

Where are the Dynamics of Export Diversification in Ethiopia?

Birhan Eshetu Kebede

Research Paper 432

AFRICAN ECONOMIC RESEARCH CONSORTIUM
CONSORTIUM POUR LA RECHERCHE ÉCONOMIQUE EN AFRIQUE

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By

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AERC Research Paper 432
African Economic Research Consortium, Nairobi
April 2021

THIS RESEARCH STUDY was supported by a grant from the African Economic Research Consortium. The findings, opinions and recommendations are those of the author, however, and do not necessarily reflect the views of the Consortium, its individual members or the AERC Secretariat.

Published by: The African Economic Research Consortium
P.O. Box 62882 - City Square
Nairobi 00200, Kenya

ISBN 978-9966-61-130-7

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List of Abbreviations and Acronyms

AGOA	African Growth and Opportunity Act
COMESA	Common Market for Eastern and Southern Africa
CSA	Central Statistical Agency
EBA	Everything But Arms
EAC	East African Community
ECX	Ethiopian Commodity Exchange
ESL	Ethiopian Shipping Lines
EU	European Union
FOB/CIF	Free on Board/Cost, Insurance and Freight
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
HS	Harmonized Commodity Classification System
LDC	Least Developed Country
LLDC	Landlocked Least Developed Country
NBE	National Bank of Ethiopia
NPND	New Product to New Destination
NPOD	New Product to Old Destination
OPND	Old Product to New Destination
OPOD	Old Product to Old Destination
ROW	Rest of the World
SADC	Southern Africa Development Community
FTA	Free Trade Area
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WITS	World Integrated Trade Solutions
WTO	World Trade Organization

Acknowledgements

This research has been conducted through a grant from the African Economic Research Consortium (AERC) to whom I am greatly indebted. I sincerely acknowledge the support provided by the AERC resource persons, without whom this research could not have been realized. I would like to thank the resource persons in Thematic Group D, the peer reviewers and fellow researchers for their invaluable comments and inputs to the previous drafts of the study. Special thanks go to Prof. Oliver Morrissey and Prof. Olawale Ogunkola for their stewardship throughout the critical stages of the study. I am also grateful to the AERC staff for the logistical arrangements throughout the research and presentation processes.

Abstract

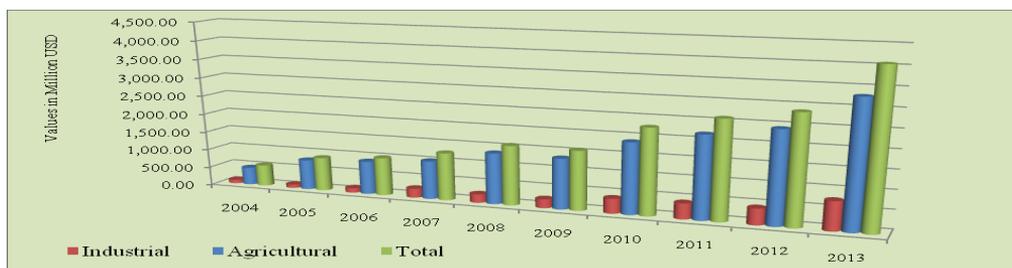
With the export promotion strategy, Ethiopia has tried to increase export earnings by exporting more in terms of volume and number of commodities. It has also formulated different strategies and undertaken various policy changes. Among such changes is the commitment to trade integration as revealed in existing trade negotiations. The export basket is dominated by coffee, but its share is shrinking because there are a few other new export items entering the exports basket, such as cut flowers, textile products and some processed goods. While Gravity Model is widely used to identify the determinants of trade, it is wise to employ product-destination descriptive matrix to analyze export diversification and identify the relevant factors that practically influence Ethiopia's export performance. Based on the analysis for Ethiopia, the top 20 export commodities are contributing more than 80% of export earnings, but the performance of the new export items such as textile and textile articles is promising. Among the fastest growing exports, most of them are value added products such as vehicle parts, and the respective export earnings have grown by multiple times in 2013 compared to the value in 2004. At HS 6-digit level, among 316 New Products to Old Destinations (NPOD), 84 are from textile and textile articles and, though the values per each export are low, there are also 74 new exports in vehicles, aircraft, vessels and associated transport equipment. The major destinations of these dynamic products are the EU, North America, China, Middle East, Africa and India. Thus, the major factors that play a pivotal role in the export performance and diversification in Ethiopia are institutional and structural changes, trade facilitation and export priority, infrastructure improvements, foreign firm participation, trade promotion and preferential market access, stretched objectives and declining bilateral trade costs.

Keywords: Export, Diversification, Ethiopia, Product, Destination.

1.0 Background

Industrial development and trade policy of Ethiopia has given emphasis to labour-intensive agricultural development-led industrialization¹ and export diversification. Though its integration to the world economy is weak, its commitment is revealed through existing trade negotiations. Currently, Ethiopia is an observer in the World Trade Organization (WTO) and is undertaking regional and bilateral negotiations with different trading blocs (Ministry of Trade, 2011/12). Relative to the past, with such motives and objectives to increase exports, Ethiopia has carried out various trade facilitation activities and this has increased the quality and quantity of exports to the world market, which has motivated investment in value addition. Accordingly, the value of exports of agricultural commodities and industrial products has shown an increasing trend, as indicated in Figure 1, but the growth of agricultural exports is by far more than the industrial products in the ten-year period from 2004-2013.

Figure 1: Trends of agricultural and industrial exports



Source: World Integrated Trade Solutions and author's computation

In the history of Ethiopia's exports, coffee is the leading contributor to export earnings, but its share is declining due to new commodities entering the exports bundle, such as cutflowers and some processed products. As stated by Abay and Zewdu (1999) as cited in Tekaligne (2009), from 1966 to 1996, the share of export earnings of coffee was 59.0%, on average, and declined to 36.3% in 2007 while the non-coffee agriculture and industrial sector share of export earnings increased to 63.7% (Tekaligne, 2009).

1 Ethiopian government portal: www.ethiopia.gov.et

However, exports are still dominated by agricultural commodities (Appendix 1), which is mostly confronted by price fluctuations in the international market.

Ethiopia has dramatically diversified the number of export products/commodities from 52 in 2005 to 148 in 2013 as indicated in Table 1. As stated by UNCTAD (2014), the diversification index (modified Finger-Kreinin measure of similarity in trade) shows whether the structure of exports by product of a given country or group of countries differ from that of the world; the index is calculated by taking 1995 as a base year. An index value closer to 1 indicates a bigger difference from the world average (improvement). Thus, compared to 2005, Ethiopia's diversification index is showing improvement in 2013 and in comparison to Land Locked Developing Country (LLDC), Least Developed Country (LDC) and East African countries' average (value closer to 0 means 'traditional' export). Besides, the concentration index, normalized version (Herfindahl-Hirschmann index)² as per UNCTAD (2014) is a measure of the degree of market concentration. An index value that is close to 1 indicates a very concentrated market and a value of 1 implies only one product is in the export basket, while values closer to 0 reflect a more equal distribution of market shares among exporters and a value of zero means high diversification. Therefore, the concentration index of Ethiopia has slightly reduced in 2013 from 2005 value and thus it is better compared to LLDC and LDC average, Rwanda and Somalia. This could imply that Ethiopia has done better in diversifying exports.

Table 1: Export concentration and diversification index

Countries/ Region	2005			2013		
	No. of Export Products	Diversification Index	Concentration Index	No. of Export Products	Diversification Index	Concentration Index
Ethiopia	52	0.644	0.379	148	0.773	0.331
Kenya	226	0.714	0.211	237	0.642	0.193
Rwanda	39	0.757	0.451	99	0.849	0.463
Somalia	42	0.776	0.564	33	0.750	0.616
Uganda	142	0.750	0.265	204	0.724	0.183
Tanzania	173	0.759	0.231	217	0.748	0.191
LLDC*	259	0.623	0.297	258	0.621	0.373
LDC*	257	0.690	0.458	258	0.657	0.403

Source: UNCTAD (2014), Statistical Handbook

*LLDC is Land Locked Developing Country and LDC is Least Developed Country.

2

$$H_i = \frac{\sqrt{\sum_{j=1}^n \left(\frac{x_{ij}}{X_i}\right)^2} - \sqrt{\frac{1}{n}}}{1 - \sqrt{\frac{1}{n}}}$$

where

H_i = Value of concentration index for product i

x_{ij} = Value of exports or imports for country j and product i

$$X_i = \sum_{j=1}^n x_{ij}$$

, n = n_o of products; the formula is normalized so as to obtain values between 0 & 1; refer UNCTAD (2014) Statistical Handbook; p.200; here the formula is used to indicate the respective values in the Table 1 are obtained from.

It is known that the main objective of regional trade agreements such as the Common Market for Eastern and Southern Africa (COMESA) is to increase trade between countries in the region. However, Ethiopia's import origin and export destination are the Rest of the World than Africa. As illustrated in Table 2, the share of Europe as the origin of import and destination of exports decreases while the respective share of Asia increases and that of Africa remains slightly the same.

Table 2: Trade direction of Ethiopia

Year	Trade Type	Trade Direction (%)				
		Europe	Asia	Africa	USA & ROW	Total
2009/10	Export	41.1	31.2	22.8	4.9	100.0
	Import	21.0	68.0	3.0	8.0	100.0
2010/11	Export	49.9	26.5	18.0	5.6	100.0
	Import	21.3	67.0	5.9	5.8	100.0
2011/12	Export	47.1	30.0	18.9	4.0	100.0
	Import	23.0	65.4	5.2	6.4	100.0
2012/13	Export	43.6	30.3	21.3	4.8	100.0
	Import	19.3	72.6	2.7	5.4	100.0
2013/14	Export	37.7	34.5	22.6	5.2	100.0
	Import	20.0	70.6	3.0	6.4	100.0

Source: National Bank of Ethiopia (NBE) and author's computation. NB: ROW is Rest of the World

Generally, countries are not self-sufficient and productive in all sectors of their economy, and thus international trade is crucial for these countries. To be successful in international trade, market access is the priority agenda for exporters after producing the right product (standardized product with right quality). Commonly after World War II, accessing foreign markets is accomplished through concessions between and among countries for economic and non-economic benefits (Finger et al., 1999). Without being a member of any Free Trade Area (FTA) and multilateral trading system (WTO), Ethiopia has shown remarkable progress in exports, especially in the 2000s after the economic policy change in the 1990s. The volumes and values of exports have increased dramatically (Semunigus, 2015). Therefore, such facts about Ethiopia motivate the researcher to answer questions such as: what is the pattern of export diversification in Ethiopia, and what are the factors influencing that pattern? With new way of looking at export performance (product-market 2 by 2 matrix), identifying plausible answers is vital to complement trade policy makers and help investors to identify potential investment areas in Ethiopia.

2.0 Diversification and Exports Performance

2.1 Conceptual Framework on Exports Diversification

Exports of countries may be new to export market or old (traditional) and the same is true for market/destination; thus, export diversification considers both dimensions. Diversification of export products and markets is important to reduce the challenges of development and deficit trade, which again increases employment opportunities (Samen, 2010). According to him, diversification is an export-led strategy and is defined as a progression from traditional to non-traditional exports, which improves the exports base and increases market sophistication. He classified diversification as being horizontal and vertical; the former entails increasing the country's existing exports basket by including new products in the same sector, while the latter involves the conversion of the primary sector to secondary or tertiary sector through value adding steps such as processing, marketing and other services.

Amurgo-Pacheco and Pierola (2008) defined diversification based on intensive and extensive margin in such a way that intensive margin refers to growth of existing exported goods (old products) and the extensive margin implies the growth of exports in new categories or new products. They classified products as new and old based on certain reference year, for example before and after 1995. It is believed that this classification system best suits, in terms of product classification, to accomplish the objective of this research; however, the geographic dimension remains. Amurgo-Pacheco and Pierola (2008) twisted the geographic definition to the product definition that intensive margin contains old products exported to the old destination (OPOD) while extensive margin consists of any combination of new either product or destination or both; that is, old products exported to new destinations (OPND), new products exported to new destinations (NPND) and new products to old destinations (NPOD). They summarized that there are two versions of diversification; product diversification consists of NPOD and NPND whereas geographic diversification consists of OPND and NPND.

2.2 Determinants of Exports Performance

Exports diversification has been the concern of Ethiopia since the mid-20th century where the first five-year development plan (1957-1961) was developed by the late Emperor Haile Selassie, which recognized the persistent domination of two-three commodities (Lakew, 2003). However, the domination of agricultural commodities in general and coffee in particular has not changed to a major extent, and concentration of exports of few commodities is continuing to be a challenge. According to Lakew (2003), exports performance could not fill the fiscal gaps to imports, and it has shown lower exports to GDP ratio and declining terms of trade.

Ezezew (n.d) has analyzed the determinants of export performance using time series data and arrived at insignificant contribution of exchange rate devaluation and volume of imports. According to him, the effect of devaluation of the exchange rate did not reduce the deficit trade balance due to income effect and other factors. However, this could be a short-run problem and, importantly, there are other factors that could have an offsetting impact, such as structural and supply-side problems. For instance, there is a supply of only little containers that existing factories are capable of exporting to foreign markets per month (ESL, 2010). The challenges of Ethiopia's exports performance are rather institutional and structural, such as lack of access to the sea, slow move to regional and multilateral integration, low technological progress and dependency on commodities' exports (Ciuriak and Preville, 2010; Ezezew, n.d).

In general, the relevance of exports to economic development is undoubted. However, the answer for what factors determine exports performance and diversification is different for different researchers. For instance, Agosin et al (2011) studied the factors that determine export diversification, using Generalized Method of Moments (GMM), and found that human capital accumulation (positively), economic distance (negatively), trade openness (negatively), and improvement in terms of trade³ (negatively) affect diversification or exports concentration while financial development and exchange rate volatility have no effect on exports concentration. Other researchers (Martinez, 2003; Marquez, 2007; Armstrong, 2007; Butt, 2008; Yohannis, 2014) have used the Gravity Model to distinguish factors that determine trade, and listed factors ranging from micro (import demand and export capacity) to macro (GDP, population size and geographic distance) elements. Tripathi and Carlos (2013) have also agreed with the positive impact of political globalization and cultural proximity to the bilateral trade between countries. However, the weakness of such researches is that the Gravity Model could not be the right methodology to analyze the dramatic increase in exports, which is currently the case in Ethiopia. The Gravity Model is intended to analyze the amount of bilateral trade between two parties; it could not be the right way to identify the factors affecting exports performance using this model, especially with Ethiopia's data.

³ But this effect is less pronounced for those countries with higher levels of human capital.

2.3 Overview of Trade Policy Environment

After ending its civil war, Ethiopia embarked on different economic policy changes starting from 1992 (UNCTAD, 2002). Among those changes, liberalization of trade policy, deregulation of prices and exchange rate, abolishing non-tariff barriers, and progressive reduction of import tariff are increasingly important in boosting the performance of exports. While formulating economic policy, trade especially through exports is a priority area and this is stressed in Ethiopia's Growth and Transformation Plan (GTP) (Ciuriak and Preville, 2010). However, its integration into the world economy remains weak as its application for accession to the World Trade Organization (WTO) before 13 years is not completed (UNDP, 2012) and it is not a member of any regional Free Trade Area (FTA) except COMESA Preferential Trade Area (PTA). According to Federal Negarit Gazet Proclamation No. 249/2001, exporters have many incentives; no export tax except on few commodities, exemption of payment of custom duties and other taxes on imported and locally purchased raw materials for the production of goods for export; Franco valuta (no foreign currency is required from the bank) permit for imports of raw materials; and export credit guarantee and so on. Generally, Ciuriak and Preville (2010) also noted that Ethiopia is undergoing changes and availing different benefit schemes to improve Foreign Direct Investment (FDI) and its export performance. However, there are technical challenges in aligning different economic policy mixes.

The Ministry of Foreign Affairs of Ethiopia (2007), in its trade promotion manual, stated that the international trade policy of Ethiopia has three core objectives; the first is to develop and ensure export destinations for agricultural commodities. The second is to generate foreign currency to import capital goods, intermediate goods and services which are vital for economic growth and the third is to improve the competitiveness of domestic firms in the global market. The Ministry had also put in place three trade promotion strategic pillars that are important to accomplish the desired objectives. The first pillar is focused on a limited number of exportable products while the second and the third are providing any relevant support to exporters, and engaging in export promotion activities, respectively. However, the weakness of this trade promotion manual is that the second trade policy objective could not be met with the first core objective; that is, exporting agricultural commodities could not sustain and improve the terms of trade of Ethiopia where there are huge capital-intensive imports for accomplishing the country's vision to be a middle income. Thus, value addition could not be left out in any trade promotion of the country. Besides, the first strategic pillar of export promotion also focused on a limited number of commodities or products, but the other way round works better because of economies of scale advantage and importance of diversification.

Though its trading environment is vulnerable to higher logistics, trade and institutional costs, Ethiopia has made remarkable steps to streamline its policy

and regulatory procedures and comply with the WTO trading principles (WTO, 2011 and WTO, 2016). As a growing economy, it is required to accommodate fundamental changes in the global economy to boost competitiveness (UNCTAD, 2002). Moreover, Ethiopia has different bilateral agreements with many countries such as India; non-reciprocal market access to the European Union (EU) market under EBA; and the US market under AGOA and it is undergoing different multilateral trade negotiations with COMESA FTA, Tripartite FTA (TFTA) and the WTO. According to Ciuriak and Preville (2010), however, it did not utilize the existing opportunities that make its exports performance better than the existing volumes due to factors such as problems in the macroeconomic policy mix, high trade cost, lower level of private sector participation, inefficient service provision, thick borders and high tariff rates from its African partners.

2.4 International Market Prices for Commodities and the Impact

The major exports of Sub-Saharan African countries such as Ethiopia are concentrated on primary agricultural commodities, which are mostly affected by price fluctuations in the international market (Deaton and Miller, 1995). Such problems induce many problems to these countries' budgets and income of households who are directly and indirectly employed by the exporting sectors. According to Deaton and Miller, appropriate response mechanisms to price shocks are required to stabilize and adjust the shocks either permanently or temporarily. The important remedy for the problem, as suggested by many authors is diversification of products rather than 'sending' primary commodities.

The boost in the commodity prices since 2004 to 2008 has increased the revenue of exporting countries, but concerned different countries since commodity price fluctuations easily affect their budget; that is, after the budget has risen, it is difficult to lower it when commodity prices are lower or expected to decline since it has many economic, social and political implications (Medina, 2010). Raddatz (2007) as cited in Medina (2010) argued that among external shocks, commodity price fluctuations are the most crucial sources of challenges that low-income countries are facing. UNCTAD (2015) also stressed that due to a strong appreciation of the dollar, the commodity market witnessed a decline in the prices of commodities from its peak in 2011-12 until the first half of 2015. The report stated that the investment response to the commodity price boom in the 2000s and lower oil prices had a great impact on the declining trend of commodity prices due to the fact that as oil prices decline, it reduces the cost of production and increases supply of commodities, which finally reduces prices. As noted by UNCTAD (2015), developing countries such as in Africa are victims of slowing down of commodity prices since the trade structure of these countries is concentrated on primary commodities. In this regard, the challenges to Ethiopia are not exceptional rather very intense, especially on its trade balance.

3.0 Methodology and Data Sources

In this research, the descriptive approach is used to answer the research questions. This approach is important in explaining the dramatic increase in Ethiopia’s exports and assessing the factors influencing the existing patterns of export diversification. The important area of descriptive analysis is made on exports diversification and growth in Ethiopia, which has two parts. The first is an analysis of the exports of old products to old/traditional and new markets/destinations, while the second is an analysis of the exports of new products to old/traditional and new markets/destinations (Steenkamp et al., 2009). The descriptive approach used to understand the new-old export product versus market relationship is based on Table 3.

Table 3: Product-destination matrix

		Foreign Destination (Market) for Exports	
		Old/traditional	New
Products in the export market	Old	List of old products in old destination/markets (OPOD)	List of old products in new destination/markets (OPND)
	New	List of new products in old destination/markets (NPOD)	List of new products in new destination/markets (NPND)

Based on this matrix, there are four possible analyses that can be done:

1. Export of old/traditional products to old/traditional destinations,
2. Export of old/traditional products to new destinations,
3. Export of new products to old/traditional destinations, and
4. Export of new products to new destinations.

The exports of Ethiopia to neighboring countries such as Djibouti, Somalia and Gulf States may not be the final destination for some products and there are expected re-exports. This research identified the possibility of re-export from some of these countries. After proofing for the existence of re-exports, the possible reason for the existing situation is proposed. Besides, description of some of the major export commodity production level and the export performance analysis is made.

The data source for the research is World Integrated Trade Solutions (WITS), National Bank of Ethiopia (NBE) and Central Statistical Agency (CSA) and other

sources. The data type used in this research is time series and cross-sectional data from 2004 to 2013 based on data availability (available from 2004 onwards for HS 2002). Since the data available for the years before 2007 are of HS 2002 classifications, data are extracted using the HS 2002 at 6-digit level.

4.0 Data Analysis

4.1 Export Trend and Share of Major Commodities

Ethiopia's export performance in the 2000s can be explained by existing changes in the number, volume and value of exports. Its exports volume has dramatically increased by sevenfold from US\$ 570.6 million in 2004 to US\$ 4,064.2 million in 2013 and it has increased by an average of 26% annually. However, from Table 4, only 20 products/commodities are contributing 88.3% of the export earnings in 2005 while it is 84.8% in 2013. The exports values for the 20th commodity in 2013 is greater than that of the 7th commodity in 2005, implying that performance of exports is better in terms of commodity in 2013. Besides, some export commodity earnings have increased dramatically, such as kidney beans and meat of goat, while some commodities have decreased in rank, for instance oil seeds, chickpeas and broad beans.

Table 4: Change in rank of export products at HS 6-digit level

Rank	Code	Product	2004 Export Earning	Code	Product	2013 Export Earning
1	090111	Non-decaffeinated coffee	185,662.96	090111	Non-decaffeinated coffee	770,315.00
2	710813	Precious metal	71,212.32	070990	Other vegetables	558,764.61
3	120740	Sesamum seeds	61,913.65	060310	Fresh roses (flower)	518,101.09
4	090190	Other coffee	51,520.92	120740	Sesamum seeds	493,927.85
5	140190	Other vegetables	27,830.00	010290	Other (live animal)	215,035.62
6	120799	Oil seeds	20,050.88	710813	Precious metal	157,354.72
7	071320	Chickpeas (garbanzos)	12,850.26	071333	Kidney beans, including white pea	147,427.58
8	410229	Raw skins	11,375.53	271019	Other (mineral oil/fuel)	89,165.53
9	520300	Cotton, carded or combed	9,995.60	010619	Other (live animal)	72,928.04
10	071333	Kidney beans, including white pea	9,946.14	411200	Leather further prepared	65,267.96
11	100890	Other cereals	7,039.05	020450	Meat of goats	63,640.11
12	180610	Cocoa powder	6,993.47	060210	Unrooted cuttings and slips	62,548.49
13	140490	Vegetables materials	3,807.58	010410	Sheep	47,489.63
14	071350	Broad beans	3,694.40	071320	Chickpeas (garbanzos)	39,770.24
15	130190	Gums and other vegetables	3,642.71	120799	Oil seeds	31,266.20
16	091010	Ginger	3,527.41	070190	Other Vvegetables	30,915.78
17	020450	Meat of goats	3,426.74	411310	Raw hides and skins (of goats)	25,728.42
18	261590	Other (ores)	3,235.48	071350	Broad beans	24,118.46
19	901110	Stereoscopic microscopes	3,033.87	071390	Other vegetables, edible	18,548.38
20	010290	Other (live animal)	2,983.53	842890	Other machinery	15,800.82
Total			503,742.50			3,448,114.53

Source: World International Trade Solutions

Looking at the rates of growth, some products are growing faster than others, though such exports have lower share in export earnings. As per Table 5, at 2-digit level, products under salt and sulphur (average annual growth of 174.3%); furniture and others (average annual growth of 152.4%) are achieving higher growth rates, and export earnings of these products have increased from US\$ 230,000 in 2005 to US\$ 22 million in 2015, but these products have lower share in total exports. The most important export commodities such as coffee have high export shares but with lower growth rates as export earnings from coffee and tea only increased with an annual average growth of 18%. Generally, the growth of export earnings of the top 51 commodities (at HS 2002 2-digit level) has shown better performance in 2015 compared to the level in 2004, but with fluctuating growth rates. Among the top growing exports, most of them are processed and value added goods, which signifies improvement in exports diversification.

Table 5: Growth rate (%) of selected export (dynamic) products

Products [at HS2002 2-digit level]	Value in '000 \$		Average Annual Growth in %
	2005	2015	
26. Salt, sulphur, earth & stone, plants	250	22,000	174.3
84. Furniture, bedding, mattresses, matt	64	2,312	162.4
86. Electrical machinery parts thereof	135	24,560	161.1
39. Plastics and articles thereof.	64	2,312	147.6
44. Wood and articles of wood; wood ch	65	3,020	117.3
73. Articles of iron or steel.	161	1,248	101.0
06. Live trees & other plants; bulbs, root	2,745	737,480	92.9
20. Prep. of vegetable, fruit, nuts or o	1,864	7,712	87.1
84. Nuclear reactors, boilers, mach & m	168	18,560	80.3
91. Art. of apparel & clothing accessories,	738	21,033	74.6
90. Miscellaneous manufactured articles	74	1,200	72.0
01. Live animals	4,540	332,180	70.6
84. Footwear, gaiters and the like; par	412	8,284	68.0
85. Other made-up textile articles; set	1,208	6,860	66.4
42. Articles of leather, saddle, harness	84	1,703	63.3
88. Aircraft, spacecraft, and parts ther	214	32,779	61.0
10. Prep. of cereal, flour, starch/milk,	206	12,483	42.0
07. Edible vegetables and certain roots	37,018	807,448	38.2
02. Meat and edible meat offal	8,291	108,880	34.1
22. Beverages, spirits and vinegar.	468	5,238	30.3
04. Dairy prod; birds' eggs; natural ho	308	2,889	28.2
12. Oil seed, oleag fruits, miscell gr	87,637	631,370	24.2
05. Products of animal origin, non or	563	2,361	18.6
09. Coffee, tea, maté and spices.	247,810	1,048,201	18.1
15. Animal/wag fats & oils & their der	1,383	5,448	15.3
08. Edible fruit and nuts; peel of citr	1,885	7,423	15.1
87. Vehicles of rail/tram/rail-roads	42	14,878	4.5

Source: World International Trade Solutions

Besides, as referred in the Appendix 1b, most of the top 30 export products (HS 2002 6-digit level) in value terms, are raw commodities, traditional exports. However, looking at the top 30 fastest growing exports, as illustrated in Appendix 1c, most are exports with value additions and this clearly indicates that though traditional commodity exports take the lion's share in export earnings, new export products are joining the market rapidly. As indicated, the percentage increase for some of the exports is huge because these exports start from nearly zero to higher export values. The push factors for this dynamism are particularly the exports priority given by the Government, such as building industrial zones, favourable environment to attract foreign investors to invest exclusively for exports (an exporting firm receives enormous advantages from the Government) and some improvements in supply-side

infrastructure. Generally, these rapidly growing products are exported mostly to the Middle East (Kuwait, UAE, Saudi Arabia, etc), Africa (Djibouti, Somalia, Sudan, Egypt, Kenya, etc), EU (UK, The Netherlands, Italy, Germany, France, etc), USA, Canada, China and India. Generally, exports such as leather (411200 and 411310) and vehicles of cylinder capacity exceeding 1 and 3 (870323 and 870324) have wider destinations to new and traditional markets, the latter having many African destinations. Most of vegetable (06-15) and animal (01-05) products are exported to Middle East countries.

All in all, as explained in the influencing factors section of this research, the main drivers contributing to the existing dynamics in exports are different. However, the transformational mindset of the Government, which led to different structural and institutional changes, played a pivotal role. Besides ending the civil war, the Government also ensured sustained peace and security (though bordered by conflict zones), which has attracted different investors since the end of the 1990s. Specifically, due to the medium term plan of the Government to transform to an industry-led economy, the manufacturing sector is given different benefits and priorities. For instance, an investor in manufacturing for export benefits from franco valuta import of raw material inputs, credit guarantee and loss carry forward.

Table 6: Rank of major export commodities

Rank	1999/00	2009/10	2013/14
1.	Coffee	Coffee	Coffee
2.	Chat	Oilseeds	Dillanols
3.	Leather and its products	Gold	Gold
4.	Gold	Chat	Chat
5.	Oilseeds	Flower	Pulses
6.	Pulses	Pulses	Flower
7.	Fruits and vegetables	Live animals	Live animals
8.	Meat products	Leather and its products	Leather and its products
9.	Sugar	Meat products	Textile and its products
10.	Live animals	Fruits and vegetables	Meat products
11.	Bee's wax	Textile and its products	Fruits & Vegetables
12.	Textile and its products	Bee's wax	Bee's wax
13.	Flower	Sugar	Sugar (no export)

Source: National Bank of Ethiopia

Generally, on an aggregate level and, as Table 6 indicates, most of the export commodities are agricultural, and some of these commodities decrease persistently from export performance rank in 1999/00 to 2009/10 and 2013/14, while some others increase their rank in export earnings. Besides, those commodities whose rank declined in 2009/10 have either remained in that rank or further declined in 2013/14 but not survived back to their rank in 1999/00. As illustrated, flower is new as a major export commodity in the export market while sugar has left the export market after 2009/10.

In both aggregate and disaggregate level of analysis, the increase in exports is due to more of horizontal diversification in the sense that most of the increase in

exports value is in the agricultural sector. However, looking at the HS 6-digit level, more dynamic exports are being recorded in the manufacturing sector. More generally, the diversification in exports is inclined more to the intensive margin than to the extensive margin. That is, the growth in exports is due to increase in exports of the same products mostly to the same destinations.

Due to the emphasis given to promote exports, such as through trade facilitation, banking, establishment of commodity exchange (ECX) and other incentive schemes, there are some commodities which improved their share in export earnings. As shown in Table 7, while the share of exports of coffee decreased from 34.2% in 2002/03 to 21.9% in 2013/14, the share of other commodities such as oil seeds, pulses and live animals increased. The declining share of commodities such as coffee and leather is due to the increase in the number and volume of exports of some other products, but not due to decline in the exports of coffee and leather products.

Table 7: Export share of major export commodities (% of values)

Commodity	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Coffee	34.2	37.2	41.8	35.4	35.8	35.5	35.0	26.4	30.6	26.4	24.2	21.9
Oilseeds	9.5	13.5	22.5	21.1	15.8	14.9	14.5	17.9	11.9	15.8	14.4	20.0
Gold	8.7	5.1	6.4	6.5	8.2	5.4	6.5	14.8	16.5	19.1	18.8	14.0
CNC	12.8	14.7	22.2	8.9	7.8	7.3	9.5	18.5	5.7	6.7	6.8	9.1
Pulses	4.1	3.5	4.3	3.7	5.9	9.5	5.3	6.5	5.0	5.1	7.5	7.7
Flower	-	-	-	2.2	5.4	7.5	9.0	8.5	6.4	5.2	6.1	6.1
Live Animals	0.1	0.3	1.6	2.8	3.1	3.5	3.5	4.5	5.4	5.5	5.4	5.7
Leather & Its Prod.	18.8	7.3	7.5	7.5	7.5	6.5	5.2	2.8	3.5	3.5	3.9	4.0
Meat & Its Prod.	0.5	1.3	1.5	1.9	1.3	1.4	1.5	1.7	2.3	2.5	2.4	2.3
Fruits & Vegetables	2.8	2.1	2.0	1.3	1.4	0.9	0.5	1.5	1.1	1.4	1.4	1.4
Others	18.8	11.5	10.4	8.8	7.7	7.2	5.3	5.5	5.0	5.5	7.8	7.5

Sources: Central Statistical Agency; National Bank of Ethiopia; and Appendix 1

4.2 Export Performance and Unit Value of Major Commodities

The improvement in performance of exports can be attributed to either increase in the price of exports in the international market or increase in export volume or both. We compare the export earnings per major export commodity (ratio) and arrive at the unit value of each export commodity. From Appendix 1b, there are some improvements in unit values for some commodities in 2013/14 compared to 2005/06, though it is not to the extent that negates the improvements in the volume of exports, because exports volume has increased dramatically from 709,064 tons in 2005 to 1.3 million tons in 2013, and every major export commodity has increased in volume terms. Moreover, the huge increase in unit value of leather and leather products (4.9 in 2005/06 to 23.3 in 2013/14) is merely associated with improvement of quality (i.e.

value addition). However, the unit value of gold has increased due to improved world prices in the last ten years. Generally, the recorded export performance in Ethiopia is due to growth in quantity and quality of exports rather than improvement in international prices.

4.3 Production Level of Major Export Commodities

The performance of exports is largely determined by existing production. As indicated in Table 8, the trend and the export share of three major commodities from production is fluctuating. In the last 13 years, on average, 40.2% of oil seeds, 10.2% of pulses and 47.7% of coffee are exported from total production. In absolute terms, export of oil seeds, pulses and coffee have increased from 76,604 tons, 109,228 tons and 116,354 tons, respectively, in 2001/02 to 313,527 tons, 353,022 tons and 182,667 tons, respectively, in 2013/14.

Table 8: Share of exports from production of some of the export commodities (tons)

Year	Oilseeds			Pulses			Coffee		
	Production	Export	Exp/Prod. (%)	Production	Export	Exp/Prod. (%)	Production	Export	Exp/Prod. (%)
2001/02	208,136	76,604	36.80	1,026,327	109,228	10.64	242,654	116,354	47.96
2002/03	188,647	82,801	42.13	823,173	68,154	8.34	245,634	136,814	56.02
2003/04	312,883	105,948	33.88	1,042,147	73,380	7.03	263,623	142,423	54.03
2004/05	528,396	170,788	32.45	1,348,579	121,853	9.01	312,777	157,187	50.28
2005/06	488,350	285,849	58.62	1,283,760	110,438	8.74	288,780	182,149	63.54
2006/07	512,800	234,978	46.02	1,581,800	158,752	10.18	331,044	186,184	48.90
2007/08	608,400	152,081	22.82	1,782,740	233,021	13.07	358,001	188,341	47.02
2008/09	655,700	288,987	43.77	1,884,830	137,088	7.02	298,830	112,079	37.74
2009/10	643,614	287,000	44.69	1,898,047	225,683	11.89	415,872	174,262	41.90
2010/11	633,088	298,000	47.18	1,853,184	234,482	11.40	450,023	181,343	40.30
2011/12	730,880	254,700	34.85	2,316,201	228,158	9.78	407,005	188,845	41.86
2012/13	728,680	283,854	39.08	2,751,000	357,518	13.00	373,080	188,880	50.78
2013/14	711,280	313,527	44.08	2,858,900	353,022	12.35	391,047	182,867	46.84
Average	528,354	216,858	40.2	1,737,808	184,411	10.2	338,236	158,424	47.7

Sources: Central Statistical Agency; and National Bank of Ethiopia Statistical Report

Taking coffee, the major export commodity, Table 9 shows how important domestic consumption is and its implication in times of price fluctuations. Referring to Table 9, the share of domestic consumption from production in Ethiopia is higher compared to the rest of the countries listed, and it has increased, with fluctuating trends, from 47.6% in 1999/00 to 52.3% in 2013/14. The inference is that when there is a price crisis abroad, the domestic market can consume the surplus and minimize possible impacts. Above all, Ethiopia's coffee production has increased from 3.8 million 60kg bags in 1999/00 to 6.5 million 60kg bags in 2013/14. Exports have also increased from 1.98 million 60kg bags in 1999/00 to 3.12 million 60kg bags in 2013/14 but exports

have not increased with the same rate with production, and the share of exports was 52.4% in 1999/00 but declined to 47.8% in 2013/14.

Table 9: Coffee production, consumption and export

Crop year	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total Production in '000' 60kg bags															
Brazil	47,570	31,310	31,365	48,490	28,820	30,272	32,044	42,512	30,570	45,882	38,470	40,095	43,494	50,828	40,162
Ethiopia	3,784	3,115	4,044	4,084	4,304	5,213	4,779	5,551	5,007	4,048	6,831	7,500	6,798	6,253	6,527
Kenya	1,502	1,002	881	946	673	738	680	628	652	541	630	641	757	876	834
Uganda	2,682	3,401	3,154	2,899	2,590	2,913	2,175	2,804	3,180	3,335	2,804	3,287	3,115	3,014	3,833
Export of all forms of coffee in '000' 60kg bags															
Brazil	18,510	23,172	27,982	25,711	28,478	28,198	27,388	28,184	29,510	30,388	33,052	33,542	28,324	31,550	30,421
Ethiopia	1,982	1,378	2,055	2,228	2,481	2,435	2,938	2,804	2,852	1,851	3,324	2,975	3,203	2,870	3,117
Kenya	1,328	1,008	738	820	754	673	607	617	608	525	631	608	803	815	788
Uganda	2,513	3,080	3,354	2,522	2,627	2,388	2,173	2,683	3,311	3,014	2,857	3,142	2,885	3,672	3,442
Domestic Consumption in '000' 60kg bags															
Brazil	12,700	13,200	13,680	13,750	14,200	14,896	15,540	15,331	17,125	17,880	18,380	18,132	18,720	20,330	20,085
Ethiopia	1,802	1,738	1,880	1,885	1,803	2,778	1,844	2,047	3,115	3,007	3,607	4,825	3,688	3,383	3,411
Kenya	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Uganda	118	142	141	140	131	140	150	175	180	185	189	204	210	218	221
Export to Production in %															
Brazil	37.87	74.01	88.21	53.03	81.87	88.71	85.08	66.30	81.81	66.03	83.74	83.74	65.14	62.07	74.10
Ethiopia	52.37	44.17	50.81	54.45	56.89	48.71	61.42	48.81	47.80	37.41	47.88	35.87	47.11	48.06	47.75
Kenya	88.44	108.58	74.27	87.27	111.81	81.51	88.98	88.88	83.30	88.88	84.34	85.05	108.02	93.04	85.32
Uganda	87.80	89.97	108.34	87.27	101.18	88.88	88.88	83.08	84.87	88.38	91.88	88.17	88.28	93.83	84.78
Domestic Consumption to Production in %															
Brazil															
	28.88	42.18	43.33	28.38	48.27	38.88	47.17	38.42	47.48	38.48	48.88	38.78	45.36	40.08	40.88
Ethiopia															
	47.83	55.83	48.18	45.85	43.31	53.28	34.58	53.08	52.20	42.58	52.04	54.33	52.88	53.95	52.25
Kenya															
	3.33	4.99	5.05	5.29	7.42	6.80	7.57	6.05	7.67	9.24	7.94	7.80	6.60	5.71	5.97
Uganda															
	4.16	4.18	4.47	4.84	5.04	5.35	6.90	6.05	5.17	5.55	6.52	6.24	6.74	5.52	6.08

Source: International Coffee Organization and author's computation

4.4 Export Capacity of Firms

Exports are dependent on production while production is determined by existing Government policy priority for exports, investment, private sector participation, innovation and supply-side infrastructure, including investment in science and technology. As can be seen from production data, the major commodities of exports have increased production levels due to different institutional and structural improvements, but there are still capacity challenges to improve exports; that is, challenges to reduce trade costs and ensure economies of scale advantages. These challenges are visible in two areas:

1. Agricultural sector challenge: Shortage of logistics facilities such as generators, shortage of different facilities, cooling stations (cold store) and transportation systems with refrigerators to export meat and horticulture products is persisting, despite the high demand for horticulture and meat products in the Middle East countries (ESL, 2010). Besides, as most producers/growers in the agricultural

sector are less skilled, it is a challenge to identify and use information about international standards, quality and existing opportunities.

2. Manufacturing sector challenge: Although there are improvements, lower supply of products due to firm size and supply-side constraints are concurrent problems facing exporters. Firms are small in size and are often not able to supply the minimum cargo for exports for a viable shipment. This ultimately increases the logistics cost and reduces competitiveness of exports in the foreign market (ESL, 2010).

Generally, the exports capacity of firms in Ethiopia is not adequate from the view of shipping and logistics, where there are more waiting times than average to get exports cargo per ship call (ESL, 2010). This can be best explained by looking at the minimum tonnage available at Djibouti port per week. The average weekly cargo available was around 24,000 tons in 2013, assuming 85% export cargos are using the Djibouti port. This is, however, better than the 2005 performance where the average weekly cargo was around 13,000 tons. Therefore, lower cargo availability increases shipping and logistics cost per ton, which reduces the competitiveness of exports. However, looking at the number of firms participating in exports, and considering firms that were exporting products at least 12 times per year, it has increased from 411 in 2005 to 657 in 2013, though export volume is small. The frequency (weighted) of exports of each firm has also increased; for instance, the firm with the highest frequency has exported 627 times in 2005 while the frequent exporter in 2013 has exported more than 2,000 times (adding the frequency of different products).

4.5 Patterns of Export Diversification

Before detailed analysis of patterns of export diversification, we define the terms used in this research, and importantly new products and new destinations. Accordingly, new products are those commodities or products, at HS 6-digit level, that were exported by Ethiopia after 2004 but not before, and which are still in the market⁴ (until 2013) with a minimum value of US\$ 1,000 per annum. Old products are those export products which were being exported before 2004 until 2013 and which might have zero values in between. Similarly, new destinations are those countries which were not export destinations of Ethiopia before 2004, with the level and value mentioned in the product definition but appeared as an export destination after 2004. Old destinations are those which were export destinations before 2004 too. While defining, 2004 is taken as a reference year because in 2004 and before, at HS 6-digit level, there are more zeros in the export data set while after 2004, there are more new products joining the market with more values. A value of US\$ 1,000 is used as a benchmark because values below this amount are either mostly not consistent (not exported with successive years) or did not show any progress year after year.

⁴ Products exported consecutively or with a break in between years but minimum exports of US\$ 1,000 for at least a year.

Thus, based on Amurgo-Pacheco and Pierola (2008) definition of export diversification, Ethiopia's exports are diversified intensively and extensively. Extensively, the country has exported 28 new products to 28 new destinations⁵. Among these destinations, 19 of them are African countries, indicating that its exports to Africa are increasing. The number of new export products to existing destinations (NPOD) are 316 and the values of these exports to these destinations have increased from US\$ 2.2 million in 2005 to US\$ 927.7 million in 2013 (Table 10). The exports of old products to new destinations (OPND) have also increased, but it is not as much as the value of NPOD.

Importantly, Table 10 illustrates that the concentration index (normalized and non-normalized) of OPOD has declined in 2013 from the value in 2004. This is reflected in the corresponding increase in the NPND concentration index in 2013 from zero in 2004. Therefore, this shows that exports diversification is taking place in Ethiopia, though a lot remains to be done.

Table 10: Export values and concentration index⁶ in the respective destinations (values in US\$ '000')

Summary (Values in '000' USD)											
S.N.	Description	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1	NPND		103.57	39.07	356.57	1,198.08	676.42	2,428.58	5,641.16	7,790.48	181,010.87
	HI ₁		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0013
	HI ₂		-	0.0001	0.0002	0.0006	0.0002	0.0008	0.0019	0.0016	0.0287
2	NPOD	2,184.44	14,918.74	42,075.28	130,648.76	216,718.72	386,887.22	588,547.68	460,804.84	927,718.20	
	HI ₁	0.0000	0.0004	0.0003	0.0024	0.0113	0.0126	0.0081	0.0086	0.0177	
	HI ₂	-	0.0188	0.0183	0.0603	0.1080	0.1340	0.0922	0.0828	0.1388	
3	OPND	322.00	213.62	2,471.00	3,608.88	6,308.88	8,446.70	9,601.43	59,811.30	61,681.08	
	HI ₁	0.0000	0.0000	0.0001	0.0001	0.0003	0.0002	0.0002	0.0072	0.0023	
	HI ₂	-	0.0003	0.0035	0.0014	0.0058	0.0048	0.0047	0.0274	0.0154	
4	OPOD	306,340.33	289,486.48	376,008.88	730,805.31	1,013,824.08	887,540.18	1,372,327.82	1,708,737.17	1,081,487.21	2,384,781.97
	HI ₁	0.0084	0.0678	0.0688	0.0484	0.0426	0.0608	0.0445	0.0416	0.0346	0.0278
	HI ₂	0.2442	0.2871	0.2485	0.2280	0.2118	0.2309	0.2166	0.2082	0.1808	0.1711
5	Total	306,340.33	592,306.20	581,178.92	784,807.94	1,148,241.84	1,211,283.21	1,748,189.61	2,009,308.34	2,489,085.62	3,656,002.88

Source: Author's calculations based on WITS Data (Appendix 2-4)

Note that since the non-normalized Herfindhal Index (HI) has many zeros, it is normalized using the total number of exports so as to see the trend (in fact it is division by the same number 'four product' groups; i.e., it is dividing each by total number of exports of the four category). Therefore, HI₁ refers to non-normalized Herfindhal Index while HI₂ is the normalized Herfindhal Index as indicated in Table 10.

⁵ Angola, Austria, Bahrain, Benin, Botswana, Burkina Faso, Cameroon, Colombia, Congo, Cote d'ivoire, El Salvador, Gambia, Ghana, Kuwait, Madagascar, Malawi, Malaysia, Mozambique, Qatar, Rwanda, Senegal, Swaziland, Tanzania, Thailand, Uganda, Vietnam, Zambia and Zimbabwe.

$$H_i = \frac{\sum_{j=1}^n \left(\frac{x_{ij}}{X_i}\right)^2 - \frac{1}{n}}{1 - \frac{1}{n}}$$

where
 H_i = Value of concentration index for product i
 x_{ij} = Value of exports or imports for country j and product i
 $X_i = \sum_{j=1}^n x_{ij}$, $n = \text{no. of products}$

⁶

Moreover, intensively, exports of old products to old destinations⁷ (OPOD) have increased tremendously and are greater in value compared to the rest of the combinations because the product is already in that market and the cost of marketing is lower compared to the rest of the markets. However, the number of products in this quadrant (141) is less than that of NPOD (316). There are many new products entering the exports market both at vertical and horizontal diversification, especially to existing destinations. Thus, to understand the major area of product diversification, it is better to look at HS 2002 2-digit (chapters) and section level. Accordingly, the major improvement in Ethiopia's exports is made in textile and textile articles and, among 316 new exports to old destinations (NPOD), 84 are from textile and textile articles (Table 11). Besides, exports of vegetable products are also increasing both in number and values to old destinations. Though the values per each export are low, there are 74 new exports in vehicles, aircraft, vessels and associated transport equipment.

Generally, in the NPOD quadrant at 2-digit levels, most of the new products emerge under 07 (edible vegetables and certain roots and tubers), 52 (cotton), 61 (articles of apparel and clothing accessories, knitted or crocheted), 62 (articles of apparel and clothing accessories, not knitted or crocheted), 63 (other made up textile articles; sets; worn clothing and worn textile articles; rags), 64 (footwear, gaiters and the like; parts of such articles), 73 (articles of iron or steel), 84 (nuclear reactors, boilers, machinery and mechanical appliances; parts thereof), 85 (electrical machinery and equipment and parts thereof, sound recorders and reproducers, television image and sound recorders and reproducers), 87 (vehicles other than railway or tramway rolling stock, and parts and accessories thereof), 90 (optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof) and 94 (furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified). Therefore, in terms of number of products, most of the diversification is in the non-agricultural (manufacturing) sector but the values are small.

⁷ EU, Algeria, Australia, Canada, China, Djibouti, Egypt, Georgia, Guatemala, Hong Kong, India, Indonesia, Iran, Israel, Japan, Jordan, Kenya, Korea (both), Lebanon, Mexico, Morocco, New Zealand, Nigeria, Pakistan, Russia, Saudi Arabia, Singapore, Somalia, South Africa, Sudan, Tunisia, Turkey, UAE, USA and Yemen.

Table 11: Illustration of the selected products to the respective destinations @HS 6-digit level

		Destination/Market for Export	
		Old	New
Products for the export market	Old	Coffee (non-decaffeinated), fresh (flower), sesamum seeds, kidney beans, other (live animals), meat of goats, leather further prepared, natural gum (other vegetables), chickpeas, sheep, oil seeds, broad beans, other vegetables (edible roots), ginger, tomatoes, coffee/tea (neither crushed nor ground), of cotton (apparel), beans, other textile materials, goats, other vegetables (mixtures of vegetables)	Other (live animal), sheep, meat of goat, butter, fresh (flower), tomatoes, cabbage, chickpea, other vegetables, kidney beans, broad beans, sesamum seeds, coffee (non-decaffeinated), leather further prepared, turmeric, agarbatti and other odoriferous, cotton (carded or combed), of other textile materials, worn clothing, with uppers of leather, tableware and kitchenware, wooden furniture, furniture of other materials.
	New	Other (vegetables), other (live animals), unrooted cuttings and slips, other (edible vegetables/roots), raw hides (of goats or kids), other machinery, unworked or simply sawn or roughly (precious or semiprecious stones), other (aircraft parts), measuring less than 714.29 decitex (cotton), measuring 714.29 decitex or more (cotton), soya beans, measuring per single yarn less than (cotton), other textile materials, footwear with outer soles of leather, banana, articles of apparel (of cotton), bamboos, other parts of aircraft, hard rubber, other apparatus, aircraft engines, grain splits, gum Arabic, carcasses and half-carcasses	Other (mineral oil/fuel), soya beans, of low erucic acid rape or colza (residues, wastes, animal fodder), carcasses and half carcasses, guts, bladders and stomachs of animal, unrooted cuttings and slips, other vegetables; mixtures of vegetables, vaccines for veterinary medicine, raw hides (of goats or kids), unworked or simply sawn or roughly (precious or semi-precious stones), of a cylinder capacity exceeding 1 (vehicle parts, accessories), worked vegetable or mineral carving, color

In the NPND quadrant, most of the products are not exported in the old destinations and the value of exports is very minimal except in 2013. As most of these destinations are African countries, the new products, especially other vegetables; mixtures of vegetables, vaccines for veterinary medicine, raw hides and skins (of goats or kids), carcasses and half-carcasses, vehicle parts and accessories have a growing trend to these markets. This is because the products are new, with higher comparative advantages as Ethiopia has huge potential in these export products. But promotional outlay requires huge investments in advertising to the new destinations.

Lastly, in the OPND quadrant, the exports value is lower than the exports value of NPND. In fact, these destinations are new because no old products are exported and again, old products were not exported to such destinations either because those old products did not have a demand or because there was no export market strategy to

such destinations. However, the new products are exported possibly either due to an existing new demand for such new export products or due to the recently developed export promotion manual for diplomatic communities by foreign affairs, which could have a good contribution to exports growth for both new and old products in general.

4.6 Nature and Prospect of Export Diversification in Ethiopia

Ethiopia has made remarkable progress in exports for the last 10-15 years. When one looks at exports performance at HS 6-digit level, exports are diversified both in new products and expansion of clusters of products. As indicated in Appendix 2 and 3, two situations are visible; most of the new products exported to old destinations, Appendix 3, are classified under cluster of products (traditional exports) such as animal (HS 01-05) and vegetable (HS 06-15), whereas most of the new products exported to new destinations, Appendix 2, are completely new and entering new destinations; e.g. metals (HS 72-83) and transport (HS 84-86). From such scenarios, it is possible to say that there is a correlation between export products and destination; that is, diversification of cluster of products is more in the old markets, which might be due to exporters understanding for differentiated products demand in that market. These products have lesser cost of marketing than other completely new products. The new exports finding their way to new markets, especially African markets, could be due to lower standard requirements for such products in these markets compared to the traditional markets such as the European Union (EU), which have stringent requirements (e.g. vaccines for medicines). All in all, both categories of exports have a growing trend in the old markets due to existence of trade preferences such as the African Growth Opportunity Act (AGOA) of the USA and Everything But Arms (EBA) of the EU due to specialization and market development. However, commodity exports are vulnerable not only to volatile demand, price shocks and stringent requirements but also to a complete ban. For instance, one of the top ten major exports of Ethiopia was recently banned into the UK⁸.

Looking at exports to the USA for non-AGOA and AGOA-eligible products, most of the non-AGOA products are traditional exports whereas the AGOA eligible products are new and consistently exported especially after 2006 (detailed in Appendix 5). Besides, exports of AGOA-eligible products to the US market are increasing in number and value terms, which is consistent compared to the same exports to China, comparing Appendix 5 and 6. This could indicate that AGOA benefited Ethiopia's diversification, though Ethiopia did not benefit as supposed to be. This again indicates that destination and diversification influence each other.

⁸ <http://www.bbc.com/news/uk-27921832>

4.7 Exports Data Discrepancy

In the old destinations, the boom in exports to the USA and the EU is supported by the existing trade preferences such as AGOA and EBA. These are huge markets for exports and are given by preference schemes; thus, it is possible to say that the benefit scheme supported Ethiopia's exports to these regions; that is, the exports to these destinations are true (no possible re-exports). However, in some destinations such as Somalia and Djibouti, the amount of trade has increased significantly and there is a doubt whether these countries are final destinations. Thus, due to such suspicion for re-export in these markets, exports data are checked for whether exports of Ethiopia are a re-export of the partner or not. That is, comparing the import as declared by the partners with the export amount reported by Ethiopia to the respective partner. However, due to data unavailability (Somalia did not report any trade data and Djibouti did only for 2009), the analysis is done for Djibouti (for one year), Kenya and Gulf States (such as UAE and Saudi Arabia).

Thus, according to Djibouti report 2009, it has imported a total of US\$ 32.4 million value commodity from Ethiopia and Ethiopia's exports report to Djibouti for the same year is US\$ 51.5 million, reflecting a difference of 37%. The number of export products as reported by Ethiopia is also greater than the number of import products as reported by Djibouti. This indicates the existence of re-export, and this can be aggravated by the fact that the home port for Ethiopia is Djibouti port. Besides, the variation could be as a result of errors in data entry and registration. As indicated in Table 12, there is also great discrepancy between the reported values of Ethiopia's exports to Kenya and the imports of the same by Kenya. A 10% difference can be accommodated for the existing difference in the Incoterms⁹ as Ethiopia exports as Free on Board (FOB) but Kenya imports as Cost, Insurance and Freight (CIF). However, the difference is big (greater than around 37%) in this case. Thus, the implication is that either there exists re-export or under-reporting or not reporting imports by Kenya. Accordingly, there are unreported imports by Kenya from Ethiopia. Among the unreported products, the important ones are kidney beans, ginger, fresh rose, other vegetables and vehicle parts and accessories but there is no re-export for these commodities.

Furthermore, the discrepancy problem with the Gulf States, as shown in Table 12, is related to both under- and over-reporting, and un-reporting by the respective partners. While Saudi Arabia and United Arab Emirates (UAE) have higher trade with Ethiopia, the other Gulf States have lower volumes of trade and the analysis focused on the former partners. Among the unreported products by Saudi Arabia include sheep, other animal, other mineral, grain sorghum and seeds of cumin. Similarly, UAE did not report imports of products such as sesame seeds, non-decaffeinated coffee, other vegetable saps, sheep, carcasses, kidney beans, other live animals and

9 A set of 11 international standard trade terms which allow the parties to designate a point at which the costs and risks of transport are precisely divided between the seller and the buyer. Incoterms also allocate responsibility for customs clearance/duties between the parties (Dictionary of International Trade, 2010).

other parts of plant. The amount of exports to UAE for 2007-2008 is very high, which could be either over-reporting by UAE or wrongly reporting imports from different origins as Ethiopia's (as UAE is the main entry port) or not reporting by Ethiopia for some products. For instance, UAE is not reporting imports from Ethiopia consistently and it did not report any import from Ethiopia for 2004, 2006, 2009, 2010 and 2011, which could lead to a conclusion that some imports can be reported to other origins. Moreover, Ethiopia did not have any exports to UAE for products HS code 711291, 710812 for which UAE has reported, respectively, US\$ 15.3 million and US\$ 88.5 million in 2007 and US\$ 52.9 million and US\$ 74.0 million in 2008. Therefore, such errors aggravated the discrepancy issue.

Table 12: Exports data discrepancy with Kenya and Gulf States (values in '000' US\$)x

Partner	Particular	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Kenya	Export to Ken	1,020.8	2,431.2	2,591.1	6,239.2	4,443.6	4,300.9	4,680.8	10,574.2	13,201.6	18,484.3
	Import by Ken	264.0	291.8	1,581.3	807.8	1,881.4	2,164.7	2,808.2	3,081.0	983.7	3,236.1
	Difference										
	Diff. in %	76.1	88.2	39.7	85.8	82.2	49.7	37.9	81.4	92.8	15,249.2
											82.6
Sudan	Export to Sud	4.8	7.8	43.4	85.8	272.6	372.1	887.0	608.8	686.6	8,568.3
	Import by Sud	3.2	33.4	N/A	N/A	181.9	18.7	1,386.0	2,703.0	4,229.0	6,340.1
	Difference	1.4	(5.6)			80.6	353.5	(499.0)	(2,094.3)	(3,833.6)	(3,218.2)
	Diff. in %	30.8	(71.6)	-	-	33.3	86.0	(86.6)	(373.0)	(610.1)	37.8
Qatar	Export to Qatar	36.0	112.3	46.4	187.3	708.7	642.9	621.8	1,348.1	1,314.8	84,101.8
	Import by Qatar	N/A	N/A			N/A	N/A				4,052.0
	Difference	-	-	644.1	1,487.4			1,236.8			80,049.8
	Diff. in %	-	-	(487.7)	(1,300.1)			(775.1)			86.7
				(1,072.3)	(777.0)						
Oman	Export to Oman				47.4	102.1	368.1	1,304.8	836.7	2,488.4	4,018.2
	Import by Oman				10.6	81.6	184.4	350.6	308.8	182.8	188.2
	Difference										
	Diff. in %				38.8	10.6	183.7	1,214.1	626.8	2,305.6	3,848.0
					77.7	10.4	46.7	88.0	88.8	82.7	86.8
Qatar	Export to Qatar	42.1	-	8.6	48.8	83.0	49.2	220.2	213.3	98.0	1,178.8
	Import by Qatar	N/A	663.9	258.8	372.1	366.3	N/A	528.3	N/A	N/A	1,012.6
	Difference		(663.9)	(250.2)	(323.3)	(283.3)		(308.1)			164.3
	Diff. in %			(3,088.1)	(647.8)	(340.4)					14.0
Saudi Arabia	Export to Saudi	38,130.8	67,030.1	66,872.1	88,667.0	123,181.8		111,836.4	140,680.6	187,332.7	187,804.2
	Import by Saudi	48,584.0	65,142.8	70,406.4	88,283.3	128,337.2	108,766.2	146,880.9	158,818.2	188,882.4	156,888.0
	Difference										
	Diff. in %	(18,444.8)	(7,212.7)	(4,733.3)	(806.3)	(5,156.4)	2,080.1	(6,211.3)	8,418.6	(11,088.1)	254,188.2
		(28.7)	(12.6)	(7.2)	(0.7)	(4.2)	1.8	(5.8)	5.0	(6.8)	80.8
UAE	Export to UAE	10,402.8	32,283.1	27,280.8	42,324.3	48,188.6	71,868.6	110,361.1	82,288.6	79,782.8	86,480.4
	Import by UAE	N/A	36,823.2	N/A	123,640.0			N/A	N/A	N/A	81,528.3
						172,716.2					306,886.3

Source: WITS

Going further, the analysis is done for the existence of re-exports of such products by Kenya and Saudi Arabia to the rest of the world and found that Kenya did not have

any re-exports of the unreported products. Moreover, Saudi Arabia has re-exports of sheep to the Middle East and other mineral fuel to the Middle East and Senegal, Sudan and Somalia, which are also direct destinations for Ethiopia's exports. Therefore, it is understood that the discrepancy with Kenya is due to not reporting while with Saudi Arabia it is due to existence of some re-exports and errors in reporting, but Saudi Arabia may have imports of the same products from other countries, which can be included as re-exports.

4.8 Factors Influencing Exports Performance in Ethiopia

Export performance is generally determined by firms' production performance, but this analysis is more concerned with export performance after production. Traditionally, the determinants of exports as identified by many authors include economic size, distance, trade relations, common language, common border, colonial history, etc. However, based on the analysis presented in the above sections, the relevant factors that positively determine Ethiopia's export performance include, but not limited to:

- a. Institutional and structural changes: Due to the commitment the Government has made to boost competitiveness and volume of exports, there are around seven (7) different manufacturing institutions¹⁰ accountable to the Ministry of Industry. These institutes are given a shared objective to increase the exports base to uplift the country to an industry-led economy. Thus, these institutional changes in Ethiopia have brought changes in exports pattern. There are different export products which have shown increasing trends; e.g. footwear, textile products, manmade filaments, beverages, etc. The other gain to the manufacturing sector is that the institute's start from scratch, but with green development initiatives so that export products will have a low carbon footprint. In future, this will make the exports of the manufacturing sector to be competitive enough within the global market.
- b. Trade facilitation and export priority: Due to the export targets set high in the GTP and different initiatives such as the requirement to join WTO, COMESA FTA, and tripartite-FTA (COMESA-EAC-SADC), Ethiopia has undertaken a lot of activities to facilitate trade, especially on exports. The number of procedures and documents required to export has been reduced and trading made easier by solving challenges related to internal bureaucratic inefficiencies (World Bank, 2017). Besides, due to the priority given to exports, there are incentive schemes

¹⁰ These are leather industry development institute, metal industry development institute, textile industry development institute, food, beverage and pharmaceutical industry development institute, meat and dairy industry development institute, horticulture development agency and chemical and construction inputs industry development institute.

since 2001 given to exporters, such as a duty drawback scheme on imported raw materials for exports; voucher scheme; bonded warehouse scheme; and loans, tax holidays, exemption of export tax and other non-fiscal incentives. These are significant incentives and the benefits are visible, for instance in coffee¹¹ and cereals, oilseeds, pulses and many other exports.

- c. Infrastructure improvements: Ethiopia has made different efforts to alleviate supply-side challenges such as road networks, dry ports (seven with special window for exporting firms), banking, and logistics operators such as Ethiopian Airlines and Ethiopia Shipping Line. These relative improvements are prominent factors in boosting the export performance and diversification. For example, exports of cut flower increased due to strong and continued support given to the sector, such as: availing fertile land, storage facility at the farm gates and transport priority (for cut flowers and other horticulture products). Above all, existence of ESL in the transport sector made shipment costs lesser especially to Gulf States, China and Indian sub-continent routes. ESL, a Government-owned enterprise, provides export transport services below market rates (up to 15%) for the reason that ships sometimes have to travel empty in the exports leg just to support the exports.
- d. Foreign firm participation: The importance of foreign direct investments in a country is preached because most foreign firms are likely to bring not only capital equipment but also new technologies and human skills. For instance, in the textiles sector, only three exporting foreign firms were operational before 2004/05 but between 2004/05 and 2013/2014, the number of participating foreign firms increased by 14 and in 2013/14 (in one year) 16 new exporting foreign firms were registered. The figures explain that participation of foreign firms in the exports sector is directly related to exports diversification; e.g. in art of apparel and clothing access. Similar trends exist in other manufacturing sectors such as in footwear and leather industries.
- e. Promotion and preferential market access: In the last decade, Ethiopia has made a lot of progress to promote its trade in the global market through embassies and by participating in trade fairs and trade promotion expos. In line with this, Ethiopia prepared its foreign trade promotion manual for its diplomats in 2007. It has also made a remarkable victory over trademark dispute with Starbucks, which improved its coffee export earnings. Also, Ethiopia engaged different bilateral relations which could help increase exports. Though not a member of any FTA and WTO, Ethiopia has preferential market access advantages to the EU and USA. Accordingly, its exports to these markets have shown remarkable progress as indicated below (Table 13). In such traditional markets, traditional exports and exports of new products are increasing (Appendix 5). For instance,

11 The establishment of Ethiopian Commodity Exchange (ECX) has made exports of coffee more competitive and standardization with respect to quality has brought transparency for traders and coffee growing farmers. The same is true for oilseeds and pulses.

exports of AGOA-eligible products (most of them are new) to the USA market are increasing with an average annual growth rate of 16% and similar trends exist for the EU market. Among the new products entering the US market due to AGOA are electrical machineries and equipment (products under HS section 85), travel sets, other articles of leather, other art of apparel and clothing access, etc.

Table 13: Exports of Ethiopia to EU and USA (in '000' US\$)

Partner	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU27	221,700.68	298,710.54	335,013.11	441,600.20	557,578.08	481,784.87	574,438.85	681,598.78	818,858.54	1,047,070.58	1,186,118.08
Growth (%)		29.27	18.15	32.81	26.33	(17.22)	48.06	30.68	(7.08)	27.87	14.14
USA	56,023.07	43,181.87	51,534.14	107,201.77	114,339.42	72,878.86	102,114.82	87,863.81	116,338.57	147,425.42	158,520.27
Growth (%)		-21.22	17.03	112.14	6.68	(36.94)	40.61	(4.07)	17.76	27.82	7.38

Source: WITS

- (f.) Stretched objectives: As per the Growth and Transformation Plan (GTP) document (2011), targets of US\$ 5 billion and US\$ 6.5 billion in export earnings were set for 2012/13 and 2014/15 fiscal year, respectively. This target was a higher scenario, assumed with high commitment, excessive follow up and evaluation. However, as per the GTP progress report, only 62% of the 2012/13 plan is accomplished. Under normal scenario, such export performance has shown remarkable progress to meet the stretched objectives; for instance, cut flower, meat and meat products and textile exports performed well.
- (g.) Distance and trade costs: Ethiopia's geographical proximity to the EU and the Middle East compared to some African countries has some location advantage for exports. For instance, exports of meat and meat products, live animals and vegetable products to the Middle East are increasing. According to Anderson and Wincoop (2004), trade costs are strongly linked to trade policy of countries and a representative developed country's ad valorem tax equivalent trade cost is estimated to be 170% of producer price of exported goods of which 21% is transport cost, 44% is border related trade barrier, 55% is retail and distribution costs ($1.7=1.21*1.44*1.55-1$). Based on the inverse function of the gravity model,¹² the World Bank estimated the bilateral trade between countries including Ethiopia. An estimate of bilateral trade cost is made using bilateral trade data and gross domestic production of each country. It is an average of both directions of trade (from country x to y and from y to x). Thus, the bilateral trade cost between Ethiopia and some selected partners indicates a substantial decline between 2001 and 2012, though they remain relatively high.

In general, as trade costs have been declining since 2001, it had a favourable impact

¹² When a country sells more goods to its residents than to foreigners, it is because international trade costs have increased relative to domestic trade costs; similarly, if it sells more of its goods to foreigners than to residents, it is because international trade costs have fallen relative to domestic trade costs, holding other factors constant (World Bank, 2013).

on the export performance of Ethiopia. Besides, export performance is a holistic phenomenon in the sense that though trade costs are low or distance is minimal or location is near, exports may not be improved unless there is a good trade and political relation. This can be exemplified by the existing situation between Ethiopia and Eritrea, where there is zero trade between unless it is smuggling, but no country is near to Ethiopia than Eritrea in every respect.

With no exception to Ethiopia, containerization has reduced trade and transport costs and non-containerized exports face more trade and logistics costs in all the supply chains, including port service charges. To reduce the logistic costs, the Government of Ethiopia has built domestic dry ports (in an attempt to stuff export cargos into containers, though not that much effective) and airports in potential export zones with cold storage facilities. For instance, the exports boom in cut flowers after 2000s created different infrastructure facilities such as airports in different regions that motivated vegetable exports. Moreover, since air transport is more expensive than shipping, the horticulture and flower exporters were negotiating with ESL, a Government-owned enterprise, to export via water and some exports of horticulture products were exported to the Middle East. The other advantage exporters have while exporting to the Middle East, India and China is lower transport rate (15% below the market price) from ESL. Though shipment of exports is free to the buyer (importer), the availability of such alternatives (lower rates) triggers the market price downwards than upwards. Besides, the recent decline in oil prices reduced transport costs and increased the competitiveness of exports.

However, one may ask the question why these factors did not improve Ethiopia's exports to the African countries as it did to Asia and Europe. The plausible answer is that increasing intra-Africa trade requires exports of diversified and differentiated/ value added products than supplementary ones.

5.0 Conclusion

With the current economic policy objective to attain a middle-income green economy, Ethiopia has provided more emphasis to diversification of exports central to its grand projects such as building industrial parks. Due to such promising objectives, exports have been growing since the 2000s, with some new exports entering the exports market. Though the share of commodity exports did not decline, there are new processed foods, vehicle parts and new commodities joining the exports market, which has helped to reduce the concentration of exports on a few agricultural commodities. In addition to product diversification, there are also few new destinations that products of Ethiopia have been exported to in the last decade, especially to African markets.

However, only 20 commodities are contributing 88.3% of export earnings in 2005 while it is 84.8% in 2013. This implies that the rest of the exports commodities were contributing less than 16% of export earnings in the last decade. Thus, though the performance of exports is better, it is swinging on a few commodities and any price shock can pull down export earnings and devastate the national economy.

Meanwhile, after 2004, Ethiopia has exported 28 new products to 28 new destinations. Among these destinations, 19 of them are African countries, indicating that Ethiopia is increasing its exports in Africa. The number of NPOD is 316 and the values of these exports to these destinations have increased from US\$ 2.2 million in 2005 to US\$ 927.7 million in 2013. The exports of OPOD has increased extremely, and these exports are greater in value compared to NPOD, NPND and OPND due to the reason that the products in the OPOD are already in that market. The major improvement in Ethiopia's exports is observed in textile and textile articles and, among the 316 NPOD, 84 are from textile and textile articles. Thus, what change applied in Ethiopia that provokes such improvement in exports is the question at hand. Based on the analysis made, the major factors that influence Ethiopia's progress in exports are institutional and structural changes, trade facilitation and exports priority, infrastructure improvements, foreign firm participation, promotion and preferential market access, stretched objectives and declining trade costs.

Therefore, the trade policy implication for Ethiopia is that product diversification is moving slowly, but the top 20 export commodities are still taking more than 80% of the exports share, indicating the need to have aggressive product diversification, which again requires the right policy mix. In this regard, as the software is human capital that moves the policy mix, it is vital to have a pool of quality experts in revising the trade policy and the exports strategy, and to negotiate favourable trade agreements. It is

also important to emphasize that no agricultural commodity priority objective alone can boost the terms of trade of a country without value addition. In line with this, agro-processing is an area of diversification, since the current exports of live animals, vegetables and horticulture-related commodities are on the top of the exports' basket. Also, availing cold storage facilities and refrigerated containers to exports of meat and meat products, milk products and horticulture products is essential.

While promoting exports, it is vital to promote and build the awareness and capacity of domestic producers or the private sector. This is because promoting exports of the producers and building their capacities will create informed exporters. Finally, it will be the private sector that covers the cost of promoting exports in the foreign markets. Moreover, it is vital to note that exports promotion is costly; however, it will be more costly to promote while the domestic supply-side constraints are persisting. That is, trade facilitation should be the major area of concern in increasing trade volumes and competitiveness.

Finally, exports of NPND are promising and many African countries are the new destinations for Ethiopia's exports, thus these new products could be better exported by improving the efficiency and the value adding steps of production. Besides, negotiating favourable trade agreements and joining regional FTAs such as COMESA FTA is unquestionable in diversifying exports products and destinations.

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Appendix

Appendix 1a: Export performance of major export commodities (value in US\$ millions)

Commodity	2002/03	2003/04	2004/05	2006/06	2008/07	2007/08	2008/08	2009/09	2010/11	2011/12	2012/13	2013/14
Coffee	106.3	223.6	336.4	364.3	424.2	524.6	376.8	628.3	841.8	833.1	748.6	714.4
Diamonds	48.1	82.7	162.3	211.4	187.4	218.8	360.1	368.6	328.8	472.3	443.6	861.9
Gold	42.1	48.7	62.6	64.7	67.0	78.8	67.8	281.4	461.7	602.4	578.8	468.2
Chat	68.0	88.0	100.0	9.1	62.8	108.3	138.7	208.6	238.3	240.3	271.3	297.3
Pulses	28.0	22.8	35.6	37.0	70.3	143.8	60.7	130.1	137.9	169.7	233.3	260.7
Flower	-	-	-	21.8	63.8	111.8	130.7	170.2	176.3	187.0	188.7	188.7
Live Animals Leather & Leather Products	0.6	1.8	12.8	21.8	38.8	40.9	62.7	60.7	147.9	207.1	188.4	188.7
Meat & Meat Products	2.4	7.7	14.8	18.5	16.6	20.9	28.8	34.0	63.3	78.8	74.3	74.8
Fruits & Vegetables	0.6	12.7	18.1	13.2	18.2	12.8	12.1	31.6	31.6	44.8	43.8	46.9
Others	88.7	60.2	85.0	87.8	61.8	108.3	61.3	112.6	218.1	207.1	215.4	247.4

Source: National Bank of Ethiopia and Central Statistical Agency

Appendix 1b: Unit value of export commodities (US\$ per kg)

Commodity	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Coffee	2.4	2.4	3.1	2.8	3.1	4.3	4.9	3.7	3.8
Oilseeds	0.8	0.8	1.4	1.24	1.20	1.3	1.28	1.56	2.08
Leather and leather products	4.9	5.7	6.7	10.3	19.4	20.1	24.8	26.2	23.3
Pulses	0.3	0.4	0.6	0.7	0.6	0.61	0.71	0.65	0.71
Meat and meat products	2.3	2.6	3.2	3.6	3.3	3.8	4.5	4.8	5.0
Fruits and vegetable	0.4	0.4	0.3	0.3	0.5	0.34	0.36	0.32	0.32
Live animals	0.8	0.8	1.0	1.4	1.3	1.31	1.43	1.65	1.76
Chat	4.0	4.1	4.8	5.5	5.8	5.82	5.85	5.75	5.75
Gold (\$/gm)	13.01	17.38	20.95	20.08	31.57	41.34	49.4	47.0	39.2
Flower	3.5	4.4	5.0	4.5	4.7	4.2	4.21	4.40	4.47

Source: National Bank of Ethiopia

Appendix 2: List of NPND (values in '000' US\$)

Row Labels	Sum of 2005	Sum of 2006	Sum of 2007	Sum of 2008	Sum of 2009	Sum of 2010	Sum of 2011	Sum of 2012	Sum of 2013
020230	-	-	-	-	-	968.45	3,774.43	217.04	-
020421	-	-	-	3.05	-	25.06	-	2,385.80	796.31
060400	-	-	-	-	-	-	412.31	1,181.80	683.20
060210	-	4.20	14.73	18.64	18.06	161.37	139.71	61.28	641.28
070490	-	-	-	-	-	2.10	8.10	1.70	2.61
071290	-	-	-	-	-	-	-	110.66	446.87
120100	-	-	-	-	-	-	121.68	2,318.46	7,130.23
121190	-	-	-	-	-	-	-	5.90	3.71
200890	-	-	-	-	-	-	-	0.06	118.73
230641	-	-	-	-	-	65.60	-	82.42	841.42
230648	-	-	-	-	-	-	-	341.08	684.10
271018	-	-	-	-	-	-	-	-	178,331.88
300230	84.01	14.17	261.38	274.88	964.25	883.83	880.87	417.37	380.89
411310	-	-	-	-	-	-	-	68.62	176.46
481191	-	-	0.41	-	-	0.22	-	0.31	6.88
570110	-	0.16	0.48	-	0.48	0.52	5.56	0.18	0.26
710310	-	-	-	45.83	-	238.01	238.08	115.62	281.88
821690	-	-	-	3.07	19.88	8.86	5.86	2.94	4.82
841821	-	-	-	7.52	0.20	0.48	0.26	-	0.50
850840	-	0.01	11.87	20.72	67.64	17.02	0.86	0.34	4.80
852730	-	-	-	1.10	4.08	3.18	0.82	5.15	0.18
852812	-	1.70	22.61	13.40	5.20	20.60	18.81	15.83	21.31
852930	-	-	-	-	-	-	-	5.56	0.89
870323	-	-	48.07	182.12	109.68	186.81	18.06	186.87	257.82
840181	-	-	1.33	-	-	0.42	1.32	1.98	7.60
840180	-	-	-	3.23	-	10.06	0.21	2.80	0.84
860200	8.38	19.71	7.80	23.76	29.87	33.68	228.38	240.20	118.83
860600	-	-	-	8.20	-	78.18	-	22.30	2.80
Grand Total	103.37	38.87	356.37	575.42	1,199.89	2,426.58	5,841.15	7,790.48	191,810.47

Source: World Integrated Trade Solutions

Appendix 3: List of selected NPOD (values in '000' US\$)

Prod. Code	Values'000\$								
	Sum of 2005	Sum of 2006	Sum of 2007	Sum of 2008	Sum of 2009	Sum of 2010	Sum of 2011	Sum of 2012	Sum of 2013
Q2001	-	181.99	1,899.87	11,896.77	17,396.89	44,899.43	85,917.84	49,399.34	95,947.89
Q2002	-	-	189.89	-	28.31	95.80	-	3,397.79	6,078.86
Q2003	-	-	-	-	-	-	-	89.76	22.84
Q2004	-	-	3.09	1.85	9.89	35.98	39.78	99.26	89.83
Q2005	-	-	-	-	-	28.44	99.37	87.96	4.87
Q2006	-	9.79	129.71	896.87	1,981.79	489.89	1,791.78	399.89	21.76
Q2007	-	-	39.05	79.81	397.89	289.86	1,791.11	1,891.76	1,791.89
Q2008	89.89	9.76	-	-	-	-	39.26	49.29	29.81
Q2009	-	89.89	899.89	89.89	397.89	898.89	182.78	399.76	899.89
Q2010	799.89	39,899.36	11,399.49	11,896.89	11,896.89	89,899.39	11,799.89	81,999.79	90,799.89
Q2011	-	-	-	-	-	1.81	6.30	79.76	399.89
Q2012	12.79	9.73	1,399.89	1,896.81	1,196.71	2,899.89	2,899.26	1,999.19	1,179.87
Q2013	-	-	29.42	-	499.89	2,899.89	8,721.44	11,899.76	10,399.89
Q2014	-	-	-	-	-	-	142.76	281.86	499.77
Q2015	-	-	-	7.39	-	7.89	49.49	81.31	41.89
Q2016	-	-	-	-	-	-	11.16	9.29	19.09
Q2017	-	-	3.72	3.89	8.57	26.71	29.81	19.47	14.89
Q2018	-	1,129.47	89.29	79,897.87	298,796.89	298,276.80	387,899.89	899,399.87	398,282.02
Q2019	-	-	-	-	1.84	86.84	39.89	-	9.01
Q2020	-	-	9.39	9.87	9.89	9.87	49.16	1,899.89	399.89
Q2021	-	-	399.89	79.39	-	9.89	-	-	89.81
Q2022	-	-	-	-	-	49.87	1,391.71	1,891.86	1,891.06
Q2023	-	-	1.79	9.89	9.89	1.71	1.47	1.39	1.49
Q2024	-	-	-	-	-	4.89	17.17	3.16	4.89
Q2025	-	-	21.76	11.81	14.84	26.46	39.76	89.81	87.81
Q2026	-	-	9.89	-	1.89	85.80	39.26	184.79	87.79
Q2027	-	8.87	-	1.81	1.39	9.29	9.46	1.16	1.01
Q2028	-	-	19.85	-	-	39.26	-	19.89	21.91
Q2029	-	-	-	-	-	-	-	11.46	9.86
Q2030	-	-	-	-	-	-	1.16	81.31	4.39
Q2031	-	-	-	9.49	9.81	1.19	89.84	47.37	89.91
Q2032	-	-	9.77	1.79	1.89	1.79	2.16	1.16	4.89
Q2033	-	-	-	421.39	-	1,391.89	399.89	399.89	6,399.87
Q2034	9.29	-	-	1.85	1.19	91.11	99.89	89.36	121.12
Q2035	-	-	-	-	-	-	-	799.36	89.36
Q2036	-	-	399.89	49.85	-	39.16	44.86	89.11	129.84
Q2037	-	-	9.04	-	-	-	1.19	89.36	19.84
Q2038	-	-	22.44	897.89	916.39	1,989.89	394.16	399.39	891.09
Q2039	-	-	-	-	-	-	-	1,879.89	1,821.99
Q2040	-	-	-	-	-	-	-	9.76	29.86
Q2041	-	-	-	-	-	1.17	1.49	29.31	89.74
Q2042	-	7.84	-	-	11.89	299.89	399.39	-	399.17
Q2043	-	89.11	-	-	1,891.89	1,989.89	1,399.89	1,189.19	1,189.11
Q2044	-	-	-	-	-	39.76	499.40	499.31	499.14
Q2045	-	-	-	-	-	-	-	47.37	399.89
Q2046	-	-	-	-	-	-	-	1,491.86	11.86
Q2047	82.84	89.11	-	21.76	11.39	46.11	72.70	39.89	21.76
Q2048	-	-	-	-	-	-	42.84	1,491.86	399.12
Q2049	-	-	1.39	4.74	8.14	4.89	49.89	1,399.47	399.39
Q2050	-	-	-	111.81	397.89	2,899.89	989.89	499.89	1,399.89
Q2051	-	-	399.89	896.89	499.81	1,989.81	2,899.16	1,184.76	6,399.86
Q2052	-	-	1.85	-	79.49	11.71	41.47	11.86	11.09
Q2053	-	-	-	-	-	85.11	39.29	181.36	81.86
Q2054	-	-	-	-	-	-	-	89.87	1,749.89
Q2055	26.19	-	129.39	899.89	1,91.89	894.89	111.89	89.87	1,791.89
Q2056	-	-	-	-	-	26.46	49.40	-	11.16
Q2057	-	-	-	9.81	1.19	9.89	9.89	19.16	11.86
Q2058	-	-	9.48	1.89	1.71	6.49	9.89	1.39	9.49
Q2059	-	-	9.14	-	1.89	1.19	9.89	1.39	29.19
Q2060	-	-	-	-	-	26.81	39.49	81.11	29.49
Q2061	-	81.14	-	-	-	98.44	49.89	-	129.44
Q2062	-	-	-	-	-	-	-	117.86	11.89
Q2063	-	-	-	-	-	9.29	9.89	89.86	9.29

Source: World Integrated Trade Solutions

Appendix 4: List of OPND (values in '000' US\$)

Row Label	Sum of 2005	Sum of 2006	Sum of 2007	Sum of 2008	Sum of 2009	Sum of 2010	Sum of 2011	Sum of 2012	Sum of 2013
000090	-	-	-	-	-	1,218.37	648.89	2,697.86	3,008.18
000490	-	13.23	-	-	217.49	246.71	888.76	1,358.41	6,273.43
000639	-	-	248.86	-	-	-	-	11,161.76	3,008.36
000480	-	-	-	-	63.64	237.29	-	21.81	113.81
040630	-	-	-	-	-	31.78	41.83	188.86	34.88
040900	-	-	-	-	-	36.32	83.06	-	2.16
060530	6.17	33.83	264.64	308.06	296.99	265.47	322.86	488.12	6,768.42
070200	-	-	38.02	0.29	-	34.26	82.09	18.24	8.14
070631	-	-	-	-	-	6.63	18.77	4.48	3.27
071290	-	-	-	0.33	9.67	12.63	76.46	86.23	48.93
071330	-	-	-	-	-	-	-	188.88	34.46
071333	184.86	-	628.64	823.87	338.85	328.82	478.86	4,639.81	6,608.24
071339	-	-	-	-	-	-	-	78.29	62.86
071380	-	-	-	-	-	-	-	48.26	188.88
071390	-	-	-	-	-	-	-	279.71	278.88
090111	-	-	138.38	-	148.16	2,634.23	2,884.26	948.84	2,888.46
091030	-	-	-	-	73.46	268.98	247.89	44.34	46.88
120230	-	-	-	-	-	-	-	26,828.29	3,288.83
120740	184.87	-	177.97	1,247.86	3,134.61	1,856.81	987.88	2,694.23	4,311.19
120890	-	-	-	-	822.84	747.76	1,894.81	734.76	1,283.38
120990	-	-	17.27	136.89	328.46	368.48	321.82	416.41	663.23
320741	-	-	-	0.36	-	8.88	8.78	1.68	4.62
430719	-	-	-	-	-	12.86	-	8.12	1.98
430799	-	-	-	-	8.48	-	-	86.29	6.93
411200	19.18	87.88	368.26	380.30	144.99	638.84	1,818.78	7,724.86	8,764.28
411390	-	-	-	-	-	38.42	188.76	66.80	48.30
490130	-	-	6.11	2.70	8.46	-	-	8.42	8.87
490199	-	-	7.84	31.76	41.39	44.78	28.02	38.29	86.81
520900	-	63.86	487.24	340.06	-	-	-	461.16	1,008.82
621490	-	-	-	0.80	-	-	1.84	4.82	1.17
630900	-	-	188.87	173.73	17.84	41.86	87.72	138.89	274.84
640630	-	-	-	-	-	-	-	48.46	18.88
801130	-	-	-	-	-	1.18	4.88	8.42	1.63
T22399	-	-	8.84	2.36	1.88	4.36	12.43	2.88	13.49
T80890	-	-	-	-	-	-	1.27	8.74	11.33
870899	-	-	-	-	-	-	8.71	7.13	1.68
940340	-	-	-	43.26	-	-	-	8.86	12.34
940380	-	-	-	1.11	-	-	3.19	8.86	8.38
940380	7.89	14.83	77.99	56.21	47.02	71.83	46.16	87.73	182.48
940380	-	-	-	16.64	78.33	87.16	88.33	38.64	186.87
Grand Total	822.86	213.82	2,471.48	2,848.89	8,288.88	8,448.78	8,488.48	36,811.28	51,581.48

Source: World Integrated Trade Solutions

Appendix 5: Trend of AGOA-eligible export products (value in '000' US\$)

Code	Description	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Eighty
080190	Other	1,012.8	22,101.9	35,281.4	65.7	184.5	0.2	0.0		1.2	1.1	AGDA
082312	Cashew				8.7	2.7	1.9	8.8	8.1	11.8	6.7	AGDA
081110	Tannins and tanninates	1.6			8.5	3.8	3.8	8.1	8.4	10.0	8.5	AGDA
080210	CF vegetable materials	0.5	0.1	0.1	3.5	2.0	10.4	3.8	10.6	10.8	30.0	AGDA
280110	Mineral waters and natural waters	38.5	8.5	80.0	30.2	86.1	12.7	85.7	10.8	36.5	30.6	AGDA
090600	Tanned skins for practical work, of				20.8	46.7	42.2	26.5	42.2	26.5	32.1	AGDA
020718	CF other textile materials	288.5		55.8	88.0	228.7	77.5	84.9	100.4	18.5	35.5	AGDA
280421	In continuous building 2 (for iron	17.2		30.1	18.8	17.0	17.0	37.4	37.4	18.8	30.0	AGDA
082540	Shell insects, waxes, resins and other				10.2	12.8	8.0	22.7	38.5	8.2	20.0	AGDA
091200	Ceramic substances, in primary, with	0.8			1.7	1.7	2.4	2.9	12.0	25.8	27.2	AGDA
070325	CF a cylinder (especially exceeding 1,				18.8	18.7	80.4	47.3	26.4	36.4	38.4	AGDA
420221	With outer surface of leather, of a	4.0		0.0	1.2	16.4	51.7	81.8	70.2	36.4	74.3	AGDA
120890	Other	478.8	112.7		122.7	830.9	858.4	100.8	1.8		85.4	AGDA
071200	Other vegetable, mixtures of veget					283.8	4.5	0.8	0.8	0.8	113.8	AGDA
040308	- Other					40.0	0.2	82.3		112.2	128.0	AGDA
120210	In shell									128.5	194.0	AGDA
040510	- With upper of leather or empuca				1.0		80.0			88.8	1,271.8	AGDA
050310	Fresh			76.3	48.2	8.8	8.5	4.5	17.1	182.8	1,748.1	AGDA
040298	Other		1.5		8.4	0.4	0.0	40.1	3.9	1,400.8	1,885.4	AGDA
420328	Other								1,578.8	2,153.7	AGDA	
040690	- Other			20.8	42.3	48.1	80.1	238.7	363.8	1,588.0	4,048.1	AGDA
040398	- Other	0.3				38.1		163.4		4,148.1	4,803.8	AGDA
040391	- Covering the nails									888.7	6,448.7	AGDA
120900	Sunflower seeds, whether or not bro	2.8			0.5	0.1	1.8	2.7	3.5	8.3	3.2	non-AGDA
011490	CF other textile materials	0.8		1.2	3.2	8.1	173.0	103.2	8.5	4.3	3.5	non-AGDA
090850	Skins of mammals	0.3		0.3	0.8	1.8	4.4	1.5	8.3	8.1	3.8	non-AGDA
050890	Other	138.5	41.2	26.8	40.3	31.1	87.4	4.1	1.2	138.8	3.7	non-AGDA
010510	CF cotton		114.0	331.2	11.0	808.4	18.2	31.3	108.5	12.0	4.0	non-AGDA
020590	CF other textile materials	142.0		44.1	25.4	46.7	48.0	78.1	211.0	121.8	4.8	non-AGDA
090240	Other (black tea (fermented) and oth	31.3			3.3	4.1	1.5	2.0	2.1	7.1	6.1	non-AGDA
071320	Chickpeas (garbanzo)	272.4	362.0	588.0	258.7	165.3	3.3	861.3	1.9	3.1	6.2	non-AGDA
070310	Cocoa beans, in primary, in sh	0.3		1.8	0.5	3.1	0.5	0.5	8.5	4.8	0.8	non-AGDA
070190	Other	20.3	10.8	26.7	32.2	32.9	24.0	37.8	8.8	1.8	0.8	non-AGDA
121010	Hay, uncut, whether prepared or not	25.0			7.4	8.0	3.9	5.5	2.9	8.9	0.4	non-AGDA
090351	CF cotton									10.8	27.8	non-AGDA
040180	CF other									10.8	27.8	non-AGDA
080198	Other	28.4			12.3	16.8	7.9	3.8	4.2	8.0	32.7	non-AGDA
021410	CF silk or silk waste				8.7	56.3	27.0	25.6	8.2	28.8	38.7	non-AGDA
040340	Wooden furniture of a kind used in	0.2			31.5	20.8	31.8	40.2	19.0	13.8	20.8	non-AGDA
732998	Other				84.3	85.8	135.6	24.1	28.4	1.0	28.3	non-AGDA
090890	CF other textile materials				8.8	18.2	20.4	28.5	16.7	4.2	29.0	non-AGDA
110290	Other	117.1	270.7	71.2	44.2	7.8	28.5	28.8	21.8	29.4	35.7	non-AGDA

Source: World Integrated Trade Solutions

Appendix 6: Export trend of AGOA eligible products to China (value in '000' US\$)

Code	Description	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
B60510	Fresh		0.78						0.08	3.82	
B71290	Drier vegetables, mixtures of veget					35.05	850.00	2,801.12	2,872.25	924.84	30.61
B90190	Drier	603.43	5,323.08	4,683.82					1,365.38	801.09	85.18
120710	In shell								24.16	13.10	
Z20110	Mineral waters and mineral waters						17.38			18.87	
Z20421	In containers holding 2 l or less							138.62		108.04	
420529	Drier					6.85			0.35	0.27	0.08
B40299	Drier										0.47
B40391	- Covering the ends										8.82
B40399	- Other										70.83
B40610	- With upper of leather or non pas										
B40690	- Other								0.22	0.02	
B91110	Tableware and kitchenware								2.88	1.75	
B21699	Drier						2.06		0.61		
B52640	Stiff (image: video cameras and other				0.20	0.43	3.01	61.63	21.43	6.78	14.18
B52812	Colour					1.24		0.48	0.35	4.14	2.82
B52910	Aerials and aerial attachments of al						1.29	0.04			0.80
B70523	Of a synthetic impurity exceeding 1,				6.42						27.54
B90500	Travel sets for personal toilet, ac						18.74				

Source: World Integrated Trade Solutions



Mission

To strengthen local capacity for conducting independent, rigorous inquiry into the problems facing the management of economies in sub-Saharan Africa.

The mission rests on two basic premises: that development is more likely to occur where there is sustained sound management of the economy, and that such management is more likely to happen where there is an active, well-informed group of locally based professional economists to conduct policy-relevant research.

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