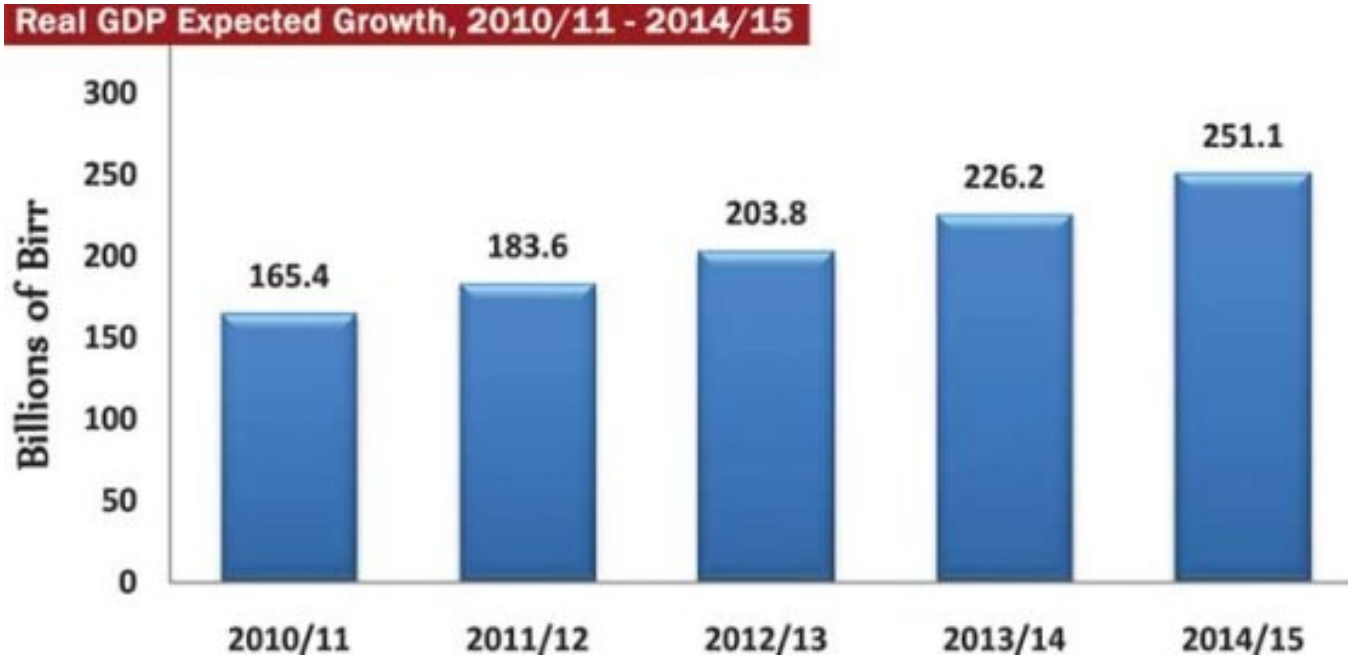
CHAPTER EIGHT

ECONOMIC ACTIVITIES IN ETHIOPIA

8.1. Introduction

- Ethiopia's location gives it strategic importance as a jumping off point in the Horn of Africa, close to the Middle East and its markets
- Ethiopia's huge population of over 100 million (2017) makes it the second most populous country in Africa, after Nigeria.
- Although it is the fastest growing economy in the region, it is also one of the poorest, with a per capita income of $783. Ethiopia's government aims to reach lower-middle-income status by 2025.

- Ethiopia’s economy experienced strong, broad-based growth over 10 % a year from 2005/06 to 2015/16, compared to a regional average of 5.4%.
- The expansion of agriculture, construction and services accounted for most of this, with modest manufacturing growth.
- Private consumption and public investment explain demand-side growth, the latter assuming an increasingly important role.


Real GDP Expected Growth, 2010/11 - 2014/15
Billions of Birr
300
250
200
150
100
50
0
165.4
183.6
203.8
226.2
251.1
2010/11
2011/12
2012/13
2013/14
2014/15

- Economic activities are highly diversified in their nature and characters. Some are simple while others are complex. Some are primitive where as others are advanced. But whatsoever characters they have, all of them are equally important through satisfying peoples‟ needs.

Classification

1. **The primary sector** include: agriculture (both subsistence and commercial), mining, forestry, farming, grazing, hunting and gathering, fishing and quarrying.
2. **The secondary sector** of the economy manufactures finished goods.
3. **The tertiary sector** of the economy is the service industry that provides services to the general population and businesses.

- Activities associated with the tertiary sector include retail and wholesale sales, transportation and distribution, entertainment, restaurants, clerical services, media, tourism, insurance, banking, healthcare, and law.

8.2. Mining Activity in Ethiopia

- Mining involves the search for minerals from the crust of the earth.
- Minerals are naturally occurring organic and inorganic substances. They form important part of natural resources.
- Currently, mining contributes to only 1.5 % of GDP (USD 32 billion) of Ethiopia.
- The oldest (Precambrian) rocks and the sedimentary (Mesozoic) rocks host most of the economic metallic and nonmetallic mineral deposits in Ethiopia.

- So far, the developed large scale gold mine in Ethiopia is the Lege-dembi gold mine, located in the southern greenstone belt region. It is operated by private company with estimated reserve of 82 tons and an average annual production of 3.6 tons of gold.
- There is also small-scale open pit mine of columbo-tantalite at Kenticha in the Adola belt.
- Ethiopia presently supplies close to ten percent of the World production of tantalum and has a good potential for a considerable expansion of the percentage.

- Secondary enriched (placer) gold has been mined traditionally (artisinaly) for years back to biblical times
- About 1000 Kg of gold is purchased from the local miners and dealers by the National Bank of Ethiopia that in turn increases the generation of foreign currency.
- Soda ash is being mined at Lake Abiyata in the Rift Valley about 200 kilometers south of Addis Ababa.

- The gas fields are located in the south-eastern part of the country at Calub, Hilala and Genale gas fields in the Ogaden Basin. The gas resources potential of these fields has been assessed as 4.6 Trillion Cubic Feet (TCF).
- Other mineral products including platinum from laterite, gemstones (opal and other precious stones) and decorative and construction materials are also produced

- Ethiopia has a large potential for geothermal energy resource with several targets outlined within the East African Rift System.
- There are three gas field discoveries, called **Calub, Hilala and Genale** gas fields in the Ogaden Basin in the southeastern part of the country.
- These gas fields contain a total of about 4.6 TCF gas.

The Mineral resource Map of Ethiopia



Major Mineral Reserves of Ethiopia

No.	Mineral commodity	Proven Reserve	International price/unit	Total value	Average years to finish the reserve	Yearly income	Location
1	Primary Gold	520 million tones	1000USD/28 grams (36 million)	18.72 billion	10	1.872 Billion	All Ethiopia
2	Iron	32.2 million tones	134USD/tone	4.4 billion	15	0.29 million	Bikilal, Western Ethiopia
3	Diatomite	36,602million tones	258 USD/tone	9.5 billion	20	0.475 Billion	In different parts of the rift valley
4	Potash	200 million tones	900USD/tone	180 billion	25	7.2 billion	Afar region Northern Ethiopia
5	Phosphate	181.08million tones	200USD/tone	36 billion	20	1.8 billion	Bikilal, Western Ethiopia
6	Soda Ash	460 mil tones	200 USD/tone	92 billion	20	4.6.billion	Ziway in the rift valley
7	Natural Gas	118 billion m^3	0.25USD/MW/ hour	29.5 billion	20	1.5 billion	Calub-76 billion, Hilala 42 billion m^3
8	Hydro electricity	45000MW	51USD/MW/hour	Unlimited	unlimited	10 billion USD	Aluto-langano & Tendaho in the rift valley
9	Coal	80 million tones	111USD/tone	8.8 billion	15	0.59billion	Delbi & Moya, Western Ethiopia, Yayu, Western Ethiopia
				379 billion		28.33 billion	

- The mining industry in Ethiopia is dramatically growing with major involvement of the private sector.
- The government has enacted a very competitive legal and fiscal regime that attracted many local and foreign mining companies to involve in the mineral operations starting from exploration to mining activities.

8.2.3. The importance of Mining sector in Ethiopia

Economic benefits

1. **Generates revenue** from sales, taxes, royalty: The federal government has been collecting royalty of about 48.5 million birr (4.4 million USD
2. **Generates foreign currency** earnings: The amount of foreign currency earning is about 135 million dollars every year for the last couple of years from the sales of export of minerals such as gold, tantalite concentrate platinum, decorative dimension stones and gemstones. This export earning contributes up to 7-10 % of the total export foreign currency earnings of the country.
3. **Gives employment opportunity**: limited

Social Benefits

- Expansion of infrastructures such as roads, electric power, telecommunication etc
- Expansion of social services such as health facilities, schools service, schools, water facilities as well as airstrips for the local communities.
- Train local communities to engage in other form of business such as plantation of coffee and other trees, introducing agricultural activities (irrigation)
- Promote small entrepreneur”s engagement in the local community by providing services such as hotel, mini- markets, stationeries, etc.

8.3. Forestry

- It is related to exploiting forest products, which include gathering of fuel wood, production of timber and charcoal, and construction of houses

Economic significance of forest

- Even though the importance of forest and forest product is little in earning foreign exchange, their significance at local level is large.
- For instance, their contribution to the national economy in the form of GDP is about 2.5%. Most of the trees cut in Ethiopia today are used for domestic purposes like for;
  - Fuel wood,
  - Timber household furniture,
  - For building and construction

- This indicates that forest products are sold on the local markets at lower prices. The commercial exploitation of forest resources in Ethiopia is still in its infancy stage. This is mainly because of the following major factors;
- Rapid deforestation
- Low demand for timer
- Lack of modern lumbering technology
- Inaccessibility of natural forest

8.4. Fishery

- Due to the presence of a number of lakes, river and reservoirs rich in fish resources, Ethiopia has great potential for fishing.
- However, at present there is no reliable estimate due to lack of exhaustive and systematic (regular) stock assessment.
- The total estimated potential yield calculated from the surface area for major lakes is 60,000 tons per year. However, in the face of the above uncertainty the potential yield stood between 30,000 and 45,000 tons per year for the main water bodies.

- Ethiopia, more than hundred local fish species have been identified. The bulk of the production is made of Tilapia, Bargus, Clarias and Labeo species. In the two southern Rift Valley lakes, Chamo and Abaya, Nile Perch is caught in significant quantity

Table 8.1: Estimated fish Resource potential of Ethiopian lakes

Lakes	Area	Maximum Depth	Annual Potential (1000 kg live weight)	Main Fish Species
Tana	3600 km^2	4	15,000	Barbus, Clarius, Tilapia
Abaya	1160 km^2	13	7,000	Nile perch, Bagrus, Barbus Clarious, Labeo
Ziway	434 km^2	4	3,000	Tilapia, Barbus
Chamo	557 km^2	10	3,000	Nile perch, Bagrus, Barbus, Clarious, Cyprinus
Koka	250 km^2	5	2,000	Tilapia, barbus Clarious, Cyprinus
Langano	230 km^2	45	3,000	Tilapia, barbus Clarious
Awassa	129 km^2	10	1,000	Tilapia, Barbus Clarious
Metahara Beseka	-	85	2,500	

Source: FAO,2015

8.4.2. Fishing Grounds in Ethiopia

- Lakes fishery: the Ethiopian lakes are estimated to cover a surface area of about 7000 km2.
- They account about 79 percent of the total yearly fish production of the country. The most important lakes where much of the fish production comes include Lakes Tana, Ziway, Langano, Hawassa, Abaya and Chamo. The annual maximum sustainable fish yields of our lake are estimated to be above 35,000 tons.

- **River Fishery**: Most rivers of Ethiopia have high fish resources.
- The fishing potential of Ethiopian rivers has not yet been fully known.
- But according to some references, the country‟s rivers and streams can produce; on average about 7,000-10,000 tons of fish annually.
- For example, river Baro alone can supply a maximum sustainable yield of 2,500 tons per year.
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Ethiopian water bodies and their fisheries

Water bodies type	Extent	Fishery potential (tone/year)	Catch (tone/year)
Major lakes	6,477km^2	23,342	10,598
Major reservoir and dams	857km^2	4,399	1,366
Small water bodies	275km^2	1,952	303
Rivers	7,185km^2	21,788	3,121
Total	14,794 km^2	51,481	15,389

Source: Awoke, 2014

8.4.3. Demand and consumption of fish

- Fish as a source of human food has a long history in Ethiopia. People consume large amount of fish in fasting days, in big cities, around production areas and towns, especially in Hawassa, Zeway, Arbaminch, Bahir Dar and Addis Ababa.
- Outside these areas, however, the domestic market for fish is small. The factors which account for this low level of local fish consumption are the following.

- First, fish has not been integrated into the diet of most of the population.
- Second, because of religious influences on consumption patterns, the demand for fish is only seasonal. The demand for fish is higher than supply during fasting seasons.
- The other factors that contribute to the low level of consumption are the limited supply of the product and its high price.
- Long distance of the fish production sites from densely populated areas and major settlements, together with its perishability reduce fish consumption levels

Socio-economic contribution of the fishery sector

Role of fisheries in the national economy: Despite the sector low contribution to the Gross Domestic Product (0.1 percent),.

- Trade
- Food security: Fisheries are regarded as an important sector in the effort to increase animal protein consumption and achieve food security for the growing population.
- Employment: A considerable workforce is employed, both directly and indirectly,
- Whereas 4052 persons were employed directly by the sector in 2010, a total of 9,148 others benefited from indirect employment offered by the sector.

8.4.4. Constraints and opportunities of the fishing sector

- **Pollution**:Factories, agriculture and sewage are the sources of major pollutants affecting Ethiopian water bodies and their fisheries.
- **Extraction of minerals**: for example, from Lake Abijata could have negative effect on fish stocks, just as the effluents from the tannery at Koka Reservoir and the textile industries at Hawassa and Arba Minch can affect the fisheries.
- **Deforestation** : could result in increased drying up of water bodies and increase in water turbidity.
- **Dam construction**: on River Omo has negatively affected the anadromous fish which migrate from Lake Turkana to spawn in the river.
- **Inadequate legal and policy frameworks**
- **limited human resource availability**
- **Public and private investment in fishery and aquaculture**

8.5. Agriculture in Ethiopia
8.5.1. Introduction

- Agriculture is defined as the purposeful tending of animals and plants. It is one of man‟s oldest activities, and dates back to the Neolithic period (10,000 years before present).
- Even today, agriculture remains an important economic activity accounting for more than 15 percent of the earth's cultivable land. Similarly, about 60 percent of the world's population gets its livelihood from agriculture.

Factors

The type of agriculture practiced in any area is influenced by physical and socio-economic factors.

- **Environmental factors:** like soil; climate, relief, etc. impose certain limitations on the types of crops that may be cultivated and the type of livestock that may be reared.
- **Socio-economic factors:** like farm size, type of land tenure, capital availability, transport and marketing facilities, price, government polices, etc. also influence farming patterns.

Importance

Agriculture is important for a number of reasons.

- Provides **basic food** supplies for the population;
- **Raw materials** like cotton, sugar cane, oil seeds, etc. to industries; export crops, from whose sales industries infrastructure and the like may be established; and
- **Employmen**t for the population.

- The great majority of the Ethiopian population resides in rural areas engaged in some form of agricultural activity.
- It is the backbone of the Ethiopian economy
- Despite a long history of agricultural practices in Ethiopian, the sector is still very backward.
- Farming methods and techniques have hardly changed in centuries.
- The sector is dominated by small-scale farmers that practice rain-fed mixed farming by employing traditional technology, adopting a low input and low output production system.

8.5.2. Contributions, potentials and characteristics of agriculture in Ethiopia

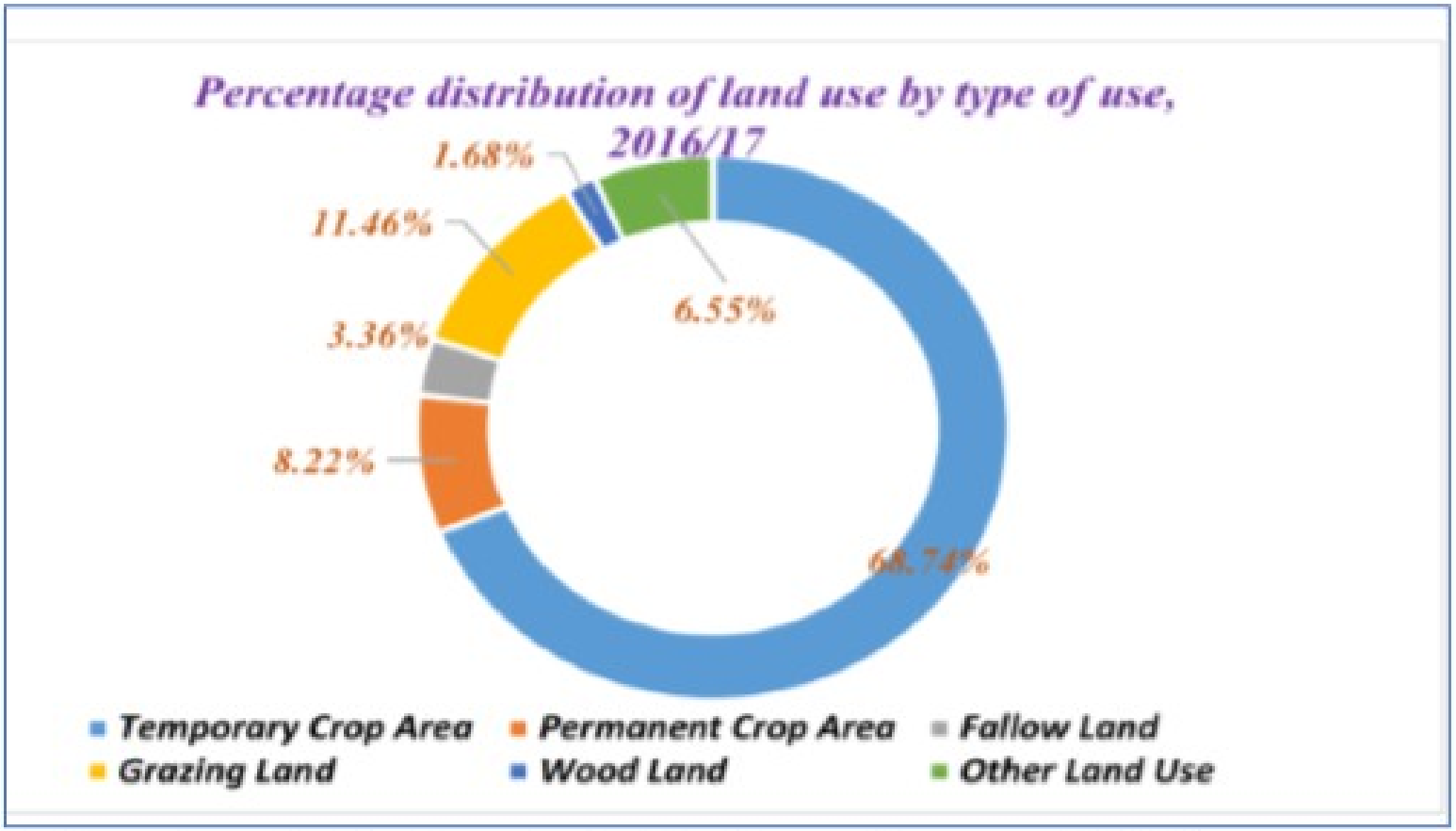
The contributions of agriculture in Ethiopia

- The Ethiopian economy is an agrarian economy. Agriculture is the backbone of the economy of the country as the following facts indicate.
- Agriculture accounts for most of (30- 42%)t of the Gross Domestic Product (GDP) of the country.
- Agricultural products account for more than 90 percent of the foreign exchange earnings of the country.
- Agriculture provides raw materials for the processing industries
- More than 80 percent of the Ethiopian population derives its livelihood directly from agriculture.

The Agricultural Resource Base/potentials of Ethiopia

- Ethiopia has abundant agricultural resource base due to its varied agro-ecological zones.
- The varied climatic conditions and contrasts in elevation
- Over 21soil types
- Close to 16 percent of the country's area is suitable for irrigated agriculture.
- The country has also vast grazing land and livestock
- 30 – 35 million livestock units (TLU) standing first in Africa and 10th in the world and numerous livestock species.

Land use pattern



re 8.1.: Percentage distribution land utilization, main season 2016/17

Cropping Pattern in Ethiopia

- The highlands of Ethiopia are easily distinguishable from their lowland counter parts as far as the pattern of agricultural land use is concerned. The highlands do not only produce a variety of crops due to their improved environmental conditions as well as due to the variety of agroecological zones caused by altitudinal variations, but they also practice an elaborate system of land preparation and crop rotation
- The number of crops grown decreases as one moves from the central highlands to the peripheral lowlands. The highlands are, thus, more diversified than the lowlands. Cereals (teff, wheat, barley, maize, sorghum, etc,) are the most important crops in Ethiopia

Table 8.3: Estimates of Agricultural Production and Cultivated Areas of Major Grain Crops for Private Peasant Holdings-Meher Season

Agricultural Production	2014/15		2015/16		2016/17		2017/18	
	Cultivated Area*	Total Production	Cultivated Area*	Total Production	Cultivated Area*	Total Production	Cultivated Area*	Total Production
Cereals	10,144	236,077	9,974	231,288	10,219	253,847	10,232	267,789
(Annual % Change)	3	9.4	-1.7	-2	2.5	9.8	0.1	5.5
Pulses	1,558	26,718	1,653	27,693	1,550	28,146	1,598	29,785
(Annual % Change)	-10.6	-6.5	6.1	3.6	-6.2	1.6	3.1	5.8
Oilseeds	856	7,601	859.1	7,848.10	805	8,392	846	8,550
(Annual % Change)	4.9	6.9	0.4	3.3	-6.3	6.9	5.1	1.9
Total	12,558	270,396	12,486	266,829	12,574	290,386	12,676	306,124
(Annual %Change)	1.2	7.5	-0.6	-1.3	0.7	8.8	0.8	5.4

Source: National Bank of Ethiopia, 2017/18

*Area in thousands of Hectares and Production in thousands of quintals

Animal Husbandry

- About 75% of the cattle and sheep population are found in the highland zone
- More than 90% of the livestock population is found in Oromia, Amhara and SNNPR.
- The average number of cattle per household (per capital holdings) for the less densely populated Afar region and Somali where livestock are central to the livelihood of the pastoral population is the highest.

- Livestock contribute 30-35% to agricultural GDP and 13-16% to overall GDP.
- The livestock sector contributes about 13% of the total value of agricultural export.
- Despite a large livestock population, the contribution of the livestock sector to the national economy is limited due to primitive methods of livestock breading, cultural attitudes, higher mortality rates of livestock due to disease and other causes.

Characteristics of Ethiopian Agriculture

1. Subsistence Orientation
2. Fragmentation of farm plots and Small size of Holdings
3. Low Use of Inputs
4. Susceptibility to Disasters
5. Practice of irrigation and dependence on rain-fed agriculture

The agricultural systems

The agricultural systems of Ethiopia can be classified based on:

- The Agro-ecological patterns to which the practices have been confined.
- Dominant types of crops or animals reared or combinations.
- Farming methods and tools used for cultivation, which are a reflection of topographic and climatic influence.
- Level of technological input and the disposal of output.

Based on the dominant corps cultivated or animals reared and the main implements used in cultivation, the following major farming systems are identified:

1. Highland mixed farming system
2. Lowland mixed farming system
3. Pastoral system
4. Shifting cultivation
5. Commercial agriculture

8.5.4. Major problems of Ethiopian agriculture

1. Land degradation
2. Variable rainfall
3. Land fragmentation
4. Land tenure insecurity
5. Backward technology
6. Poor rural infrastructure

Manufacturing Industry in Ethiopia

- Manufacturing is defined here as "*the physical or chemical transformation of materials or components into new products, whether the work is performed by power-driven machines or by hand, whether it is done in a factory or in the worker's home, and whether the products are sold at wholesale or retail*. "
- It is the production of goods for use or sale using machines, tools and labour. It refers to a series of human activities, from handicraft to high tech, but is most commonly applied to industrial production, in which raw materials are transformed into new products / finished goods on a large scale.

In this world the development of manufacturing industries considered as the sign of better economic development due to the following major reasons

- **It requires highly skilled labour forces,**
- **Manufacturing industries demands more capital investment,**
- **Industrial products come to the world market under highly competitive bases,**
- **Its development primarily requires the development of various infrastructural development like transport and communication**

- Industrial development in Ethiopia is extremely backward.
- The contribution of the industrial sector to the Gross Domestic Product (GDP) over recent periods is only 11.7 percent.
- The backwardness of the industrial sector is an indication of the low-level development of the Ethiopian economy. In the modern world development is equated with industrialization.

Types of Manufacturing Industries in Ethiopia

There are a variety of bases for the classification of industries. Their differences are measured based on :

- Size
- Nature of raw materials used,
- Based on capital and labor inputs
- Nature of the product
- Energy requirement
- Based on contribution to trade

- The Cottage (traditional)industries

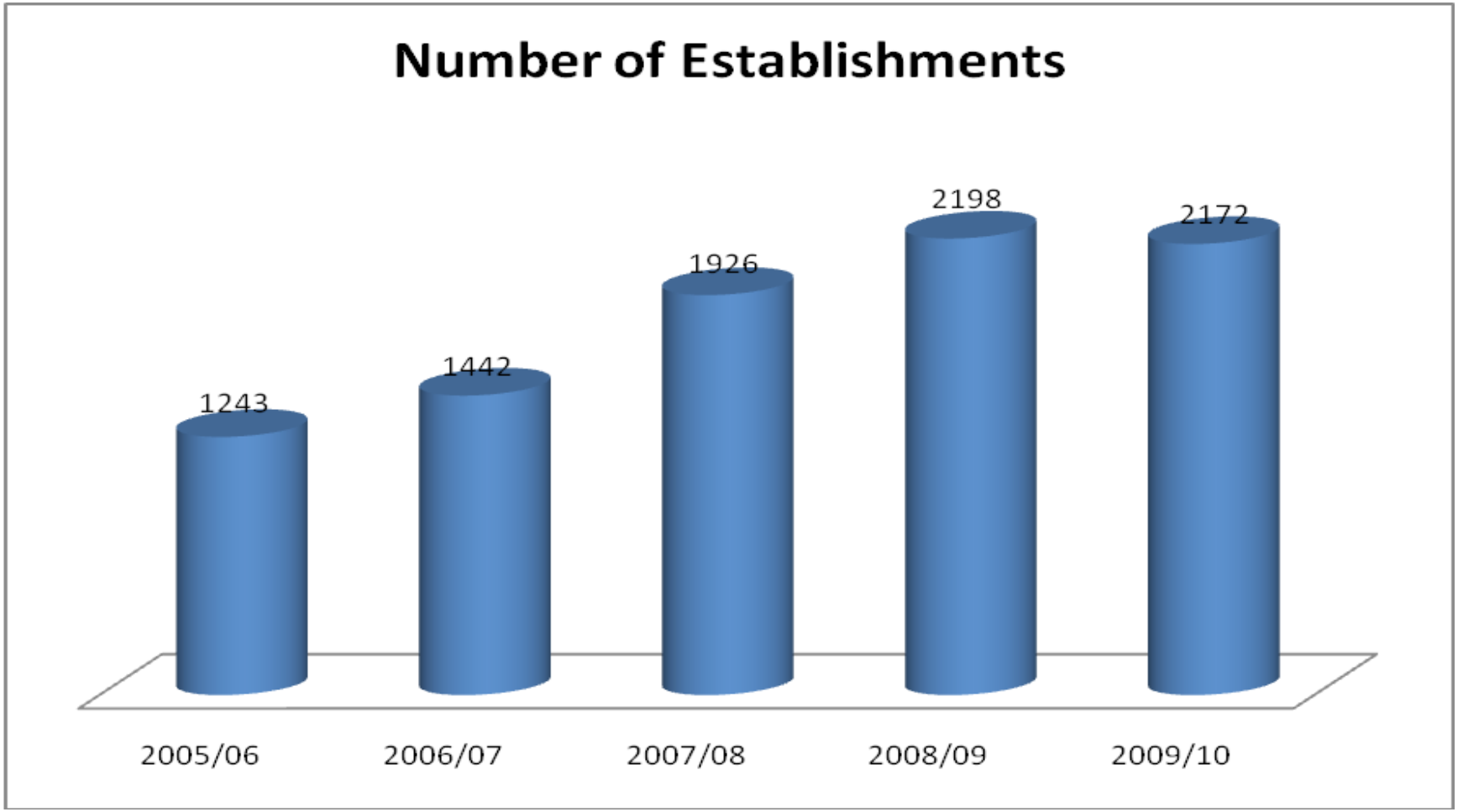
1. Traditional (cottage) industries

- Cottage industries have long-standing place in Ethiopian history. Though the time of their inception is not clearly known, various kinds of weaving, woodcarving, pottery, basketry, metal works, etc are well known for a long time.

2. Modern Manufacturing industries

The modern manufacturing differs from cottage industries in that :

- Use modern technologies for production
- Demands more skilled labour force
- Require more energy and developed infrastructures
- Necessitate large market
- Involve large capital investment


Number of Establishments
1243
1442
1926
2198
2172
2005/06
2006/07
2007/08
2008/09
2009/10

Spatial Distribution

The distribution of manufacturing industries is not uniform in every society. Its distribution is affected by a number of factors including:

- Availability of raw materials
- Market
- Availability and accessibility of energy
- Transport networks
- Labour (skilled/unskilled and semi-skilled) etc.
- Likewise, the distribution of manufacturing establishments is not uniform in Ethiopia. Most of them are located in few large urban centers.

Regions	Number of manufacturing industries	Percentage
TIGRAY	199	9.60
Afar	14	0.64
Amhara	222	10.68
Oromiya	451	20.76
Somalie	13	0.60
Benishangul-Gumuz	3	0.14
S.N.N.P.R	292	13.44
Gambela	4	0.18
Harari	28	1.29
Addis Ababa	875	40.29
Diredawa	61	2.81
Total	2172	100.00

Ownership Pattern

Form of ownership	Number of establishments	Percentage
Public	**138**	**6.35**
Individual ownership	**872**	**40.15**
Partnership	**94**	**4.33**
Share company	**80**	**3.68**
P.L.C	**592**	**27.25**
Cooperatives	**263**	**12.11**
Others	**133**	**6.12**
Total	**2,172**	**100.00**

Percentage Distribution of GDP by Major Economic Sectors(%)

Sectors	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Agriculture	47.4	47.1	46.3	44.6	45.5	42.0	41.1
Industry	13.6	13.4	13.3	13.1	12.1	13.0	13.4
Services	39.7	40.4	41.4	43.4	48.8	45.1	46.6

Growth Rates of GDP by Major Economic Sectors (%)

Sectors	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Agriculture	13.5	10.9	9.4	7.5	6.0	7.6	9.0
Industry	9.4	10.2	10.2	10.4	10.6	10.8	15.0
Services	12.8	13.3	13.3	17.0	17.3	13.2	12.5
Averag	11.6	11.5	11.5	11.6	11.2	10.6	11.4

Employment in Industries

- The total number of persons employed by various manufacturing industries was reported as over 329,000 in 2015/16 .
- Increasing trend in the number of employees
- The employment distribution of the different firm size within the manufacturing sector indicated that micro enterprises employ 138,951 (51%); small enterprises employ 10,960 (3.9%); medium enterprises employ 14, 757 (5.4%) and large enterprises employ 108,226 (39.7%) in 2007/08 alone.

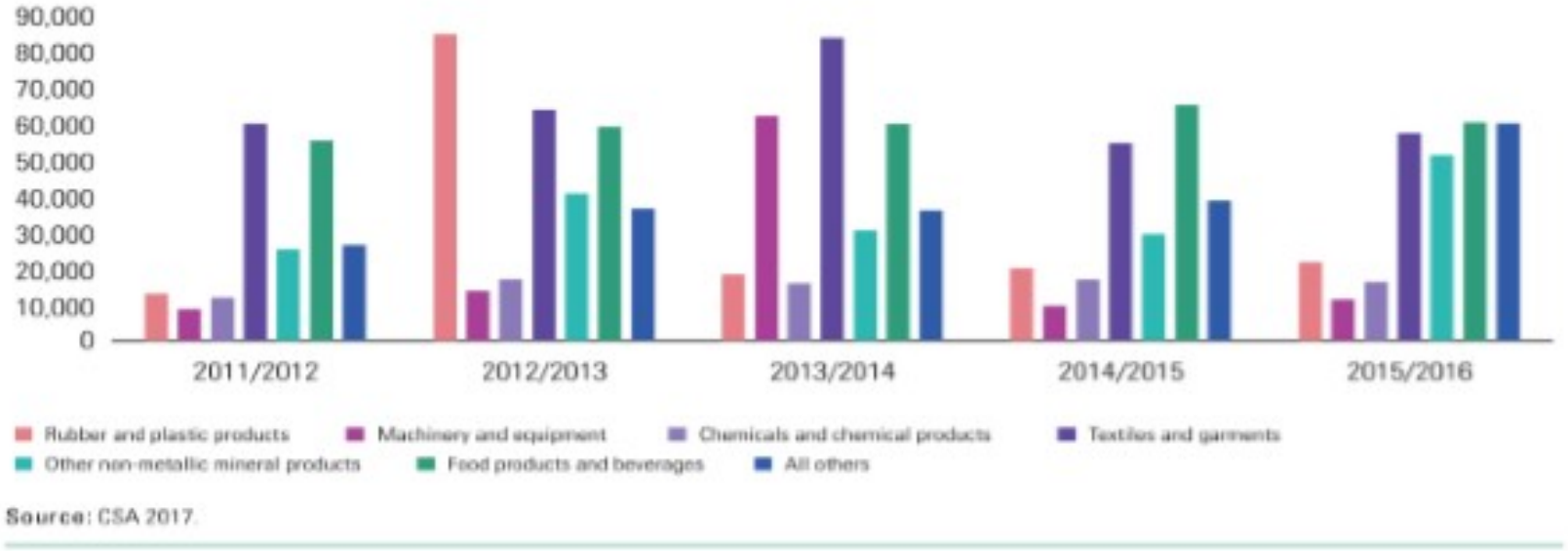


Figure 8.2: Number of persons employed by major industrial Group-Public and private (2011/12-2015/16)

Challenges and opportunities of the manufacturing industry

Challenges	Opportunities
High logistics and transportation cost	Relatively cheap electricity charge in comparison to other African countries
Limited research/study and action on export incentives and market	Macroeconomic stability and rapidly growing economy
Low labor productivity	Relatively cheap labor force & increasing number of trained employees
High cost of imported raw materials	Access to wide market (large domestic market, COMESA, AGOA, EBA opportunities, China market etc.)
Limited compliance to the international requirements and market	Competitive incentive packages which include export incentives
Underdeveloped rural infrastructure in the potential areas	Integrated Agro-Industrial Parks (one stop shopping for all the services, economies of scale, extension services, development of common infrastructure)
Weak supply chain integration, market institutions and information system	Global attention due to its remarkable economic growth and credit worthiness
Low level of technology	

Principles of the Industrial development Strategy of Ethiopia

1. Considering the Private Sector as an Engine of the Industrial Development Strategy
2. Implementing Agricultural Development Led Industrialization Principle
3. Implement Export-led industrialization principle
4. Focusing on the expansion of labor intensive industry direction.
5. Implementing effective domestic-foreign investment partnership method
6. Implementing the direction where, the government will play a leading managerial role.
7. Implementing the principle that encourages the active participation of the public ➢ *Government-private sector forum* ➢ *Peasants and industrialists Integration* ➢ *Employer- Employee Relation*

The Service Sector in Ethiopia

- The service sector is an important component of any country's economy. It makes a direct and significant contribution to GDP and job creation, and provides crucial inputs for the rest of the economy.
- Some service sectors such as the health, education, water and sanitation sectors, are also directly relevant to achieving social development objectives. The service sector accounts for a significant proportion of GDP in most countries, including low income countries, where it frequently generates over 50% of GDP.

Transportation

- Transportation, it is usually said, is the lifeline or the blood vessel of an economy. This is why we invariably see a well-developed transportation network in well-developed economies
- There are five different types of transport in Ethiopia. These are:

a. **Traditional Transport:**

- This includes the use of pack animals (donkeys, mules, horses, camel) and goods carrie

b**. Road Transport**

Today most passengers and goods in Ethiopia are transported by road transport.

In Ethiopia road transportation is relatively a recent phenomenon. Italians basically started it during their period of occupation. These roads were essentially built for military movement purposes

- Road Network Data obtained from the Ethiopian Roads Authority showed that during 2004/05 classified road network in Ethiopia was 37,018 km while the total road network increased rapidly and reached 126,773 km during 2017/18 (this includes 35,958 km rural road (28.3%).

Road Density

- The rugged terrain in Ethiopia makes road construction difficult and expensive. If we compare the length of roads to the total area of the country, we observe that it serves a small area.
- One km road serves an area of about 66 km2.
- The road density/1000 persons was 0.5 in 2004/5 that increased to 1.27 in 2017/18. Likewise the road density/1000square kilometer was 33.7 in 2004/5 that improved in a way to 115.2 in 2017/18.

Road accessibility

- In 2016/17, annual average distance from all-weather roads declined by 6.5 percent from 4.6 km in 2015/16 to 4.6 km.
- Similarly, the proportion of area more than 5 km from all-weather roads dropped to 33.5 percent from 31.6 percent last year.
- By 2019/20, it is envisaged to narrow the proportion of area more than 5 Km from all-weather road to 13.5 percent

Trade in Ethiopia

- It is the exchange of goods and services at different geographical scale. Trade deals with business transactions that take place between households, firms and governments. Thus, trade takes place at the local, regional, country, continental and global levels.
- The emergence of trade is related to unequal distribution of resources, which are essential to satisfy human needs. It also resulted from specialization of skills, such as weaving, metal work, tannery, pottery, etc.

The following are the chief bases for trade relationship:

- **Difference in products;**
- **A surplus of product;**
- **A demand for commodities;**
- **Differences in culture;**
- **Adequate transport facilities; and**
- **Suitable local, regional and world conditions**

Types of trade

- There are two types of trade. These are:

1. Domestic trade; and
2. Foreign or international trade
3. **Domestic trade**,: also known as internal trade, is concerned with the exchange of commodities among peoples of a country. Such trade activities do not cross national boundaries.

In Ethiopia most internal trade take place through shops, regular and periodic markets.

Foreign/external Trade

- Foreign trade is the exchange of goods and services among people of different nations
- It enables a nation to specialize in those goods it can produce most cheaply and efficiently. It

Structure of Commodity Export of Ethiopia

- As the Ethiopian economy is an agrarian economy its merchandise (visible) export is determined by agricultural products
- Coffee dominates the total merchandise export item of the country and accounts for 29.5% of visible export earnings. Oilseeds accounting for 14.9 % take the second position followed by pulses 9.5 %, and chat 9.5 %

The Geographic Structure of Exports

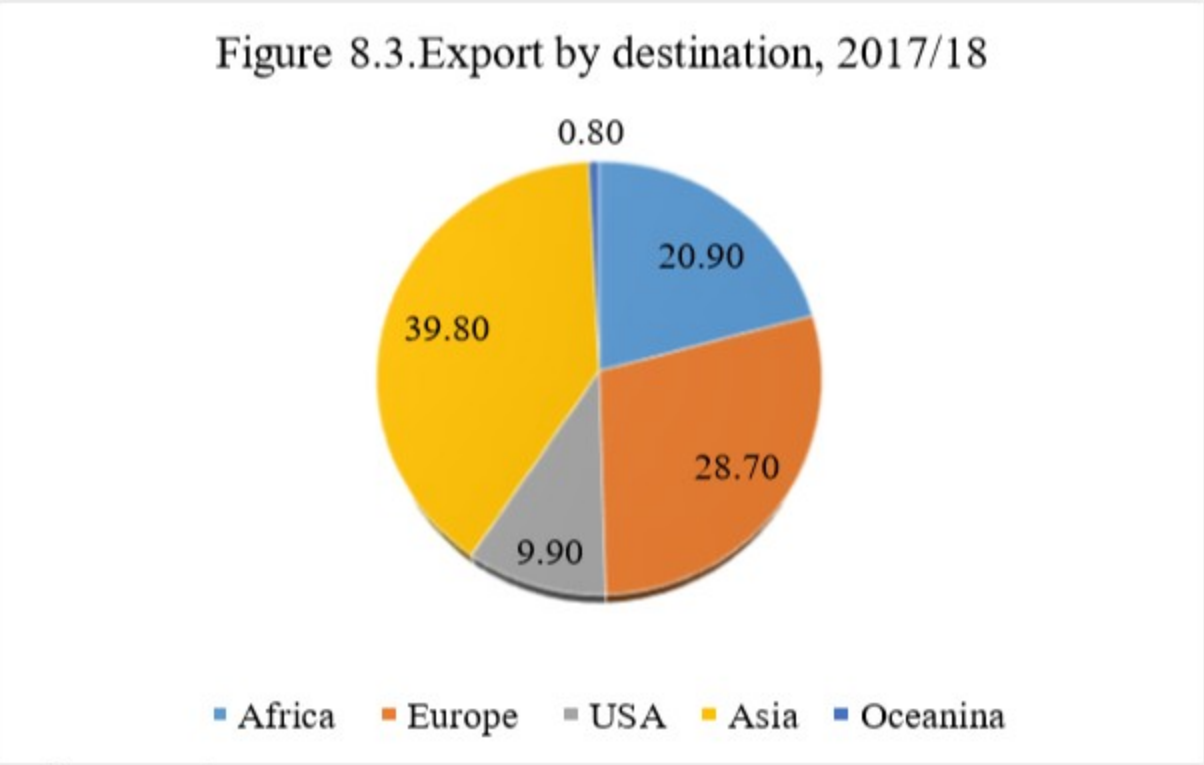
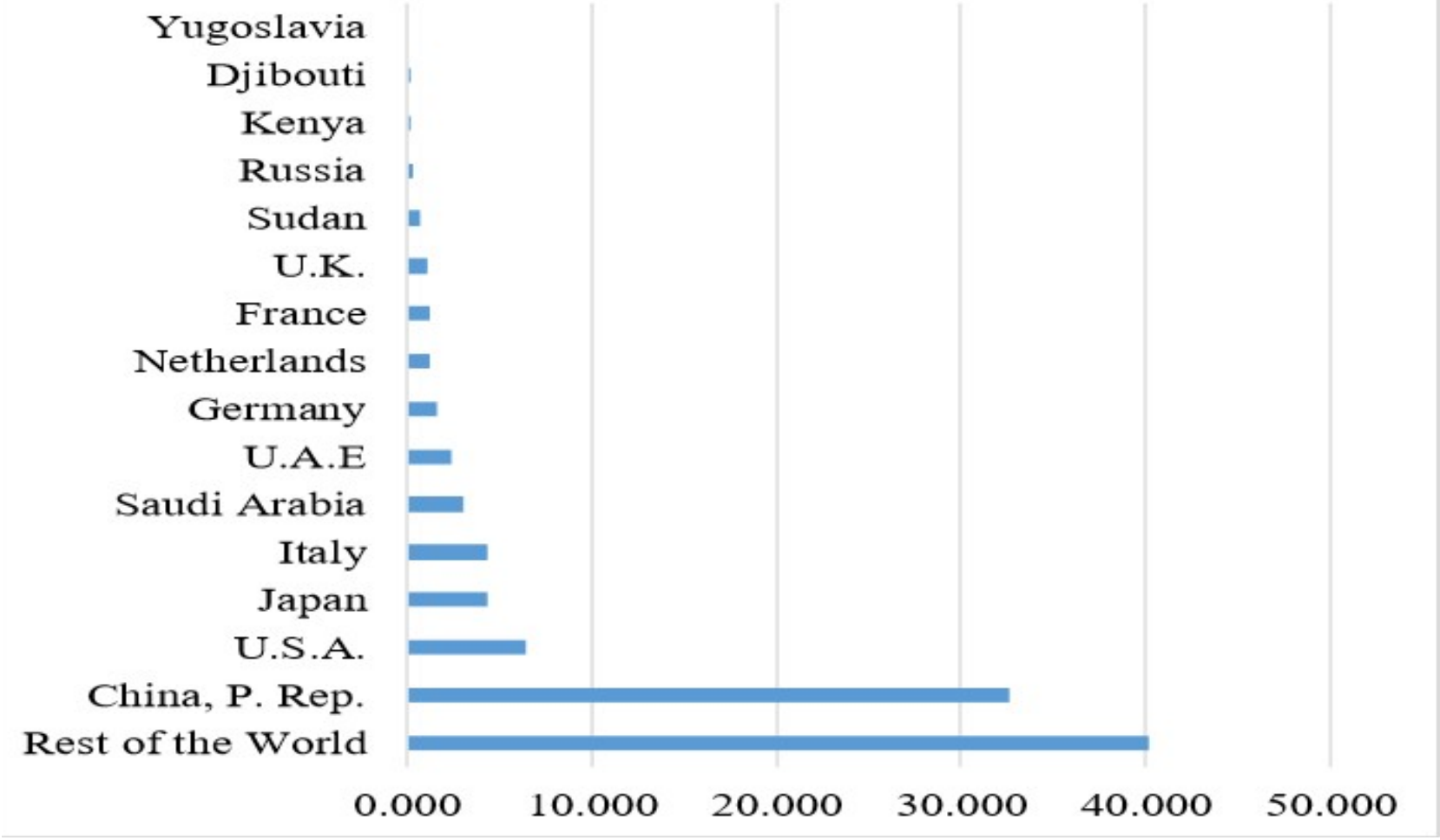
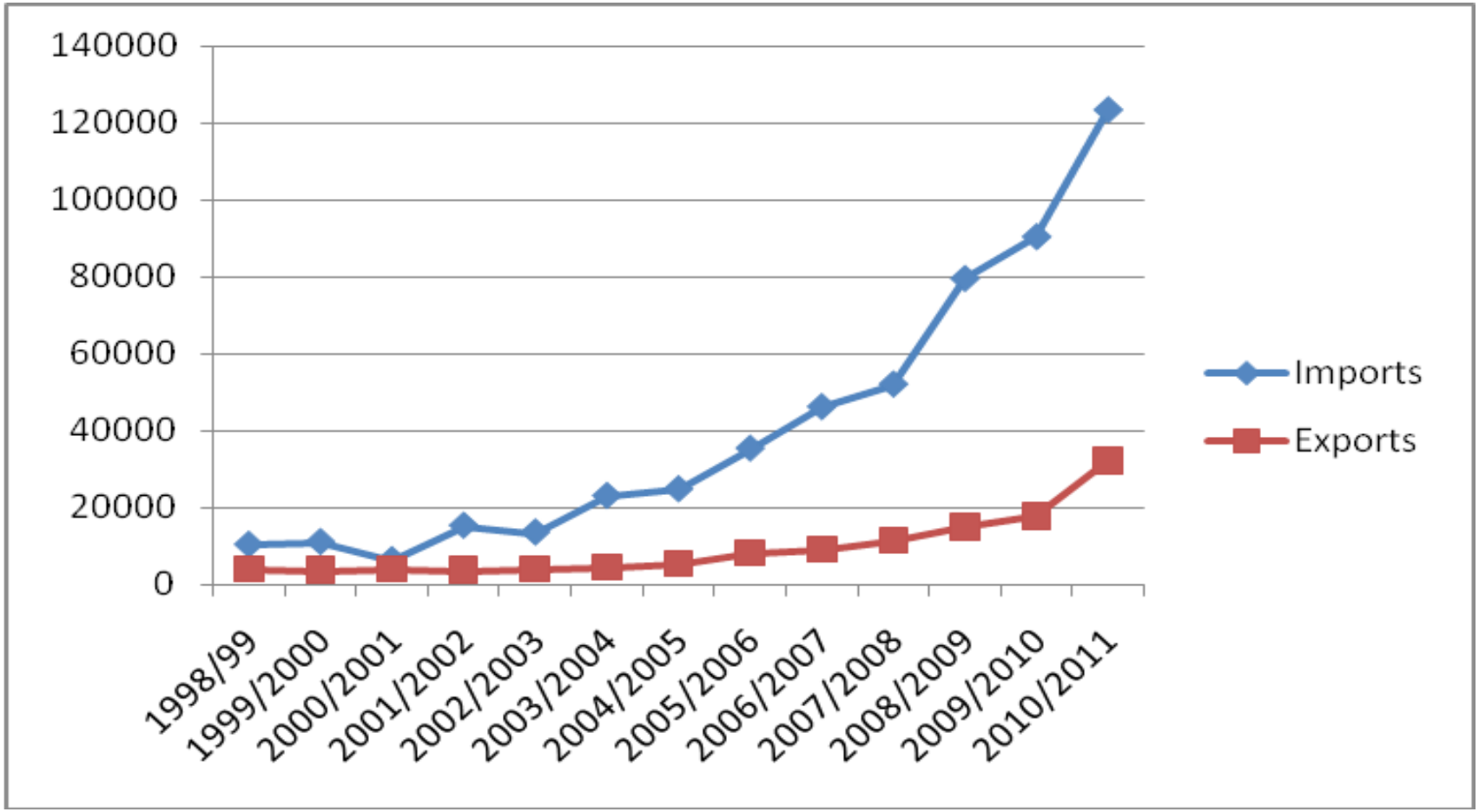


Figure 8.4.Import by Origin% 2017/18



Trends of foreign trade



Tourism in Ethiopia

UNWTO (2002) defined tourism as

- "Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. “

Major Tourist attraction sites of Ethiopia

- The Obelisk of Axum
- The Churches of Lalibela
- The Castles of Gondar
- The Walls of Harar

Natural Attraction sites

- The Blue Nile Falls
- Simien Mountains
- The Rift Valley Lakes
- The National Parks

Challenges of the tourism sector in Ethiopia

- Ethiopia's possession of varied attractions is regarded as an opportunity for the sector. However, at present, the following major challenges are also confronting the sector:
- Weak institutional framework and implementation capacity, skilled human resources and financing
- Very limited accommodating capacity of international standards for leisure tourism, with investment concentrated in main cities and business-type hotels
- Lack of basic and IT infrastructure present challenges for tourism businesses
- Narrow product range offered to the market by incoming operators
- Weak private sector associations
- Unplanned destination development
- Poor visitor management in natural and heritage sites puts sites at risk
- Poor tourism statistics