, ETB billion	IMF, CSA	1-3	68.0	66.6	73.4	86.7	106.5	131.6	172.0	248.3	335.4	382.9	511.2
GDP at current market prices, USD billion	IMF, CSA	1-3	8.2	7.8	8.6	10.1	12.3	15.2	19.6	26.6	32.2	29.7	31.3
GDP constant prices, ETB billion	IMF, CSA	1, 3, 4	66.9	68.0	66.6	74.4	83.8	93.5	104.5	116.2	127.8	141.4	157.5
GDP constant prices, % change	IMF, CSA	1, 3, 4	7.4	1.6	-2.1	11.7	12.6	11.5	11.8	11.2	10.0	10.6	11.4
Inflation, average consumer prices, %	IMF		-5.2	-7.2	15.1	8.6	6.8	12.3	15.8	25.3	36.4	2.8	18.1
External performance													
Nominal exchange rate ETB/USD	CSA		8.33	8.54	8.58	8.63	8.65	8.68	8.79	9.24	10.42	13.00	16.00
Real exchange rate ETB/USD, Index 2000=1.00	NBE	5	0.90	0.80	0.90	0.95	0.98	1.06	1.18	1.34	1.64	1.34	1.24
Exports to World, current USD billion	UN		0.40	0.41	0.51	0.61	0.93	1.04	1.28	1.60	1.62	2.33	2.61
Imports from World, current USD billion	UN		1.81	1.59	2.69	2.87	4.09	5.21	5.81	8.68	7.97	8.60	8.90
Trade balance (X-M), current USD billion	UN		-1.41	-1.18	-2.17	-2.26	-3.17	-4.16	-4.53	-7.08	-6.36	-6.27	-6.28
Current account balance, % of GDP	IMF	1	-2.9	-4.5	-1.3	-1.4	-6.3	-9.1	-4.5	-5.6	-5.0	-4.4	-0.2
FDI													
Inward FDI stocks, current USD billion	UNCTAD		1.29	1.55	2.01	2.56	2.82	3.37	3.59	3.70	3.92	4.10	..
FDI inflows, current USD million	UNCTAD		349.4	255.0	465.0	545.1	265.1	545.3	222.0	108.5	221.5	184.0	..
Net FDI inflows, BoP data, current USD million	NBE	1	123.3	150.0	150.0	365.1	521.2	814.6	893.7	956.4	1,229.5
Capital of approved FDI projects, ETB billion	NBE	1	2.92	1.47	3.37	7.21	15.41	19.98	46.95	92.25	73.11	55.17	45.92

*Sources: IMF – IMF World Economic Outlook Database, October 2012; CSA – Central Statistical Agency National Accounts 2011; NBE – National Bank of Ethiopia Annual and quarterly reports, various editions; UN – UN COMTRADE Database; UNCTAD – UNCTAD database.

Notes:

1. Data refer to fiscal years (July 8/July 7). Data for 2011 represent fiscal year 2010/11.
2. According to IMF source notes this is GDP at factor costs; see however the notes in CSA.
3. Values for 2010 and 2011 have been adjusted based on CSA latest data which appear not to have been reflected in the IMF data.
4. GDP at factor cost.
5. Own calculations based on stated source.

3 THE EVOLVING BUSINESS LANDSCAPE

Today, it is understood that economic development is not a simple linear process of moving from agrarian to industrial, to services and finally to knowledge-based economic structures. Nor is integration into the global economy simply conceived as a process of increasing specialization – a narrowing of the production palette as each economy focuses on doing what it does best. Rather, economic development is understood as involving a massive diversification of production and trade (Imbs and Wacziarg, 2003), of developing new capabilities as well as capitalizing on existing ones. It is understood to involve the development of industry to increase the productivity of the agricultural base, as well as the development of agricultural feedstock for downstream industrial development. It is understood to mean the development of services in order to enable industry to compete globally. And it is understood to ultimately depend on the development of knowledge and human capital to enable the evolution of the complex ecology of products, functions and businesses that comprise the modern economy. Development thus involves a profound structural transformation of an economy.

More particularly, the evidence regarding the “how” of achieving this structural transformation clearly points to the role of manufacturing, typically as part of global value chains, as a critical factor in providing more productive jobs for workers otherwise employed in subsistence agriculture and informal urban work. This issue was recently explored in detail in a World Bank study on the role of light manufacturing in development (Dinh et al., 2012). This study observes that Sub-Saharan Africa’s turnaround in the 2000s was fueled in large part by resource exports and improving terms of trade from the commodity price boom (including for oil, agricultural products and the metals and minerals sector). However, labor-intensive light manufacturing, which led the economic transformation in East Asia and elsewhere, was not a major contributor, reflecting the region’s marginalization in this area during the period of Asia’s rise, notwithstanding for the most part tariff-free access to US and EU markets.

The role that manufacturing plays in an economy has recently received considerable attention in the context of the debate over de-industrialization in the advanced economies and the resurgence of interest in industrial policy (Ciuriak, 2011). Several salient points have been emphasized in this discussion. First, manufactured goods dominate exports. Manufactured goods also serve as the main conduit for export of business services: services are exported to a greater extent as value-added basis embedded in exported goods than on a cross-border services trade basis.⁵ Moreover, increasingly the direct export of services is contingent on the exports of goods (e.g., after-sales services provided by manufacturing firms – the so-called “servitization” of manufacturing; Neely et al., 2011). Second, manufacturing accounts for a greatly disproportionate share of innovation; for example, in the United States, the share of industrial sector R&D conducted by manufacturing firms is on the order of 70% (Tassey, 2010). By the same token, manufacturing firms provide a substantial portion of a country’s domestic innovation infrastructure—which is as important for absorption and adaptation of existing technology as it is for the development of new technologies. Third, manufacturing has important linkages throughout the economy. Manufacturing is connected upstream and downstream to agriculture, the resource industries, construction, transportation, telecommunications, utilities and services, as well as serving as a major driver of activity in those sectors. Importantly, manufacturing anchors business services which tend to co-locate with manufacturers.

Accordingly, the ability of an economy to effectively use trade to drive development depends importantly on its ability to grow its manufacturing sector, which then serves as the vehicle for exporting embodied business services and for the development of technological capabilities.

Historically a major problem for bootstrapping a manufacturing sector into existence from the foundations of an agricultural or resource-based economy was the “missing markets” or coordination problem in development. The production of any good requires a range of complementary inputs and services which are the outputs of other firms or industries. In a developing country context, therefore, a potentially viable start-up in one sector might require simultaneous investments in other sectors. While a major multinational firm might have the

⁵ See Koopman et al. (2010) Table 4 for a decomposition of sector shares of value added of domestic exports.

wherewithal to establish its own supply chain (as McDonalds did when it entered the Russian market during the Soviet era), the gaps in the supply of inputs in an under-developed economy may defeat any would-be indigenous start-up (with cascading impacts on other potential start-ups that might depend on inputs from the first).⁶ The extent to which this idea has gripped the development community suggests observers on the ground sense this to be an important problem in developing countries. The role of government policies in addressing the missing markets problem in Taiwan and South Korea is described by Rodrik (1994). Ciuriak (2010) found that the very small number of Ethiopian firms represented an important obstacle to its trade development; the presence of few firms implies many missing markets.

Considered in light of the missing markets problem, the modern “made in the world” production paradigm can be seen as a solution, enabling firms in developing economies to plug into much more complex production processes, which would not be possible in a purely domestic context.

At the same time, the ability of a country to plug into global value chains depends on (a) the existence of a formally organized manufacturing sector, given the contractual requirements of such participation; and (b) competitive trade logistics.

Consistent with this understanding, the development of priority sectors highlighted in Ethiopia’s Growth and Transformation Plan also anticipates the evolution of value chains, upstream and downstream from the core activity, many of which involve manufacturing as well as services. As well, a major focus on the GTP is improved trade logistics.

Importantly, Ethiopia is mounting its push for industrialization at an opportune time, when East Asia’s labour cost advantage is being eroded by wage growth and some light manufacturing activity is searching for lower-cost locations. As well, it is mounting its push in light of the lessons learned from the East Asian experience – in the Asian metaphor of the “flying geese”, African economies are joining the geese in what is a proven development strategy.

4 SECTORAL INVESTMENT OPPORTUNITIES IN ETHIOPIA

Ethiopia will offer a much changed business landscape as this transformation process unfolds. To understand the implications in terms of business and investment opportunities, a closer look is necessary at what is happening at the sectoral level. We consider the following sectors, taking into account the role of the sector in the Ethiopian economy, the factors that are driving growth

⁶ The theoretical exploration of this idea goes back to Rosenstein-Rodan (1943) who noted that, if various sectors of the economy adopted increasing returns technologies simultaneously, they could each create income that becomes a source of demand for goods in other sectors, and so enlarge their markets and make industrialization profitable jointly where it would not be individually. Scitovsky (1954) concluded that problem arose due to the absence of adequate price signals for investment. Scitovsky went on to observe, the problems of coordination would be much more severe in under-developed economies. Arrow’s rejoinder that futures markets could provide the signaling for investment, which Scitovsky acknowledged, left the theory resting on incomplete markets. For a modern treatment of this idea in terms of multiple equilibria, see Murphy, Shleifer and Vishny (1989).

and development in the sector, the policy framework, and a discussion of opportunities and challenges both within the core activities in the sector and in the various ancillary activities and upstream and downstream supply opportunities:

- agribusiness;
- mining and oil & gas;
- economic infrastructure;
- manufacturing;
- tourism and health services.

4.1 Agribusiness

Ethiopia is the 27th largest country in the world by land size and is endowed with significant agricultural resources. Historically, Ethiopia has produced large amounts of maize, sorghum, barley, and wheat along with the Ethiopian staples of teff and coffee. However, given its diverse topography and geographical location the country is suitable for growing practically any type of crop and vegetable: indeed, while Ethiopia lies within the tropics, temperatures range from a mean annual high of 86 degrees Fahrenheit to a mean annual low of 50 degrees Fahrenheit.

Approximately 85% of the Ethiopian population is employed in the agricultural sector and thus has some of the skillset required for expanding agribusiness. The policy environment for the development of the private sector's role in agribusiness is also very supportive. Ethiopia has consistently sought to leverage its agricultural base for industrial development. In line with the Agricultural Development Led-Industrialization (ADLI) strategy and building on the lessons learned from past plans and programs, the Growth and Transformation Plan (GTP) continues to rely on agriculture as a major source of economic growth.

The commercialization of smallholder farming will continue to be the major source of agricultural growth under the GTP, supported by policies to increase productivity of smallholders. At the same time, the GTP's Agriculture Growth Program emphasizes a shift to high value crops and the development of large-scale commercial agriculture where it is feasible (e.g., in the lowlands). To these ends, concerted support is to be given to increase private investment in large commercial farms, including through public investment in relevant infrastructure, such as water supply for irrigation. As well, the GTP emphasizes the development of intensive agricultural production in the highlands and in areas where basic infrastructure is available.

Ethiopia's most important cash crop remains coffee, a product which originated in Ethiopia's highlands. However the production of fresh fruits and vegetables, oilseeds and most recently of cut flowers has contributed substantially not only to GDP but also to export performance. Sub-sectors with substantial opportunities for new investment include: plantation crops (such as tea, and tobacco); oil crops and cotton; fish farming; horticulture and floriculture (fruits, vegetables and flowers); livestock and poultry (Ethiopia's livestock resources are the largest in Africa, and the tenth largest in the world); and forestry and forest by-products.

Ethiopia has already learned the business model for developing export-oriented time-sensitive industries such as cut flowers and fresh vegetables. It is now intent on building on this experience by:

- making more intensive use of existing farmed land, especially that in the proximity of urban centers where intensive agriculture-based industrial clusters will be viable; support will include the development of green house facilities and irrigation systems, together with programs to enhance the role of breeders and seed suppliers, and to expand the number of horticulture investors, input suppliers, and service providers within the sub-sector.
- bringing under cultivation substantial portions of the 80% of its arable land that presently is not being cultivated;
- expanding the use of commercial-scale farms to increase productivity and to develop exportable cash crops;
- addressing input supply constraints, including irrigation, fertilizer, seeds, and smallholder-farm knowledge base;
- continued improvements in infrastructure to allow presently isolated communities to plug into commercial opportunities; and
- promoting foreign direct investment in commercial agriculture and downstream agro-processing industries.

Under the GTP, the Government of Ethiopia plans to maintain an organized land bank, which will be made available for lease for commercial scale agriculture. Efforts will be made to attract both foreign and domestic investors. The policy intent is that the production of commercial farms be primarily for export or to provide raw materials for industries. The GTP identifies cotton, date palm, tea, rubber, and similar agricultural products as desirable, although production of food crops will be encouraged in a double cropping system. In the coming five years, over 3 million hectares of land is to be identified and prepared for transfer to investors; the government has also indicated that it will be prepared to provide tangible support to private investors to enhance their investment in commercial agriculture.

Various analyses, including Dinh et al. (2012), suggest that Ethiopia can, with well-rehearsed and for Ethiopia technically feasible policy reforms, make quantum leaps in its ability to capitalize on its rich agricultural base to develop downstream industries and create jobs. The expansion of output and exports that is identified is in the scale of orders of magnitude.

According to interviews conducted in the Ethiopia Business Landscape Survey 2012, firms have been able to successfully function in Ethiopia in the current formal policy setting, and confirm that planned improvements to Ethiopia's trade logistics, including improved rail and road export corridors and the application of the authorized economic operator concept by customs will have a further dramatic effect in facilitating the conduct of time-sensitive business in Ethiopia.

Ethiopia has been able to attract investment in its agriculture "upstream" production from diversified sources, including from China, India and Saudi Arabia, as well as into the "downstream" food and beverage processing and marketing sectors. Given the growing number

of commercial scale investments in the agribusiness sector, the opportunity for ancillary and supporting service businesses, as well as joint ventures, is also becoming sizable. The existing supply web for agribusiness in Ethiopia remains inadequate to meet all needs, leading some firms to self-supply across the entire agribusiness value chain, beginning with production of inputs, then processing, and finally marketing/distribution; at the same time, they have expressed interest in outsourcing many non-core functions. There is accordingly a wide range of opportunities upstream and downstream of the sector's core operations.

4.2 Mining, Oil & Gas

Ethiopia's varied geology endows it with a wide variety of minerals including gold; platinum and platinum group elements (PGE); tantalum and other metals such as copper, iron, lead, nickel and zinc; gemstones such as ruby, emerald, sapphire, garnet, opal, etc.; decorative and dimension stones such as marble and granite; and various industrial minerals such as potash, phosphorous, coal, marble, limestone, and soda ash. There is also significant potential in oil and gas (as well as in commercial-scale geothermal energy within the Rift Valley, where pilot exploration drilling has proven the existence of steam capable of generating geothermal power).

Despite the mineral potential suggested by its geology, Ethiopia was not a mining hub until very recently. The accelerating mining sector boom is being driven by several factors:

- The rich resource base that is only now being brought to light by systematic mapping: Geological-related mapping is to be increased from 50% to 100%, and evaluated and delineated areas of potential industrial exploration from 48% to 77%, of Ethiopia's land mass over the period to 2015;
- Strong global demand for resource products;
- Attractive terms and incentives for mining sector investment, including generous terms for royalty rates and income taxation, and security of tenure; and
- Strong engagement by the private sector, including entry into Ethiopia's mining sector by major players in the global mining industry.

Reflecting these developments, in 2010 and 2011, mining was the fastest growing sector in the economy, averaging growth of about 50% per year in real terms. The intensified exploration has resulted in a series of new discoveries, including of gold, tantalum and potash, which position Ethiopia to strengthen output growth over the coming years as new production sites come on stream.

The mining and oil & gas sector is strategically important to Ethiopia's growth. The goal of the Government of Ethiopia is to facilitate the establishment of a large and diverse private-sector-based minerals industry to help underpin industrial development, generate foreign exchange earnings, provide employment opportunities, and help to alleviate poverty.

The mineral sector was opened up to private investors in 1991. The Mineral Operations Regulations in 1994 further helped to create an environment conducive to private investment.

Mining laws and regulations provide for attractive royalty terms for investors while also addressing sector-specific topics such as environmental protection, community development, and worker health and safety. In addition, to foster competition, the law prevents companies from holding licenses for lengthy periods without demonstrable activities.

Ethiopia has been able to attract investment from a range of top-tier and junior mining companies from around the world. The emergence of a world class mining sector in Ethiopia spells opportunities not only for the extractive industries but also for the myriad suppliers and downstream applications of mined resource products, including in the first instance industrial materials manufacturers who can take advantage of the raw material supply, inexpensive labor, and low-cost energy supplies. Mining generates demand for a wide range of supporting services, including water supply (including efficient water management through recirculation), energy supply (including renewable and geothermal), transportation, specialized financial services, maintenance of machinery and equipment, human resource training, information technology (including remote sensing), and so forth. In addition, the infrastructure and logistics developed to serve the extractive industries directly also enable downstream processing and value-added activities. For example, Ethiopia's tantalum producer is aiming to engage in developing tantalum-based industrial products such as tantalum wire.

The main issues facing mining companies—transportation logistics and trained personnel—are being addressed by the government through supporting infrastructure development and by the private sector with, for example, the establishment of a mining engineering program at Unity University, which received accreditation at the beginning of 2012.

4.3 Economic Infrastructure

Ethiopia is mounting a highly ambitious economic infrastructure development program. The program has already resulted in significant expansion of installed electricity capacity and distribution, road length, water and sanitation supply, and telecommunication services throughout the country. Its infrastructure indicators now compare relatively well in some areas with low-income country peers. As well, it is starting to develop its infrastructure connections to neighboring countries, including transportation and power links.

The overall objectives in this area are, however, far more ambitious:

- A quintupling of Ethiopia's power generation capacity;
- A major upgrade to its network of trunk roads;
- Substantial expansion of its rail corridors, including a new heavy-duty, high-speed rail link to Djibouti, Ethiopia's main export port, a link to Lamu Port in Kenya, and the development of an expanded internal rail network;
- A further major expansion of its telecommunications capacity; and
- Further major expansion of water supply.

While the Government is the sole direct provider of infrastructure, opportunities for private sector investments abound both in terms of providing services (e.g., France Telecom has been brought in to manage Ethio Telecom), and in terms of supply chains that surround infrastructure development (e.g., China's TE has developed solar power solutions to enable the extension of telecommunication services to remote areas which lack conventional power supply – the result will be the largest scaled solar telecom network in the world).

In addition, the Ethiopian customs service is working with its two main carriers, Ethiopian Airlines and Ethiopian Shipping Lines, to deliver a major leap in the efficiency of its trade logistics, in particular through the implementation of an Authorized Economic Operator (AEO) system to all of its export-oriented industrial parks. Ethiopian Airlines already accounts for a full two-thirds of all African air cargo, making Ethiopia the main air-hub for Africa, and has recently significantly extended its cargo capacity and range. Ethiopian Shipping Lines is a major integrated shipper serving the Gulf, India and the Asia Pacific. It operates two dry ports in Ethiopia.

4.4 Manufacturing

Manufacturing is under-developed in Ethiopia – even by African standards. Several mutually reinforcing factors have conspired to prevent the emergence of a stronger manufacturing base in the country historically, including a history of isolation from global markets. Ethiopia has had limited success in a few narrow areas, such as leather and textiles.

However, Ethiopia has the means to change that as a number of factors are coming together at the same time:

- Ethiopia has a surging supply of young, increasingly well-educated, trainable and inexpensive labor.
- Ethiopia has an advantageous geographic position to access global value chains: Addis Ababa is already the air cargo hub of Africa, within non-stop reach of all the major G7 and BRICSA economies. Moreover, with new high-speed road and rail corridors being built to connect Ethiopia to the Red Sea, the sense of landlocked isolation that has historically characterized Ethiopia will be transformed—Ethiopia will be seen as perched on the main trade route from Asia to Europe and the Americas.
- Ethiopia is implementing what will amount to a quantum improvement in trade logistics: its new industrial parks will give their tenants, as authorized economic operators, seamless multimodal links to the global economy
- With duty-free, quota-free access to the US and EU markets already in hand, Ethiopia's manufacturing sector is well positioned to absorb some of the basic manufacturing jobs being shed in East Asia due to rising labor costs in that region
- The supply of energy in Ethiopia is being expanded in quantum leaps through major new infrastructure developments.
- Ethiopia has no hangover of legacy manufacturing technology.
- Ethiopia has a supportive policy framework aimed at leveraging the agricultural and mineral resource base which will provide the feedstock for downstream manufacturing activity.

- The inflow of foreign direct investment is now being encouraged by the experience of first-movers who have entered the Ethiopian market with success.

According to Dinh et al (2012), Ethiopia has significant potential in several light manufacturing subsectors: apparel, leather products, agribusiness, wood products, and metal products. With policy reforms that have already been proven in application in other countries, Ethiopia's export potential could be expanded by orders of magnitude.

Ethiopia's advantages lie in the combination of natural resources that serve as inputs for light manufacturing industries (e.g., cattle for the leather industry, forests for the furniture industry, cotton for the garment industry and a large agricultural base for the agro-processing industry), abundant low-cost labor, which gives it a comparative advantage in less-skilled, labor-intensive light manufacturing, and cheap hydroelectric power.

- Apparel: the main constraints are poor trade logistics and access to trade finance. Proven solutions are a green channel for apparel at customs, providing free and immediate access to foreign exchange, reducing the cost of letters of credit, and setting up an industrial zone close to the main port of export (Djibouti). Competitiveness could be reinforced by developing a textiles industry based on its high-quality cotton and cheap hydro-energy. Potential impact: while Ethiopia's apparel sector currently generates only about USD8 million in exports and 9,000 jobs, Vietnam has—with policies similar to those recommended above—achieved USD8 billion in exports and created 1 million jobs.
- Leather products: Ethiopian leather is highly regarded. With modest, targeted reforms Ethiopia's large animal herds could produce vast amounts of some of the best leather in the world to feed downstream leather products industries. The immediate binding constraints on input supply, which constitute the main constraint, could be lifted by allowing the import of processed leather, while straightforward reforms to cattle herding practices and allowing the export of raw hides would stimulate investment in hide production, providing a longer-term solution to the input problem. Potential impact: With similar policies, Vietnam, which has a similar sized population to Ethiopia's, created 600,000 jobs in the leather products industry.
- Agribusiness: Ethiopia's coffee and cut flower successes demonstrate the potential for agribusiness based on low wages, varied soil and climatic conditions, opportunities to increase yields on cultivated land, and large tracts of unused arable land. The main constraints are identified as high input prices. The relevant reforms are to improve the supply and reduce the cost of agricultural inputs, including by facilitating investment (e.g., removing trade restrictions and allowing use of cattle as collateral). Potential impact: The World Bank observes that Ethiopia has the second largest dairy herd in Africa, offering the potential for large-scale downstream processing.
- Wood and metal products: Ethiopian wood and metal products manufacturers rely on expensive imports of wood and steel, made more expensive by high tariffs and poor trade logistics. The sector is dominated by smaller, mostly informal, firms with no large or exporting firms. For wood the government should facilitate access to rural land and financing for private wood plantations. For metals the cost of inputs could be reduced by cutting the 10 percent import tariff on steel and exploiting Ethiopia's proven reserves of iron ore. For

both subsectors the government could support the most deserving enterprises by facilitating their access to skills, finance, and industrial land as part of “plug-and-play” industrial parks. The potential lies not in exports (at least initially) but in the growing domestic market given the high weight-to-value ratio of finished wood and metal imports

Ethiopia’s manufacturing can benefit from the same advantages in many other sectors that feature processing trade. For example, several multinational firms are already assembling cellphones in Ethiopia for the local and regional market. In that sense, in Ethiopia’s case, the past is not necessarily going to be prologue to the future.

The Ethiopia Business Landscape 2012 provides examples of the impact of effective trade facilitation for firms that operate export processing manufacturing in Ethiopia. For example, Ayka, a Turkish leather products manufacturer, imports production inputs from Djibouti. Ethiopia Shipping Lines takes the sealed containers from ship onto truck and straight to Ayka’s premises. They are unsealed in the presence of a customs official and go straight into production. From dockside to factory, this process takes 2-3 days at present. The major current bottleneck, slow, sometimes uncertain, and costly trucking from Djibouti, will be relieved in the near future with the completion of the new rail link to Djibouti. According to Ethiopian Shipping Lines and companies, time will be cut to hours, uncertainty eliminated and cost sharply reduced. The roll-out of the Authorized Economic Operator concept across the growing number of export-orient industry parks is thus building on established practice.

However, while the actual business operating environment is much less problematic than the pro forma accounts recorded in the World Bank’s *Doing Business* surveys (a point confirmed by the World Bank’s *Enterprise Surveys*, as reported by Hallward-Dreimeier and Pritchett, 2011), for many firms problems remain. To offset the frictions that firms may experience while the full package of reforms are still being implemented, the Government of Ethiopia offers attractive terms to foreign investors, as described earlier in the macroeconomic scan.

4.5 Services: Tourism

Ethiopia has great – and largely unexploited – tourism potential. Its tourist attractions are many and varied. In terms of cultural tourism, Ethiopia features the richest archeological heritage of any country in Sub-Saharan Africa. It is the home of Lucy, the world’s oldest hominid skeleton, has a claim to being the land of the legendary Queen of Sheba and the even more legendary Ark of the Covenant, but also is the beneficiary of the rich heritage of the Axumite Kingdom, the medieval castles of Gondar, the rock hewn churches of Lalibela (the 8th wonder of the world); and the birthplace of coffee with its rich traditions. In fact, Ethiopia has the most World Heritage sites of any country in Africa (9). Ethiopia’s natural attractions are equally varied: the source of the Blue Nile; the Rift Valley with its volcanoes, lakes and exotic wildlife; and a topography that ranges from rugged mountains to lowland savannas for the adventure tourist. Although situated close to the equator, the country’s climate is tempered by altitude, which makes it suitable for year-round tourism.

As well, Addis Ababa hosts both the African Union headquarters and the UN Economic Commission of Africa and is thus considered to be the political capital of Africa. By the same token, it is host to a disproportionate number of international events which can be leveraged for tourism purposes.

Tourist arrivals are growing rapidly and the industry is starting to attain scale: For 2012, the WTTC projects 429,000 visitors to enter the country; however, according to the Ministry of Culture and Tourism, the number of tourists visiting the country is expected to reach 700,000 in fiscal year 2011/2012. For 2012, leisure travel spending is expected to reach USD 2.1 billion and business travel spending USD 0.5 billion.

Nonetheless, by global standards, Ethiopia is relatively under-explored, a reflection of limited historical accessibility. Accessibility is increasing as Addis Ababa expands its role as an air transport hub for the African continent. Connectivity has been improving substantially, however: The main carrier, Ethiopian Airlines, links the country with 69 destinations across Africa, Asia, the Middle East, Europe and the United States. Other carriers serving Ethiopia include British Airways, Emirates, Lufthansa, Alitalia and Saudi; several other airlines are planning to add service to Ethiopia. Ethiopia's tourism sector is poised to benefit further from an upgrade program that includes constructing airports, road and communication networks, and upgrading the country's electric power generation and water works.

The tourism industry is fairly liberalized and open for all investors (with the exception of travel services) and 100% foreign ownership is allowed. Tax holidays and 100% duty exemptions on all imports of investment capital goods are available. The Ethiopian Government has removed constraints relating to visa and customs regulations, with the objective of positioning Ethiopia as a top-notch African tourist destination.

Tourism requires a wide range of supporting services, engages a wide range of other services as part of the delivery of the tourism product, and drives activity in a wide range of downstream and ancillary industries. Particular opportunities for private investment are opening up in the hotel sector, as the top hotels are already operating at very high capacity and there is very limited existing capacity near major tourist attraction sites and areas which are emerging industrial zones.

4.6 Services: Health

Like many developing economies, Ethiopia has an inadequate supply of health care services, notwithstanding an expansion of the number of health facilities (hospitals, clinics, and health stations) from 575 in 1997 to 17,300 in 2010. Total health expenditure is on the order of 4 to 5% of GDP, has been rising steeply and will expand further under the ambitious targets set by the Growth and Transformation Plan.

The growth of private hospitals has been significant during the past 5 years, triggered by factors such as the rapid influx of medical technology, rising middle class incomes, and supporting

government policy. Indeed, 47% of spending on health care in Ethiopia was financed privately (out of pocket) in 2010, up from less than 40% in 2005. Moreover, the government has sought to increase the involvement of the private sector (both for-profit and not-for-profit enterprises) in the delivery of health services. Today, practically all drug vendors and drug stores are privately owned, as are more than 70% of pharmacies. There are also just under 200 non-governmental health clinics and 8 non-governmental hospitals operating throughout the country,

Land for construction of hospitals and related services may be obtained on a lease basis; the terms are liberal. Investments can be facilitated through the state-owned bank with a minimum of 30% of equity provided by the investor. The government also offers tax holidays, duty free privileges on biomedical instruments and equipment, minimal or zero tariffs of raw materials (where relevant such as in the pharmaceutical industries) and a 20% margin advantage to domestic suppliers over imports on public procurement tenders. Improved regulation in a number of areas, including hospital autonomy, pharmaceutical distribution, and licensing is being developed to facilitate private sector engagement.

The investment planned for Ethiopia's health care system will drive demand for a wide range of goods and services provided by the private sector, including laboratory services, ambulance services, pharmaceutical manufacturing, and training of health care personnel.

A specific opportunity, examined as a case study, concerns provision of medical tourism services. In 2010 alone, some 6,000 Ethiopians traveled to Bangkok for medical treatment spending approximately USD 36 million. Citizens of many other Sub-Saharan African countries also use foreign facilities for medical treatment as part of a broader global trend towards so-called "medical tourism" whereby individuals obtain needed procedures in a low-cost country bundled with a tourism experience for the price that would have been paid in the home country for the procedures alone. Ethiopia is well placed to apply this concept, as discussed in the tourism section.

5 CONCLUSIONS

This Business Landscape Survey of Ethiopia has examined the statistical record, and drawn on interviews with companies with on-the-ground experience of doing business in Ethiopia to compile a picture of investment prospects in this emerging market.

The macroeconomic scan identifies a number of positive features in Ethiopia's macroeconomic performance:

- Strong growth based on an increasingly diversified economy;
- Stable non-food price inflation;
- Increasing exports to a diversified range of markets;
- Improved trade balance; and
- Stable economic policies and investor protection framework.

Indeed, by some metrics, Ethiopia's performance has moved it into the league of major emerging markets.

At the same time, this assessment agrees with the mainstream view concerning two key challenges that Ethiopia must address to sustain its economic performance, namely the high and volatile headline inflation rate, and the negative real interest rates, which generate a broad range of macroeconomic management challenges for the authorities and constrain the growth of the savings needed to fuel Ethiopia's investment. As well, the macro scan highlights that Ethiopia's exchange rate has again risen in real terms over the course of 2011-2012 after a series of devaluations of the birr in the late 2000s corrected a significant degree of overvaluation that had built through a more or less steady real appreciation of the currency over the previous half-decade. The importance for Ethiopia of reducing the costs of domestic business entry is also highlighted.

The sectoral scan drills deeper into the underlying structural changes that are going on in Ethiopia which are generating the observed bottom-line growth performance. Based on an in-depth assessment of investment prospects in agribusiness, mining, oil & gas, economic infrastructure, manufacturing, tourism and health services, allows several major conclusions:

- The assessment of the drivers of growth at the sectoral level supports the optimistic sense of economic prospects for Ethiopia based on the macroeconomic scan. Most importantly, Ethiopia's connectivity with the global economy is about to get significantly better, which will create new opportunities across the entire spectrum of economic activity.
- The supply chain opportunities surrounding the core sectoral activities – agricultural processing, mining, infrastructure, tourism, and health also serve to drive the development of manufacturing and an increasingly diverse business services sector.
- The simultaneous development of new opportunities in these various areas also creates synergies for business attracted by opportunities in any one of these sectors.
- The scale of change could well involve production and exports of particular products leaping by orders of magnitude, as the experience of other countries that have successfully gained footholds in global manufacturing attests, and as the specific plans of companies
- The pace of change appears to be accelerating.

While each company must assess the value proposition that Ethiopia poses in light of its own business models and strategic plans, the overall assessment in Ethiopia Business Landscape Survey 2012 is that this value proposition is soundly based. Ethiopia's emergence from land-locked isolation and integration into the global economy is deepening and accelerating, a legitimate basis on which to label it Africa's newest "Lion Economy".

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