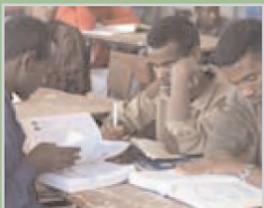




# INVESTING IN ETHIOPIA: TEXTILES



Ethiopia's textiles and clothing industry is undergoing major development, aided by the presence of a cheap, skilled and highly-motivated workforce. This surge has been helped by the country's impressive economic growth over the past years. Ethiopia's enormous export potential is made possible by the wide availability of raw cotton and other natural fibers and Ethiopia's access to domestic, regional and international markets.

Ethiopia's long history in textiles began in 1939 when, under Italian occupation, the first garment factory was established. The country's current textiles industry encompasses spinning, weaving and processing. Ethiopia has five public textile factories producing mostly work-wear garments for the domestic market. Numerous privately-owned factories produce shirts, suits, work clothes and uniforms for national and foreign markets.

The basis for the full cycle of business opportunities and the enormous growth potential for the textile industries is the local production of cotton. Large-scale production is carried out under irrigation, mainly in the Awash Valley, which has more than 50,000 hectares under cultivation. Another 45,000 hectares of high-quality cotton is cultivated by small-scale farmers. There still exists huge potential for the expansion of cotton cultivation in Ethiopia, especially in the Omo-Gibe, Wabi Shebelle, Baro Akobo, Blue Nile and Tekeze River basins. The production of cotton is well integrated into the textile sector, with garment factories relying heavily on domestically produced cotton.

Available within Ethiopia are all essential ingredients for a competitive textile industry: raw materials, low wages and low energy costs. This gives the country a comparative advantage over other countries and regions. 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.

## Textile markets

In recent years, the global market has become increasingly accessible to countries such as Ethiopia. New export opportunities were created through initiatives such as AGOA (the African Growth and Opportunity Act), COMESA (the Common Market of Eastern and Southern Africa) and the many bilateral trade agreements concluded with Western countries, including the Netherlands, Belgium and Luxembourg.

Ethiopia is also part of the "Everything But Arms" program that has been set up to provide access to the E.U. market for Lesser Developed Beneficiary Countries, free of duty and without quota restrictions, for all export products except arms.

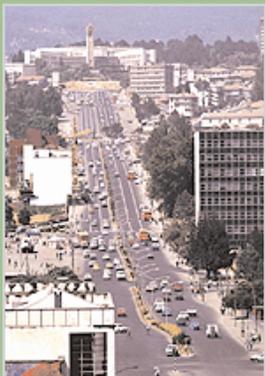
## Labor force

One of Ethiopia's most valuable resources is its people. The country has a large pool of trainable manpower with a strong cultural disposition toward warm hospitality. Ethiopia currently turns out more than 10,000 university graduates per year, with particular strengths in business, accounting, management, economics and law.



# INVESTING IN ETHIOPIA: TEXTILES

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## **The economic environment**

- Ethiopia has achieved macro-economic stability;
- Stable annual economic growth in double digits since 2003;
- Stable exchange rate;
- Strong government commitment to private sector investment;
- Safe and secure working and living environments, identified by the U.N. and the International Chamber of Commerce (ICC) as key assets for investors in Ethiopia;
- Absence of corruption – Ethiopia is described by the U.N. and the ICC as “exceptional in its almost complete absence of routine corruption.”

## **A conducive tax environment**

- Corporate income tax is 30%;
- Excise tax is levied (minimum 10%) on selected local or imported products;
- Income taxes range from 0-35% on monthly income of \$16.50 and above;
- Capital gains tax – share of companies 30%; business 15%;
- Rental income tax (on annual rental income) is 0 -35%, dependent upon the level of rental income;
- Stamp duty-leasing is 0.5% of value;
- Export duty is zero; and tax treaties to avoid double tax payment are signed with several countries, along with bilateral treaties for the protection and promotion of investments.

## **Security of investment**

- The Government guarantees constitutional protection from expropriation;
- Ethiopia is a signatory to the main international investment related institutions, such as the Multilateral Investment Guarantee Agency (MIGA);
- It is also a signatory to the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States;
- A professional, one-stop-shop for foreign investment is offered through the Ethiopian Investment Agency (EIA).

## **Land**

Land is available on a leasehold basis of up to 99 years. In response to the country's drive to attract foreign investment, regional governments are now expected to allocate land to investors within 60 days of receiving their applications. The lease of urban and rural land varies according to location, type of investment and class of land. In the capital city of Addis Ababa, prices range from approximately \$1.50-\$13.25 per square foot in the Central Business Zone. The Government generally is willing to negotiate with individual business to provide incentives to get the capital investment required.

## **Security**

Ethiopia is politically stable and its popular tourist destinations are safe and secure.

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