"Addis Ababa is now ready to be the arbitral seat for international businesses."
Michael Teshome, Director, Ethiopian Mediation & Arbitration Center

"Djibouti will remain the main artery for Ethiopia's import-export."
Ewnetu Taye, Deputy Director, Logistics Transformation Office

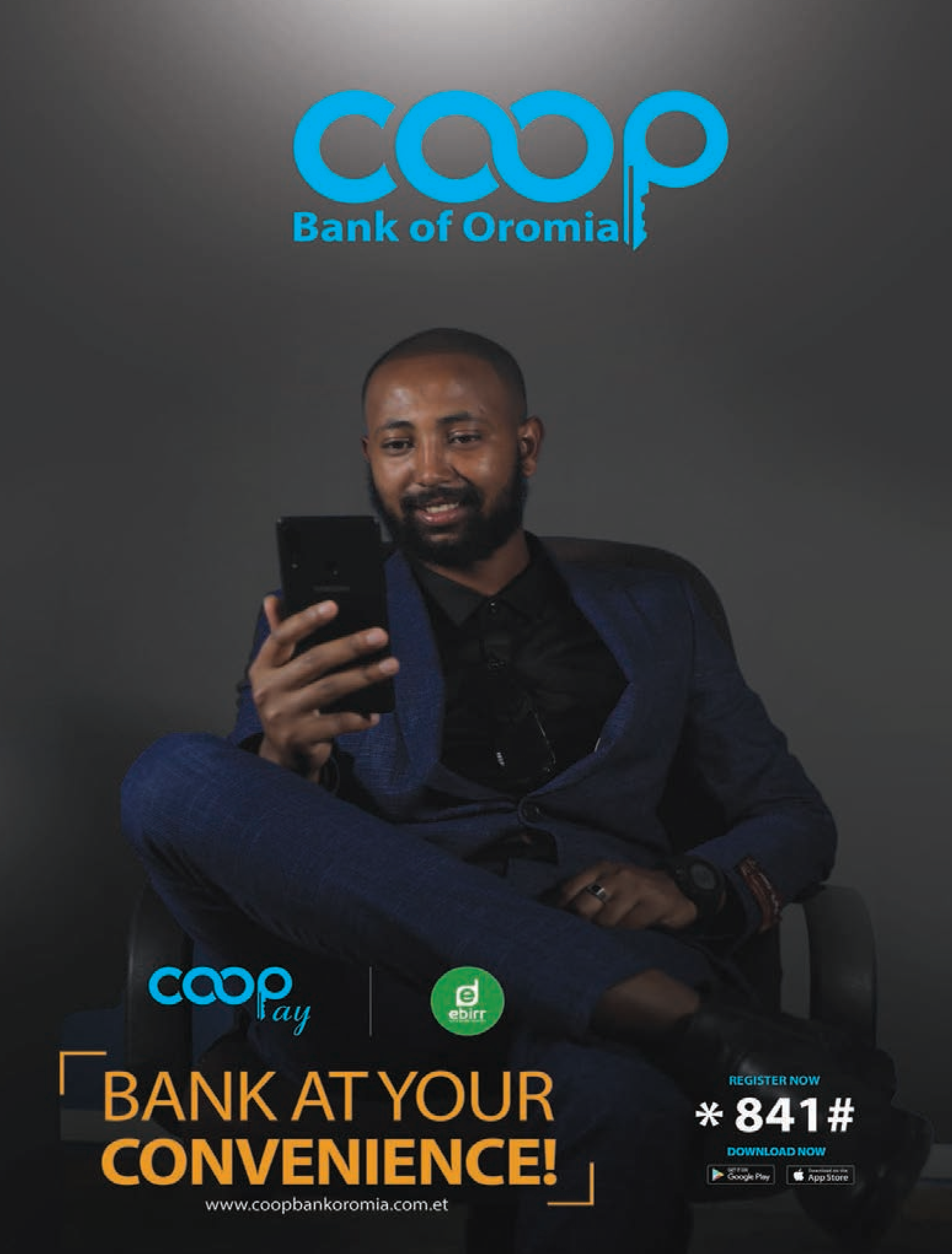
ETHIOPIAN BUSINESS REVIEW

9th Year • Nov 2021 • No. 101
Ethiopia ETB: 40.00

"Government must trust the domestic private sector"

Muluneh Lema
General Manager
Mintu Investment Group

Ethiopia Searches for Alternative Outlets



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It is better to prepare for further sanctions than downsize the issue

Last month, the president of the United States signed an executive order allowing the US to impose sanctions on whoever it claimed are responsible for the prolonging of the conflict and serious human rights abuses in northern Ethiopia. Previously in May, the superpower imposed visa restrictions and economic sanctions on some government and military officials from Ethiopia and Eritrea. The US Treasury also warned further sanctions might be imposed in the near future.

As the humanitarian crisis in Ethiopia's north continues, US government officials are saying more sanctions could be imposed that would affect Ethiopia's eligibility to export goods to the US under the African Growth and Opportunity Act (AGOA). In 2019, Ethiopia exported products worth USD239 million under the program. This year's exports have reached USD128.7 million and mainly consist of apparel and leather products. In Africa, 38 countries are eligible for duty-free access to the US market under AGOA. The program, which is due to expire in 2025, is an enabler of foreign currency generation and light manufacturing.

The Ethiopian government insists sanctions will not affect the general population, though experiences of countries that faced similar sanctions reveal otherwise. Economic sanctions—restrictions imposed on economic activity by one international actor on another with a specific purpose—are used increasingly in international relations. Their purpose includes a signaling of one's message to targeted states, enforcing behavioral change, or a combination of both.

Although the impact of economic sanctions varies across different sectors, its overall effect on the national economy is negative. Sanctions shrink trade and bring economic disturbance.

The likelihood of crisis increases with the diminishing access to finance and overall economic shocks. In fact, there is substantive evidence to suggest sanctions cause severe civilian hardship and profound social and economic dislocation. US sanctions, which are usually concerted by the EU and even UN, have crippled many economies around the world. In short, sanctions reverse development gains, and there is no guarantee Ethiopia could not be next.

Of course, sometimes sanctions may unintentionally benefit a given country by causing a siege morality and people to mobilize, thereby increasing inward-looking policies, import substitution, self-reliance, domestic productivity, and industrialization stimulation. However, preparing the country for what might come in the near future is a better path than downgrading the issue. Understanding and admitting the source of the sanctions, should be the first step in a bid to formulate a solution. Of course, sanctioning is part of the US's national interest abroad. However, Ethiopia must stop providing the prefect reasons for the US to impose sanctions.

First and foremost, the Ethiopian government must handle its domestic issues peacefully. At a time when hydropolitics and Horn geopolitics are drawing external forces, Ethiopia cannot afford internal war. The Ethiopian government must also be able to communicate its justifications to the international community through proper channels. Yet, the ultimate and foremost homework should be to prepare the domestic economy to absorb potentially oncoming sanctions. Good governance, doubling productivity on available infrastructure, effective institutional performance and resource mobilization, and managing inflation must be prioritized.

Quite possibly, government can also seek supportive hands from other camps to balance the sanctions. Chinese and Russian support in reversing potential sanctions could be further exploited, while Turkey, the AU, and other impartial states could redefine Ethiopia's foreign relations in the coming period. But the ultimate solution to salvage the economy is to minimize financing the war, and above all, human casualties. **EBR**

The following were some of the news stories in Ethiopia last month. They were sourced from Addis Maleda, a weekly Amharic Newspaper and sister publication of EBR.

Afrieximbank to Lend to Sixteen Local Banks

The African Export-Import Bank approved USD500 million to be shared amongst the banks through long-term loans targeted at boosting intra-Africa trade through the Afreximbank Trade Facilitation (AfTRAF) Program designed to enable and escalate trade activities and investments through various mechanisms. The Cairo-based bank has provided over USD25 billion to support for African trade and finance projects, so far.

Central Bank Exempts Five Loan Types from Ban

The National Bank of Ethiopia allows banks to disburse loans for clients fulfilling certain standards, repealing its previous directive banning any kind of collateral-based loan. Advances to buyers of banks' foreclosed properties availed for the purpose of ensuring loan recovery, inter-bank loan buyout transactions, bank staff emergency loans, mortgages for company employees, and credit approved for sesame producers in the Gondar area for the purpose of ensuring timely harvests are the exemptions.

Marathon Legend Brings Hotel to Addis

Haile Grand Hotel is finalizing its ETB1 billion-worth first hotel in the capital following his half-a-dozen hotels and resorts in regional cities. This is Haile Gebrselassie's first five-star hotel. The ten-story building is erected on around 10,000 square meters of land in Yeka district. The latest edition to the Haile Hotels and Resorts empire has over 160 beds and is expected to be inaugurated in the coming few months.

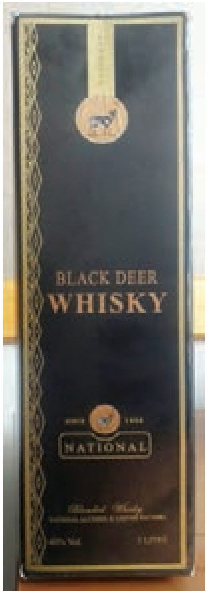
Ministry Approves Six Mining Licenses

The Ministry of Mines grants mining concessions to one local and five foreign firms who have already carried out exploration works and fulfilled the necessary preconditions. Kurmuk Gold Mine, Etno Mining, and Oromia Mining companies will mine for gold. Kripto Mining and Chemicals as well as Buhumi Mining are licensed for marble. Al Hamil Khadim will engage in chlorine and bromine production.

Money the National Bank of Ethiopia lost in the last two years after it started buying gold at higher-than international rates after offering competitive prices relative to the black market. However, gold exports soared from a meager USD32 million two years ago to USD600 million in 2021.

ETB 6.7 billion

Black Deer Whisky Joins Local Factory's Recipe



The National Alcohol and Liquor Factory started producing the whisky after two years of research and development. One bottle is retailed at ETB650 and primarily uses local raw materials. South Sudan has already been sampled for planned future bulk orders and exports to Israel, Germany, and the United States are also intended. Produced in one-liter bottles and having alcoholic content of 40Pct, the brand looks to satisfy domestic quality whisky demand.

Hamer Sugar Factory Restarts with ETB3 Billion

Ethio Sugar Manufacturing Industry SC has begun clearing land for sugarcane plantations in Korcha kebele of Hamer Woreda. The factory will be built on 10,000 hectares which it won by bid from the Development Bank of Ethiopia and will also focus on perfume, paper, animal feed, alcohol, sweets, ethanol, molasses, and electricity production alongside sugar development. The company also plans on opening colleges and tourism infrastructure in the area.

Confectionery Maker Inaugurated

The Belgian company Puratos, operational in over 100 countries globally, is to produce pastry, bakery, and chocolate ingredients for the Ethiopian and Horn of African market in Addis Ababa. Chefs, bakers, supermarkets, and hotels will be customers of the state-of-the-art factory. The venture also includes an innovation center costing ETB120 million. Including the factory, the multinational invested ETB300 million.

First Private Vaccines Arrive in Addis

MedTech Ethiopia becomes the first private firm to import Covid-19 vaccines after receiving 200,000 doses on October 18, 2021 from the Chinese Sinopharm. The delivery is the first batch of 2 million doses agreed between the two firms. MedTech will sell the vaccines through its seven outlets of Washington Medical Center across Addis Ababa. The company envisages capturing medical tourism to generate forex by selling doses to international travelers upon arrival.

ETB 2.4 billion

Habesha Cement SC incurred loss over the past two years. The factory also failed to service its USD80 million loan from Eastern and Southern African Trade and Development Bank (TDB) as well as the Development Bank of Ethiopia's (DBE) credit equivalent to USD40 million. It repaid only USD7 million from its loan portfolio last year. The company has restructured its loans on three occasions.

Top 10

Fastest Growing Sub-Saharan Economies by 2022

Rank	Economy	Forecasted 2022 GDP Growth Rate, Percent
1	Rwanda	7.0
2	Mauritius	6.7
3	Niger	6.6
4	Benin	6.5
	Cote d'Ivoire	
	South Sudan	
5	Guinea	6.3
6	Ghana	6.2
7	Kenya	6.0
	The Gambia	
8	Sierra Leone	5.9
	Togo	
9	DRC	5.6
10	Senegal	5.5

Source: IMF

Sub-Saharan average GDP growth for 2022 is forecasted at 3.8Pct and 4.2Pct for 2026, according to the IMF World Economic Outlook, released on October 12, 2021. This is a significant post-pandemic recovery, compared to the negative 1.7Pct in 2020. Ethiopia is the only country not forecasted as "projections for 2022-26 are omitted due to an unusually high degree of uncertainty," stated the report.

The global economic recovery continues amid a resurging pandemic that poses unique policy challenges. Yet the continuing slow rollout of vaccines is the main factor weighing on the recovery. Low-income developing countries will require close to USD200 billion in spending to combat the pandemic and USD250 billion to regain the convergence paths they were on prior to the pandemic.

All economies are expected to regain pre-Covid-19 output levels by the end of 2022, but only two-thirds are projected to regain their earlier employment. This differential between projected output and employment recoveries suggests that Covid-19–related structural shifts may cause an increase in inequality and social tension.

In some countries in sub-Saharan Africa, the Middle East, and Central Asia, food prices have increased significantly amid local shortages and the rise in global food prices. The dual shock of rising food prices and falling incomes will exacerbate inequality. In low-income countries, where food makes up about 40Pct of the consumption basket, staple food price growth raised consumer price index inflation by 5Pct. Within countries, the poorest households spend proportionately more on food. **EBR**

The following are a few of the biggest news stories that took place in Africa in the last month. The stories are sourced from Bloomberg and Reuters.

DP World, CDC Pledge USD1.7 Billion Infrastructure Spending in Africa Ports Deal

Dubai ports giant DP World and Britain's development finance agency CDC Group said they planned to jointly invest up to USD1.72 billion in logistics infrastructure in Africa over the next several years, starting with modernizing three ports. The investments will initially focus on expanding ports operated by DP World in Egypt's Ain Sokhna, Senegal's Dakar, and Berbera in Somalia's breakaway region of Somaliland, CDC said.

State-owned DP Word has committed to investing USD1 billion over the next several years, while CDC has committed USD320 million and potentially investing up to a further USD400 million. The expansion of the three ports would improve access to vital goods for 35 million people, including in neighboring countries, support 5 million jobs, and add USD51 billion to total trade by 2035, CDC said.

The partnership between DP World and CDC, who were both already active across Africa, is among a growing list of international and multilateral groups investing in the continent. In July, the China-backed Asian Infrastructure Investment Bank (AIIB) approved its first project in sub-Saharan Africa, announcing a USD100 million loan to Rwanda.

Nigeria

Nigeria will require civil servants to show proof of vaccination against Covid-19 or a negative test for the disease to gain access to their offices from the beginning of December 1. Nigeria gave about five million vaccine doses to its 200 million citizens and is in the midst of deploying millions more doses of Moderna, AstraZeneca, and Sinopharm shots through the COVAX vaccine scheme for developing countries. It also has 1.12 million doses of the Johnson & Johnson vaccine that it purchased through an African Union program.

DRC

The DRC should renegotiate its USD6 billion infrastructure-for-minerals deal with Chinese investors, according to the draft of a report commissioned by a global anti-corruption body of governments, companies, and activists. The draft describes the deal that was first signed in 2008 as "unconscionable" and urges Congo's government to cancel an amendment signed secretly in 2017 that sped up payments to Chinese mining investors and slowed reimbursements of investment in infrastructure.

Zimbabwe

Zimbabwe's currency is in danger of collapsing as companies resort to the US dollar for transactions, the country's main business group said in a letter to its members, amid a crackdown on black market currency trading. Following the arrest of scores of foreign currency traders over the past few weeks alleged to be involved in black market trading, the government threatened to suspend the licenses of businesses using black market rates to price their goods and services.

South Africa

MTN and Vodacom join Telkom in a temporary spectrum lawsuit. The temporary spectrum allowed the operators to deliver faster connectivity to 5 million customers to freely access over 1,000 websites, to meet a surge in data demand as large numbers of people shifted last year to working and studying from home. MTN and Vodacom also used the temporary frequencies to launch 5G networks. But the Independent Communications Authority of South Africa (ICASA) said telecom operators must return their bandwidth by the end of November.

REUTERS

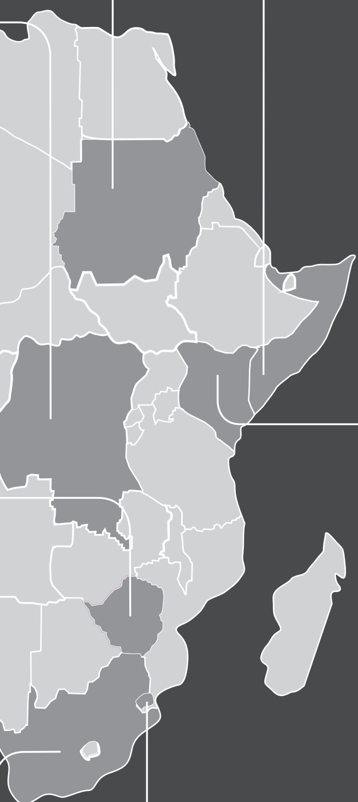
Bloomberg Business

Sudan

Sudan's largest digital classifieds and marketplace company secured USD5 million in funding, the biggest foreign investment in the African nation's tech sector since the U.S. lifted its final major restrictions last year. alsoug.com will put the funds toward setting up a national payments network that will allow users to deposit, withdraw, and transfer cash. The site, founded in 2016, lists items such as real estate, cars, and furniture as well as job openings and services.

Somalia

Somalia's first public oxygen plant opened, in a ray of hope for a country where a lifesaving treatment for the coronavirus has been largely unavailable to patients during the pandemic. The new plant in Mogadishu was purchased for USD240,700 from Turkey by the Hormuud Salaam Foundation, established by the country's largest telecoms company, Hormuud. One cylinder of oxygen usually costs around USD50 in Somalia but can reach up to USD500 at private hospitals because of shortages. Only 1Pct of Somalia's 15 million citizens are fully vaccinated, reflecting inequities in vaccine distribution that WHO warns will prolong the pandemic which has already claimed nearly 5 million lives.

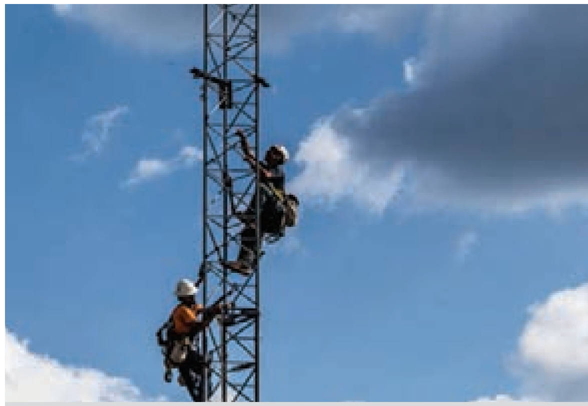


Kenya

The International Court of Justice (ICJ) rejected Kenya's territorial claims in a maritime border dispute with Somalia. The ruling was largely in favor of Somalia, with the Hague-based court saying that there isn't a boundary agreement between the nations as earlier claimed by Kenya. The UN top court ruled largely in favor of Somalia in its dispute with Kenya, setting a sea boundary in a part of the Indian Ocean believed to be rich in oil and gas. A new boundary drawn by the International Court of Justice was closest to a line proposed by Somalia, attributing to it several offshore oil blocks claimed by Kenya.

Eswatini

Mobile operators in the southern African kingdom of Eswatini have been told to suspend access to Facebook and its messenger app, the local unit of telecoms group MTN said, after protests against the king flared up. MTN Eswatini said it had implemented the directive from the country's communications commission to suspend Facebook access with immediate effect and until further notice. It did not say what reason the commission gave for its order.



IHS Falls on US Debut After USD7 Billion Telecom Towers IPO

IHS Holding Ltd. shares fell on their debut in New York after an initial public offering valued the pan-African telecom-tower operator at almost USD7 billion. Shares slumped 18Pct to USD17.12. The owner of more than 30,000 phone masts across Africa, the Middle East, and South America had earlier sold stock at USD21 each.

The independent entity which operates in sub-Saharan Africa, including Nigeria, Zambia, Ivory Coast, Cameroon, and Rwanda, is described as one of the largest independent owners, operators, and developers of shared telecommunications infrastructure in the world.

The pan-African company raised USD378 million for global growth with MTN of South Africa among investors selling some stock. IHS Towers latest financial statements for the second quarter of 2021 shows that it lifted revenue 21.2Pct to USD402 million, in a jump largely driven by organic growth.

Africa's biggest independent tower company operates over 30,000 towers in five African countries, as well as in South America and the Middle East.

EXEMPLARY EXCELLENCE

Nyala Motors S.C was established in 1973 in Addis Ababa's Somali Tera area. The Company has been operational for decades in the automotive industry and is expecting in 2022 to celebrate its 50th year anniversary.

The Company represents world class automotive brands--Nissan Motors, UD Trucks, VE Commercial Vehicles, Unicarriers forklifts, and Macpower automotive batteries--through its vast network of branches in the major regions of the country including Bahir Dar, Dire Dawa, Hawassa, Jimma, and Mekelle. In addition, Nyala reaches its customers through sub dealers in Assosa, Adama, and Dessie.

Ato Mesfin Bogale, General Manager of the company, emphasized that Nyala Motors works hard towards meeting and exceeding its customers' expectations. "Our company's ultimate goal is to have pleased and satisfied customers. We continuously strive to keep and build our customers' trust."

Sales & Aftersales Service

Nyala Motors is well-known for its aftersales service that gives its clients peace of mind and confidence by focusing on continuously improving in three areas.

1. **Spare Parts Availability** in the right quantity, time, and place across the company to enhance uptime and avoid unnecessary downtime.
2. **Dealer Network** which are properly located in major regions of the country providing customers with the same type of superior service by qualified technicians and supply of genuine parts.
3. **Competency of Technicians** as per the standards of our suppliers and current technological automotive advancements. Technicians operate in well-equipped workshops and are regularly trained in our dedicated technical training center.

Challenges Create Opportunity

Ato Mesfin highlights "Nyala Motors is taking measures to exploit opportunities created by challenges. Accordingly, the company has opened a new showroom which is fully compliant to Nissan standards around Meskel Square on Sunshine Building befitting our capital city."

"As a company, we work to be a model in Ethiopia's automotive industry and are exerting efforts towards this."

Social Responsibility

Good business renders good social corporate responsibility. To mention a few in the past years, Nyala Motors has donated ETB 5 million for Gebeta Sheger Project, three trucks worth more than ETB 10 million for training purposes to Misale Drivers Training Center in partnership with UD Trucks, as well as ETB 1.5 million to the task force established for Covid-19 prevention works at the national level. Also, every year, the company donates 500 school bags with full educational materials to various schools throughout the country.

Awards

In testimony to the company's excellent performance, it has been awarded by Nissan Motors, UD Trucks and VE Commercial Vehicles. In September 2021, the most satisfying honors were bestowed upon Nyala Motors for its outstanding achievement at the prestigious Nissan Ignition Awards for coming top amongst all sub-Sahara Africa Nissan dealers.

1. **Best Sales Achievement** for high sales and increasing Nissan's market in Ethiopia's automotive market
2. **Best Aftersales Achievement** for exemplary aftersales customer service
3. B**est Dealer of the Year** for best overall performance and customer satisfaction
4. **Best Partner of the Year** for fulfilling Nissan's partnership criteria and implementation of the company's global strategy, brand promotion, network expansion and use of advanced technologies. Nyala Motors was the only candidate in this division.

Nyala Motors has also been recognized with platinum level federal tax payer's award in 2021 & 2020, as well as gold level in 2019.

"To achieve excellence and satisfy customers, we will continue to strive. Awards and recognitions motivate us for better achievement. We thank our stakeholders and customers who have invested and trusted in us, adds Ato Mesfin"

ETHIOPIA SEARCHES FOR ALTERNATIVE OUTLETS

Ethiopia used to rule all ports on the western side of the Red Sea, until it lost its last one to Eritrea in 1991, joining the pack of landlocked African economies. Over 90Pct of Ethiopia's international trade—forecasted to almost double from the current 17.1 million tons to 30 million metric tons by 2030—has been utilizing the Port of Djibouti.

However, Ethiopia is currently exploiting additional ports in Kenya, Somalia, Djibouti, Sudan, and Eritrea. Following the opening of the Ethiopian logistics sector to foreign investors, these ports are planned to be linked with dry ports and economic and logistics facilities across Ethiopia. To that end, the Logistics Transformation Office, is currently finalizing the first Ethiopian logistics masterplan, which envisages interconnecting the nation through infrastructure including ports, roads, rail, aviation, pipelines, and transboundary rivers. Ashenafi Endale explores.

By any measurement, it is extremely difficult for a poor nation to stay afloat without direct access to a port, let alone climb the income ladder to achieve middle-income status. What is at stake for landlocked Ethiopia and its close-to 120 million people and an economy largely dependent upon imported goods, is much loftier. Although top officials of the EPRDF-led government—including the late Prime Minister Meles Zenawi—used to downplay the issue and claimed that a port is just like any other commodity that can be purchased, the lack of a coastline has impeded Ethiopia's

vision of industrialization.

In fact, the issue goes beyond the economy. It is humiliating for the second-most populous nation on the continent and its proud people to depend so heavily on a small country like Djibouti and its population of less-than a million. In the past, numerous Ethiopian soldiers died to save themselves and nation from such humiliation and ensure Ethiopia's access to Assab and Massawa ports before the separation in 1998.

Although totally avoiding the shame is impossible, Ethiopia is now trying to reduce the humiliation by divesting from its almost single-port stance. Especially after Prime Minister Abiy Ahmed (PhD) assumed power three years ago, concrete actions have been taken by the government to reduce Ethiopia's excessive dependency on Djibouti.

"The government is working to diversify Ethiopia's options and use ports in Kenya, Somalia, Eritrea, and Sudan," Debele Kabeta, Commissioner of the Ethiopian Customs Commission, told EBR. "For instance, the Moyale One-stop Border Post (OSBP) recently began operations. This will vitally contribute towards the facilitation and use of Kenyan ports."

According to Debele, the plan is to install OSBPs with all neighborly countries in the next ten years. "Ethiopia will soon install a similar system with Eritrea, for the use of Assab Port. Ethiopia has completed preparations to access the port and the government has submitted customs protocol documentations to the Eritrean Ministry of Foreign Affairs. We are now expecting their response."

There are three factors that influence port selection. The first is geopolitical alignment. Countries prefer ports located in friendly nations and those in the same political and economic bloc. In 2020, Ethiopia, Eritrea, and Somalia began establishing a new regional bloc—Horn of Africa Cooperation. Under this situation, Berbera and Assab are the best options and are easily accessible to Ethiopia.

The second factor is logistics transit time. In this regard, ports located in Djibouti and Eritrea are the best options because of their proximity to Addis Ababa. Though a bit further, Kenyan ports are ideal for southern parts of Ethiopia ever since the Moyale OSBP shortened the transit time between Ethiopia and Kenyan ports by at least 30Pct. Inaugurated by Prime Minister Abiy Ahmed (PhD) and President Uhuru Kenyatta in December 2020, the Moyale OSBP started operations in June 2021. Being the only transit point between the two nations, Moyale is also planned to house an economic zone.

However, ports located in Djibouti and Eritrea might not be the best options when the third to-be-considered factor is taken into account. And this relates to port fees as well as loading and unloading charges at sea gates like the Port of Djibouti, which are expensive.

After selecting the best available port, the next stage is to choose which modalities to implement, with leasing or renting being one option. Ethiopia uses Djiboutian ports to handle 95Pct of its external trade by paying USD2 billion every year.

Ethiopia also applies other modalities such as part ownership and port development. In 2018, Ethiopia bought a 19Pct stake in Berbera Port. In the same manner, Ethiopia signed a deal to develop and operate a port in Djibouti in 2019, allowing for the utilization of the port through a rent-free lease modality.

It is not only Ethiopia that is endeavoring to diversify its port options. Neighboring countries with ports are also eager to attract Ethiopia's attention owing to its huge external trade volumes and the possible revenue that the exercise could generate. The total external trade of Ethiopia reached 17.1 million metric tons and is expected to reach 30 million metric tons in the next ten years.

Kenya is moving better in this regard by smoothing out its logistics systems, clearing the way for Ethiopia to use the Lamu and Mombasa ports. In July and September 2021, a delegation from Kenya which included government officials and businesspeople came to Addis Ababa to inform the business community residing in Ethiopia about recent developments. "There is competition

The plan is to install One-stop Border Posts with all neighborly countries in the next ten years."

Debele Kabeta,
Commissioner of the Ethiopian Customs Commission

amongst coastal nations of east Africa to influence Ethiopia towards using their ports," said Wilson Njega, Kenyan Internal Security Secretary and leader of the delegation to Addis Ababa in mid-September 2021. "Djibouti, Somalia, Kenya, and now Eritrea are competing to provide port services to Ethiopia.

However, fundamental challenges still remain. "After the Moyale OSBP started operating, Kenyan drivers and traders began coming to Ethiopia. However, Ethiopian banks are not willing to accept the Kenyan shilling," complains Mercy Ireri, Secretary of the Kenyan Transporters Association.

"For Kenya and Ethiopia to trade in goods and services, they don't need to use the dollar as a medium of exchange," advises Elizabeth Getahun, President of the Ethiopian Freight Forwarders and Shipping Agents Association. "The two governments can set rules to use the birr and shilling."

According to Elizabeth, Kenya and Ethiopia only need to duplicate what the latter does with Djibouti where though Ethiopia pays for port fees using the dollar, Ethiopian drivers can use certain amounts of birr for their trips to Djibouti.

Ethiopia and Sudan have also introduced a currency swap mechanism allowing traders from the two nations to exchange in goods and service using their own currencies up to a certain amount. Transactions above the set limit are paid in US dollars held at the Commercial Bank of Ethiopia's Khartoum branch.

The other basic problem is the different road policy and vehicle driving mechanisms of Kenya and Ethiopia. Based on Kenyan traffic laws, the norm is to drive on the left side of the road, with the opposite prevailing in Ethiopia. "For now, we are discussing on ways to solve this by making Kenyan drivers drive on right side of the road while in Ethiopia and vice versa for Ethiopian drivers," said an official at the Ethiopian Ministry of Transport, who spoke to EBR on the condition of anonymity. "But for the future, African countries need to have similar driving and road policies."

Djibouti, Somalia, Kenya, and now Eritrea are competing to provide port services to Ethiopia."

Wilson Njega,
Kenyan Internal Security Secretary

The divergent driving mechanisms in east Africa also threatens the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor project—the infrastructure project allowing east African nations' utilization of Kenya's Lamu Port—as well as other multi-nation trade initiatives like the African Continental Free Trade Area (AfCFTA).

"South Sudan relies heavily on Mombasa, even though it is 1,900 kilometers away from Juba and its cargo requirements are substantially increasing by the year," said Lado Tongun, Director General for South Sudan's Road Transport and Safety, while in Addis Ababa in July for the LAPSSET assessment meeting. "For these reasons, South Sudan is eagerly awaiting the corridor project."

LAPSSET is also expected to benefit Ethiopia which "can generate revenue by hosting South Sudan's interlinking roads and pipeline," explains Debele. "South Sudan is already planning to use Modjo and other dry ports as a logistics hub for its international trade via Kenya."**EBR**

FRANK, RELEVANT AND CANDID DIALOGUE

THIS YEAR

2021 marks the 10th Anniversary of the Tana High-Level Forum on Security in Africa, the flagship annual event to engage in deep reflections to find solutions to the continent's myriad peace and security challenges. This year's Forum is being held under the theme "Managing Security Threats, Building Resilience for the Africa We Want."

The 10th Tana Forum coincides with a unique moment in which Africa and the world are experiencing fragilities imposed by the unforeseen outbreak and spread of the Covid-19 pandemic. Projections and current data reveal that COVID-19 is expected to cause an estimated $79 billion in output losses in Africa in 2021.

The strength and resilience of economies, and especially Africa's health infrastructure has been particularly tested by the COVID-19 pandemic. That notwithstanding, with a population projected to grow to 2.5 billion, and an economy estimated to grow twice as rapidly as that of the developed world, it is of critical importance that threats to peace and security across the African landscape are managed and Africa's projected economic, and social gains, are safeguarded.

Among other timely and pressing issues, the Forum will discuss: Peacebuilding; transitional justice, and reconciliation; Climate risks/resilience, displacement, and security; How terrorism, violent extremism, and transnational organized crime today undermining peace and security, and what should be done to sustain/advance peace and security; The role of art, culture, and heritage in building a culture of peace; Ways to build resilience through youth and gender inclusion; If African leadership in peace and security feasible, and much more.

Despite the prevailing cloud of uncertainty, the Tana Forum provides an opportunity to think deeply and act decisively to confront such triggers and enablers of today's insecurities. The Forum would help better understand Africa's security threats today and would re-examine the role of actors and initiatives at national, regional, and continental levels and that of international partners in soliciting solutions.

Despite the prevailing cloud of uncertainty, the Tana Forum provides an opportunity to think deeply and act decisively to confront such triggers and enablers of today's insecurities.

WHY SHOULD YOU KNOW ABOUT THE FORUM?

It is an initiative that is a response to the August 2009 African Union Tripoli Declarations. In the African Union's Declaration on the Elimination of Conflicts and the Promotion of Sustainable Peace in Africa (Tripoli Declaration, August 2009), African Heads of State and Government designated peace and security as a collective "intellectual challenge" and called for the elaboration of "African-led solutions" to take it on. The Tana Forum is organised by the Institute for Peace and Security Studies (IPSS) of Addis Ababa University in response to this call. Since 2012, the Tana Forum Secretariat has successfully implemented nine editions, and this year marks the tenth anniversary of the Forum.

WHAT MAKES THE FORUM UNIQUE?

From the seating arrangements to the dress code, the informal nature of the Tana Forum enables participants to get to the heart of the issues at hand, a truly unique experience for high-level dialogue. The Forum convene to an open and varied discussion on African security affairs without the inhibitions posed by the need to reach consensus to issue a statement or make a decision.

The Tana Forum is organised by the Institute for Peace and Security Studies (IPSS) of Addis Ababa University in response to this call.

TANA FORUM


MANAGING SECURITY THREATS: BUILDING RESILIENCE FOR THE AFRICA WE WANT
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"GOVERNMENT MUST TRUST THE DOMESTIC PRIVATE SECTOR"

Muluneh Lema, is a founding member and General Manager of Mintu Investment Group (MIG) as well as President of the Ethiopian Millers Association. Educated in the US, he took the initiative to turn his family's legacy of a candy factory and flour wholesaling into a gigantic group of factories. Under the group, companies engaged in the manufacturing, food processing, real estate, import, export, and pharmaceutical sectors, operate. Wakene Food Complex, Mintu Plast, Menoria Real Estate, Mintu Export, and Mintu Pharma are his leading companies. With ETB800 million in annual turnover, the group has doubled its investment capital to ETB1 billion over the last six years. Formed by four brothers, MIG succeeded mainly because the siblings specialized in different sectors.

The plastic factory has especially managed to substitute imports of plastic bottles and caps for water bottlers in Ethiopia. It has also substituted the import of PVCs and other plastic products used as construction and agricultural inputs. Wakene Food Complex, on the other hand, has the lion's share in Ethiopia's wheat and flour market.

Muluneh fears the impact of the ongoing war and piling sanctions will hyper-inflate the economy by next year. Numerous farm lands are skipping cultivation seasons due to the war, which he states is already creating a commodity shortage in the market. He also offered fresh insights into how commercial banks are failing to avail approved letters of credit for businesses. Muluneh argues the promises of the new administration are good but they cannot materialize soon enough, all the while fresh problems are piling up on existing ones. EBR had an audience with one of the dashing figures of the Ethiopian domestic investors' scene.

What is the current capital and annual revenue of Mintu Investment Group (MIG)?

The total asset and capital of MIG currently stands at ETB1 billion. The annual revenue of the companies operating under MIG is around ETB800 million. The incomes of Mintu Plast PLC and Wakene Food Complex take up the lion's share.

Does MIG face foreign currency shortages?

Accessing foreign currency has become an upheaval. We could have opened a diaspora account but instead, we have preferred to engage in export businesses to generate hard currency to finance our imports.

How much do you earn from exports?

We generated USD4 million last year which we plan to double this year.

How have you managed to use this hard currency to finance your import business?

Banks' default is becoming a big problem now. Commercial banks in Ethiopia are refusing to pay our suppliers abroad in hard currency even after the central bank approved the Letter of Credit (LC). We could not even access our own export-generated forex. By law, we are allowed to use 70Pct of the forex we get for our own imports. But banks use our dollars for other purposes instead of paying our vendors abroad. Even with funds in our accounts, LC approval takes more than two months. Then, banks take up to eight months to effect payment as per the approved LC. It is irritating.

To solve this problem, some Chinese, Indian and Djiboutian suppliers are now coming to Addis Ababa to physically take cash payments in birr, exchange into the dollar through the black market, and repatriate back home. The reason why many commercial banks are failing to effect approved LCs is because they have no forex in hand.

But banks claim importers are not utilizing approved LCs?

Previously, importers were required to pay 30Pct of the LC amount's equivalent in birr upfront, and pay the rest when the shipment arrives. But now, banks require 100Pct from importers in advance. It is difficult to find the total amount at once. This is the major reason why many importers are failing to use the full or partial amount of approved LCs.

> **"The policy regarding wheat failed because the government couldn't control the supply chain."**

What challenges do you face while exporting?

Through Mintu Export, we export coffee as well as oilseeds like sesame. During the initial years of our operations, we learned that 98Pct of Ethiopian exporters breach their contracts due to quality issues. As a result, we decided to install our own processing factory to solve the problem.

How do you see governmental policy regarding wheat importation and subsidization?

It has been ten years since the government started flour subsidies for the poor segment of society. Nonetheless, the imported flour has not been able to reach them. While very small amounts reach the poor, most of the flour is sold to commercial bakeries. As a result, the government stopped importing and supplying processing factories and thus, prices of wheat escalated by leaps and bounds as of last year.

I have never seen the price of flour increasing by more than ETB20 per quintal in my whole life. But this year, it increased by ETB150 in one go and is still escalating even now. We have no option but to accept smuggled wheat. However, the difference per metric ton is over ETB2,500 between government-supplied wheat and the informally available stock in the open market.

Why has the government's policy regarding wheat failed?

The policy failed because the government couldn't control the supply chain. Currently, very few flour businesses that manage to access wheat from farmers are operating.

What do you think is the solution to solve the wheat shortage?

Ethiopia has the potential to become the second-largest wheat producer in Africa, next to South Africa. But the country has up to now only utilized only 20Pct of its potential. If we could double this, it will be possible to substitute imported wheat.

The plan of the current administration regarding expanding large-scale wheat farming is great. But, maintaining peace and stability is critical to achieve this plan. There are commodity shortages and an economic crisis looming ahead next year because many agricultural lands are skipping cultivation seasons due to conflict and war. The impact of the war, as well as sanctions and displacement, will be more visible by next year. Businesses will also start feeling the blow.

Members of the Ethiopian Millers Association (EMA) have established a share company and requested land from the government to start cultivating large commercial wheat farms in Ethiopia. The former administration had accepted our proposal but we haven't been able to access land.

The other alternative is for government to exit from the importation and supply chain of subsidized wheat. Instead, they should transfer the task to private businesses and allocate enough hard currency to facilitate smooth and speedy imports of the produce.

EMA and its share company have also proposed to the government to directly import wheat to supply to the poor. But the government does not trust the private sector to handle this task.

How do you evaluate the level of technology adoption in Ethiopia?

Sure, we have to adopt technology and innovation through time to compete internationally. There are around 500 flour processing factories in Ethiopia. But most of them lack the latest technologies. As a result, they remain local. In this regard, Wakene Food Complex is planning to install state-of-the art Canadian technology to process foods.

How do you see the playing field regarding local and foreign companies in Ethiopia?

Foreign factories operating in Ethiopia have more advantages because most of them operate inside industrial parks where all required services exist. Factories outside industrial parks lose 40Pct of their revenue due to power fluctuations, according to our study. This excludes the waste created due to power outages. Currently, MIG is building a substation with an outlay of over ETB5 million. In addition, we are forced to import power stabilizers from India to prevent fluctuation-caused damage to our machinery. The custom's duty paid for each stabilizer is 200Pct of its selling price.

On top of this, foreign factories operating in Ethiopia enjoy tax- and duty-free privileges. Factories inside industrial parks beat us only because of such privileges. The only reason we have managed to stay in the market and compete with foreign factories is because we manage to hold on to some of our clients by selling on credit. If government ensures the provision of basic services and equally incentivizes local and foreign factories, we can compete on equal foot.

What costs do you incur due to power outages?

At this moment, waste products worth ETB15 million are stored in our flour factory's basement. We built an 850-square meter basement to pile wasted materials caused by power cuts. Especially when it is a consumable item, we cannot recycle the waste. When the power goes out, hundreds of quintals of raw material turn to waste. Sometimes, the cost of power outage constitutes 90Pct of our expense.

"Although the plan of the current administration regarding large scale wheat farming is great, maintaining peace and stability is critical to achieve it."

What progress stage has your real estate development reached?

The real estate business has had a bad reputation in the past. Many house buyers lost their money. So, collecting advance payment from house buyers is difficult because of the trust issue. So, we invested our own money to develop and sell the completed product to home seekers. We have an arrangement with Awash Bank where buyers borrow money from the bank to buy the house and pay the loan in the long term. Big developers like Noah are now restoring the real estate sector's image.

How do you evaluate the level of the manufacturing sector in Ethiopia?

Under current circumstances, manufacturing in Ethiopia entails loss.

Do you think Ethiopia is still a top FDI destination?

Ethiopia is not the primary choice for foreign investors at this moment except those who are extreme risk takers. In fact, Ethiopia is not even conducive for domestic investors at this moment. But this will not continue to be the case in the future. When everything settles down and peace is restored, Ethiopia will become a top investment destination. **EBR**

Arbitration: Commercial Dispute Settlement Mechanism

Legal friction amongst businesses is a naturally occurring phenomenon. However, if there is no equally-dynamic venue and avenue to solve those frictions, business activity will get stuck. The normal court system which handles criminal cases and takes months and years to conclude, is too slow for business.

Though arbitration is globally preferred as the best business dispute settlement mechanism, Ethiopia has not had the necessary legal frameworks in place. Usually, business arbitration awards rendered in any country across the world are acceptable by the highest courts. However, this was missing in Ethiopia until the nation signed the 1958 New York Convention in 2021.

Until now, most business conflicts arising from contracts between Ethiopian businesses and foreign partners, have been arbitrated outside of Ethiopia. This has its costs in terms of undue foreign currency consumption, inability to receive fair arbitration, and misconception of Ethiopia as business unfriendly. Ashenafi Endale explores the new changes after the ratification of the convention, as well as the new local arbitration proclamation.

In 2013, the Ethio-Djibouti Railway Company (EDRC) and Consta JV went to The Hague for arbitration to settle the controversy arisen over repair works the latter rendered to the former. After three years of litigation, the three-member panel of arbitrators ruled in favor of the contractor, Consta JV, and awarded the company EUR20 million. Although both parties went to The Hague with the understanding that the arbitrators' ruling is binding and

final, in 2016, EDRC went to the Court of Cassation of the Ethiopian Federal Supreme Court looking to reverse the ruling citing a fundamental error of law was committed. After months, the court reversed The Hague's decision and nullified the contract.

This is not the only arbitration award that was reversed by the Court of Cassation. A report published by the Supreme Court last year shows ten similar cases were filled at the Court of Cassation in the last three years. "These ten cases which appeared in the report are just the tip of the iceberg," explains Michael Teshome, Director of the Ethiopian Mediation & Arbitration Center and also Attorney and Consultant at Law. "The report only published very few and selected cases."

Arbitration is becoming the major instrument in especially settling commercial international disputes. As a result, the existence of a modern arbitration system is one of the crucial factors which attracts foreign investments. "International investors are willing to invest in countries where the judiciary system and courts accept and implement arbitration awards," explains Ermias Ayalew, Assistant Professor of law.

Until recently, arbitral awards rendered in other countries were not treated as final in Ethiopia because arbitration had been governed by civil

To P. 44

“Addis Ababa is now ready to be the arbitral seat for international businesses.”

Michael Teshome, is Director of the Ethiopian Mediation & Arbitration Center, Attorney and Consultant at Law, as well as Co-author of the book Arbitration in Ethiopia.

Michael specializes in handling business arbitration cases, which is a leading alternative model to settle business disputes. However, Ethiopia was not on the international business arbitration map until this year when it ratified both the international 1958 New York Convention and the local Arbitration and Conciliation Working Procedure Proclamation, in which Michael participated at the drafting level. Now, arbitration awards rendered in Ethiopia can directly be implemented in the 167 signatory countries, with reciprocity. Michael stresses this has an immense and multidimensional benefit in making Ethiopia business-friendly and Addis Ababa an international arbitration seat.

Why are Ethiopian arbitration cases usually seen abroad?

Most businesses prefer to go to arbitration than court. Significant numbers of Ethiopian businesses sign international arbitration clauses in their contracts without knowing the consequences. The articles usually state the arbitration seat as a European or US city. The cost for Ethiopian businesses to go and win cases in such places is very costly and difficult. Many Ethiopians sign such clauses without due diligence and come to us for legal consult, but only after the damage is done.

Countless cases are going through arbitration. Ethiopian Airlines, Ethiopian Shipping and Logistics Services Enterprise, Ethio Telecom, the Ministry of Mines, and many others contract all of their arbitration cases to be seen overseas. Even wheat procurement has a vast arbitration field. Construction projects including GERD involve huge international contracts. All these institutions, handle their cases under arbitration. They never go to court.

In Ethiopia, almost all international business contracts are seen under arbitration. Only the very few with no such clauses in their contracts go to courts. Many Ethiopian businesses come to us after the arbitration process has already begun. For them, going to Singapore or Germany, for just a half-a-million dollar arbitration case is not feasible. The cost can be double the amount of the contract. The arbitrators charge per hour. Institutional service fees, accommodations, flight, and other expenses are also there. Such costs and responsibilities are unseen by local businesspeople when signing contracts. Ethiopian companies sign such clauses not only with foreign partners, but also with local ones.

African institutions such as arbitration centers in Kigali and Nairobi charge reasonable fees that fit the continent's business context. But if you go to similar centers in Europe, Asia, or the US, they charge many millions, because they are made purely for their business community. Comparatively, courts are very cheap because you only pay once for the service fee and then for your lawyer. Court fees are set. Under arbitration, you pay for the institution to open your file, and then pay by the hour for arbitrators and lawyers.

Why are Ethiopian cases predominantly referred to arbitration centers under the World Bank or International Chamber of Commerce (ICC)?

Before, Ethiopian cases were seen abroad, because Ethiopia was not signatory to the New York convention. Even after Ethiopia ratified it last year, there is lack of arbitration institution to implement the convention, specialized Ethiopian arbitrators and lack of awareness among Ethiopian businesses to pick Addis Ababa as arbitration seat.

When Chinese firms contract with Ethiopian firms, they mandate any case to be seen under the China Chamber of Commerce. A Chinese case is handled by a Chinese lawyer, not by a French or British lawyer. An American case, whether seen by the ICC or International Court of Justice (ICJ) or anywhere, is handled by US lawyers. If we could establish an arbitration institution in Ethiopia, we could solve many issues here, whilst preserving the time and foreign currency spent abroad. When an Ethiopian case is seen in Paris or Geneva, the contracting party has to cover all the accommodations and take witnesses to these cities where they could stay for weeks.

What makes arbitration advantageous over a court of law?

Usually, disputes are settled in courts. However, courts are inflexible and time consuming because they are usually flooded with many cases and it could take years for a court pass a ruling, especially on complicated commercial cases.

On the other hand, an arbitration tribunal takes shorter time, because it is installed to look into a particular case. Especially when cases are business-related and require timely rulings, courts are less helpful. In addition, the decision of courts relies on lawyers and judges lacking the required knowledge and working procedures of complicated business dealings.

In terms of process and result, arbitration has many advantages over court proceedings. Parties own the process, including language, place of arbitration, and the arbitrators. Courts do not provide such freedom. Arbitrators are selected from different disciplines. The other big advantage of arbitration is confidentiality. Court hearings are public and people can access documentations even after the file is closed.

> **Time is critical and from this perspective, arbitration is cheaper than going to court.**

But the cost of arbitration is somewhat expensive.

Yes, Compared to court litigation, arbitration is more expensive. But we can analyze this increased cost from different a perspective. For any business endeavor, time is critical. A case which takes up to four years in court can be settled in six months by arbitration. So, from this perspective, arbitration


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is cheaper than court.

In addition, if businesses go to court, their case becomes public. This might hurt their reputation and bring a loss of revenue. So, arbitration is incomparably cheaper when such things are considered.

Professionals in the field of the contract are picked as arbitrators. In court, cases are only seen by judges, who are basically lawyers without a deep understanding of business fields. One drawback, however, is that arbitration is conducted in far away cities. For an Ethiopian company, the cost could be too exorbitant, especially when including arbitrators' fees. In court, judges do not charge.

Globally, arbitration is very expensive but establishing national arbitration institutions can solve this. For instance, the Kigali Arbitration Center is envisioned to primarily handle domestic cases first, but also regional and continental ones in a secondary manner. They did not directly go for international arbitrations. Ethiopia must draw from this lesson. The problem is not creating an international arbitration institute here in Ethiopia, but rather finding cases. So, the target is to not establish an arbitration center, but to build up your reputation from small to big cases.

Is it only business related cases that can be settled by arbitration?

In principle, any case is arbitrable from family issues to complicated industrial disputes. But in practice, there are exceptions such as criminal, tax-related, and bankruptcy cases. These cases cannot be settled by arbitration.

What are the key changes recently made concerning arbitration in Ethiopia?

Until recently, arbitration had been governed by the commercial, penal, and other legal codes—laid down in the 1960s. There were some articles regarding arbitration, but nothing in depth. Ethiopia has been stuck in the 1960s while multilateral and unilateral economic, trade, and investment relations have gone forward by leaps and bounds.

Over the past couple of years, some of these old laws and codes were amended, including the ratification of the Commercial Code in 2020. Additionally, the Arbitration and Conciliation Working Procedure Proclamation and the New York Convention were ratified in 2021.

What are the implications of the ratification of the Arbitration and Conciliation Working Procedure Proclamation?

Before the proclamation was introduced, there were gaps in accepting and implementing arbitral awards. Even if the contracting parties agreed to the arbitration settlement being final, the Ethiopian court system—especially the Court of Cassation of the Federal Supreme Court—had been intervening and ruling otherwise. This new proclamation now states that an arbitral award is final unless the parties agree that the case can go to the Court of Cassation. How and when courts can intervene in an arbitration process is clearly specified in the new proclamation. It states courts can intervene only to support and facilitate the arbitral award. The previous commercial and other codes left the door wide open for courts' intrusion.

> **The problem is not creating an international arbitration institute here in Ethiopia, but rather finding cases.**

What is the significance of ratifying the convention and proclamation? What does it impart towards attracting foreign investors?

An arbitral case awarded in a signatory country is deemed final and will be accepted and enforced in all other signatory countries. If the country where the involved parties are operating is not a signatory to the convention, the ruling is just a piece of paper. Before Parliament ratified the New York Convention, an arbitrational settlement passed in Paris or London could not be implemented in Ethiopia. You can be awarded in any city around the world, but the court in Ethiopia cannot be forced to accept and enforce the arbitration award because Ethiopia was not a signatory at the time.

In addition, the previous commercial and other codes did not allow reciprocity.

But contracts signed after Ethiopia adopted the convention and proclamation are applicable in all signatory nations. An arbitral award rendered in any of the 195 signatory countries can now be directly enforced in Ethiopia as if awarded by an Ethiopian court of law and vice versa.

Ratifying the New Yok Convention makes Ethiopia an arbitration-friendly investment destination. International investors are willing to invest in countries where the judiciary system and courts accept and implement arbitral settlements. Previously, the major challenge faced when drafting commercial agreements was deciding where the legal seat of arbitration should be. If the arbitration seat was abroad, the decision was not enforceable in Ethiopia.

Are the convention and proclamation applicable to agreements and contracts involving public institutions and state-owned enterprises (SOEs)?

The proclamation states that any case not involving administrative issues is arbitrable. Purely administrative contracts, entered by government institutions and SOEs, cannot be settled by arbitration. However, commercial agreements signed by these entities are fully arbitrable. They are just like any private contract.

Are Public Private Partnership contracts arbitrable?

The Arbitration and Conciliation Working Procedure Proclamation clearly states that arbitration can be used to settle any dispute between private and contracting government agencies.

Which institutions are responsible for the implementation of the New York Convention in Ethiopia?

Upon the request of the arbitration winner, courts are responsible to enforce the rulings rendered in any part of the world in Ethiopia. Courts do not have to review the cases because they are closed cases.

As long as the arbitration seat is in a signatory country and the award is rendered by a duly recognized arbitration institute, Ethiopian courts must enforce that decision.

However, both the convention and proclamation give Ethiopian courts the right to refuse arbitral awards if contracting parties were not given equal chance and evidence is left out. Also, if there is a contractual or moral fallacy, or a breach of basic laws, courts can review.

“

An arbitral award rendered in any of the 195 signatory countries can now be directly enforced in Ethiopia as if awarded by an Ethiopian court of law and vice versa.”

What are the new areas that the arbitration proclamation charted? What was left out?

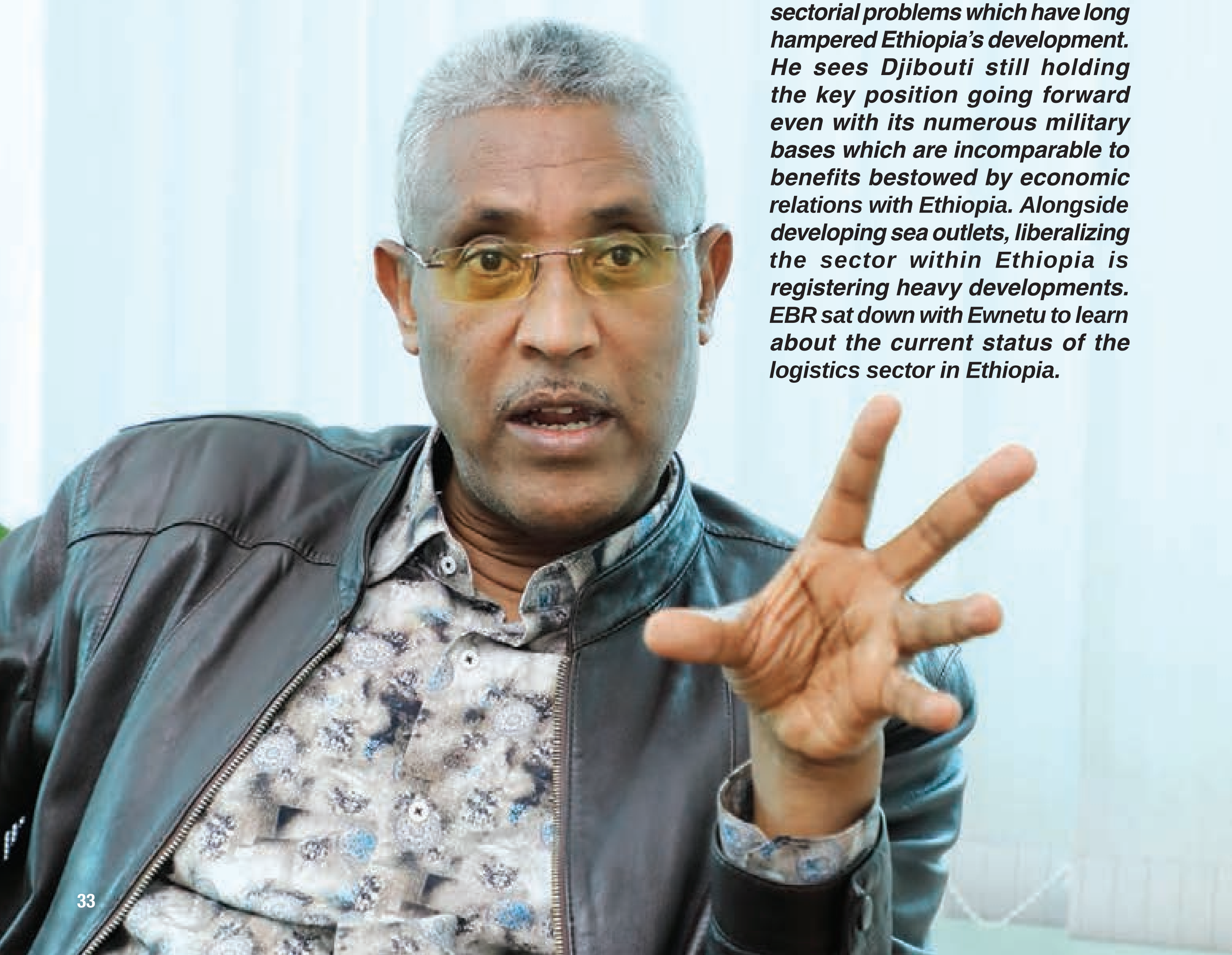
The proclamation addressed many issues previously untouched. Arbitration’s shortcoming is that it does not say anything about other conflict resolution mechanisms for business cases. Another shortcoming is that it states an arbitration institution will be established. That is good, because many African countries have such entities which are critical for the organization of forums, conducting of research, and publishing of books and journals. However, regulations and directives that can enable the establishment of this institution are not yet introduced. We appreciate that the proclamation tried to reduce the intervention of courts in arbitration processes. The proclamation utilized a negative listing, meaning any case not prohibited on the proclamation is arbitrable.

Will the Ethiopian cassation bench accept foreign arbitral awards as final in Ethiopia?

The cassation bench has the final verdict on constitution-related violations. On the other hand, contracting parties agree that the decision of arbitrators is final. Ethiopian courts, including the cassation bench, have to accept and implement foreign arbitral awards. But until Ethiopia ratified the New York Convention, the cassation bench had the power to revise such things. In the new arbitration proclamation, contracting parties can include a clause if they do not want their arbitral award to be revised. **EBR**

“Djibouti will remain the main artery for Ethiopia’s import-export.”

Ewnetu Taye is Deputy Director of the Logistics Transformation Office (LTO), established to transform and solve lingering sectorial problems which have long hampered Ethiopia’s development. He sees Djibouti still holding the key position going forward even with its numerous military bases which are incomparable to benefits bestowed by economic relations with Ethiopia. Alongside developing sea outlets, liberalizing the sector within Ethiopia is registering heavy developments. EBR sat down with Ewnetu to learn about the current status of the logistics sector in Ethiopia.



Ethiopia is diversifying its port options. What is the reason?

The second-most populous African country with a huge economy should not only depend upon one corridor—Port of Djibouti—for a number of reasons. To start with, the route to Djibouti is not well connected with railway and road transport systems. On top of this, Galafi still remains the major logistics town along the Ethiopia-Djibouti route. Over 1,000 trucks pass through this town every day. This has created huge pressures on logistics due to high congestion. The problem was solved after the Ethiopian government, alongside their Djiboutian counterparts, opened the Port of Tadjoura. After this, the pressure on Galafi was somewhat alleviated and Ethiopian Railways Corporation recently acquired additional wagons but still, it is not enough.

Ethiopia suddenly shifted to Djibouti when war broke out between Ethiopia and Eritrea. Is the nation ready for such a sudden hypothetical incident that could put external trade on hold?

This is one of the reasons why Ethiopia is diversifying its port options. If we have multiple sea outlets, we can avoid sudden catastrophes.

Does this mean Djibouti will no longer be Ethiopia's primary outlet to the sea?

Even if we divert portions of external trade to other ports, Djibouti will remain the main time, and cost are key. Assab, Djibouti, and Berbera can be better options for Ethiopia in terms of their close distance.

But all these countries charge expensive tariffs. On the other hand, even if far, tariffs charged by Port Sudan are very fair. Ethiopia uses that port to import fertilizer for farmers in northern parts of the country. Sometimes, ports with efficient management and service can be a better option than ports located nearby.

As of now, Port of Djibouti is the best for Ethiopia. Berbera is also becoming a preferable corridor. Ethiopia is a landlocked country but has many options and access to multiple ports. Rwanda and Uganda, also landlocked, are not as lucky in this regard.

> **"Although there are many military bases in Djibouti, none are comparable to what Ethiopia offers Djibouti."**

shared by Tadjoura.

There is no One-stop Border Post (OSBP) along the Ethio-Djibouti route, but rather multiple custom check points. This year, the two nations started installing such a post. The railway transport system between the two countries has commenced operations but its storage capacity is too small for Ethiopia's large external trade volumes. Additionally, national rail coverage is limited. The artery for Ethiopia's imports and exports. To remain the major outlet for Ethiopia, the Djiboutian government is currently expanding its port.

Amongst the ports and corridors along the Red Sea, which are better for Ethiopian traders?

What makes a corridor preferable is infrastructure and efficient management. Additionally, logistical distance,

Shipping container rental rates have almost doubled since last year. What is behind this?

In the post-Covid-19 era, the global economic recovery led to an abnormal increase in demand for containers while supplies remained the same. This created a shortage of containers. Ethiopia is one of the nations affected by this.

An increasing number of superpowers are establishing

military bases in Djibouti. Does this pose a threat to Ethiopia's foreign trade?

Superpowers are building military bases in Djibouti to protect their own political and economic interests. Although there are numerous bases in Djibouti, none are comparable to what Ethiopia offers Djibouti. Ethiopia's international trade is the lifeline of Djibouti. Superpowers pay money to establish military bases there but it is not close to what the Red Sea nation generates by renting out its ports to Ethiopia.

Who are the major foreign firms involved in the development and management of ports in east Africa?

DP world is becoming the major player in the region. It has already committed USD2 billion to develop logistics corridors. Other foreign logistics firms are also expressing interest in investing in Modjo Dry Port's expansion project. Overseas companies are now realizing that involving in the dry port business in Ethiopia is a lucrative endeavor. Some have even finalized feasibility studies and are waiting until the conflict in the northern part of the country is over.

> **"Sometimes, ports with efficient management and service can be the better option than ports located nearby."**

Ethiopia recently liberalized the dry port and multimodal businesses. How many investments have materialized thus far?

One of the subsectors recently liberalized is dry port development. Although this was opened to private investors last year, directives and operational manuals have not been ratified thus far. Yet, we have received a few proposals from investors wanting to engage in dry port development in Ethiopia. There are also others who are undertaking feasibility studies.

Next to this, the government has also liberalized the multimodal transport system. It is now open for private investors. The directive outlining details is its final stages. So, we will soon start issuing licenses for this.

Logistics companies planning to invest in the development of dry ports and the multimodal transport system complain that the government is not giving them required land for their projects.

Most investors want land near the capital. This is very difficult to accommodate for now. However, it will be well addressed in the future.

How many private multimodal operator licenses will be issued?

The plan is to issue at least five multimodal licenses.

> **"The plan is to issue at least five multimodal licenses."**

Is the government planning to privatize Modjo Dry Port?

For now, private operators are only allowed to partner with the government and invest in a joint venture to develop Modjo Dry Port. We are arranging and facilitating this. Close to four private operators are already doing cargo consolidation and deconsolidation works inside the dry port. Soon, private operators will be licensed to operate inside Modjo and other dry ports. In the future, the government will decide whether it will be privatized or not. **EBR**

WORK FOR VIRTUE

The unheralded actor in the Ethiopian economy is the woman doing free work in the home or elsewhere. Established institutional and patriarchal norms in our society means that at best, the woman is paid in-kind for her work. Experts say that this manner of work needs to be quantified to show the true worth of free labor as well as lead to a system where government provides subsidized goods and services to these women, and sometimes men, that are the backbone of the nation's economic movement. EBR's Trualem Asmare looks into the topic.

Almost each passing day, Almaz Dejene, a graduate of grade ten and mother of three living in Legetafo on the outskirts of Addis Ababa, does the same pattern of work: milking and releasing cattle to graze, fetching water and firewood, cleaning, washing, cooking, and caring for children and community members.

"I spend the whole day occupied by housework, unless I go to the market." Her only source of cash is through selling tela—a home-brewed barely-based alcoholic drink—or when her husband sells wheat, barley, or chickpeas in the market.

According to Oxfam Ethiopia's study, Ethiopian women spend 13-and-a-half hours daily engaged in some kind of unpaid care responsibility, compared to just over five hours for men. Also, over 37Pct of rural women travel between one and two-and-a-half hours to collect water, while 15Pct of them travel even more to source water.

As per a Central Statistics Agency (CSA) report conducted in 2014, over 43Pct of rural and 19.7Pct of urban women are engaged in unpaid family work while it is 25 and 11Pct for men, respectively. "Similar surveys have not been conducted since then but we are currently finalizing another Time Use Survey in Ethiopia," said Zelealem Hailegiorgis, Business Statistics Directorate Director at CSA.

In rural Ethiopia, unpaid family work is the second-most common employment arrangement next to self-employment. Around 85Pct of rural populations are self-employed in small-scale agriculture.

In urban areas, informal jobs are the highest employer, followed by private-sector employment and government jobs. Urban dwellers constitute just 20Pct of Ethiopia's total population, according to CSA data.

Ministry of Labor and Social Affairs data says that only 7 million of the around 20 million urban population are paid workers. Another study by the Action for Social Development and Environmental Protection Organization (ASDEPO) indicates that women in Ethiopia spend up to 17 hours in unpaid care work, higher than any least developed country (LDC).

"Unpaid care work restricts women's economic empowerment for decision making, as well as their participation in social, public, and political activities. Further, it reduces their educational opportunities and makes them economically dependent. This ill situation of women affects the nation as a whole. Women remain the country's backbone, yet their contribution is unnoticed under any economic parameter. Before solving this problem, women's unpaid work must be

most women spend in unpaid work is negatively affecting the national economy. They are contributing positively, and at the same time, they are also benefiting positively."

For Abebaw Kebede, Project Coordinator at Care Ethiopia which has been operating in Ethiopia since 1983, excessive labor work done by women is a result of low infrastructure and utility service in Ethiopia. "In rural areas, where we built clean water access in nearby villages, women's travel time dropped from hours to just a few minutes. If basic services are ensured, women can get more time for education and be employed in paying jobs. Substituting fire wood with electricity, providing technologies that can harvest, mill, and even do household works, can save women from household slavery."

The fact that most of the paid jobs are designed to fit into the existing patriarchal regime is the major obstacle for women to get paying employment, according to Abiy. "Either the existing paid employment environment must be accommodative to women or we must create a situation where women can work from and at home and get compensated. Existing work settings require at least eight hours a day to be spent in an office, which is incompatible with the female nature and household responsibilities. Men have the time to network and find decent work, but women cannot. Hence, government must introduce policies that push the deployment of technologies and enable women to work salaried from home. Various works can be done from the home if there is a reliable telecommunications network."

identified and perceived as a problem first," says Fiker Shiferaw, Gender Advisor at ASDEPO.

"Women are working more than 14 hours per day, which could make them millionaires had they been in developed countries where work is properly evaluated and monetized. But almost all women in rural Ethiopia, and significant portions in urban areas, are working for free," says Abiy Wendifraw, Consultant at the Network of Ethiopian Women's Associations (NEWA).

Moreover, the fact that hard work done by women is largely overlooked in the GDP accounting methodology indicates the absence of a monetization system at the national level. This also impedes government from creating compensating policy packages for unpaid workers. For instance, if the number of hours a woman works per day is quantified, the administration can indirectly compensate by providing subsidized utility services, agricultural inputs, or technologies.

"Economics operates on a demand-supply principle. In labor economics, the laborer sells labor to the employer. The problem with household activities is that the woman is both the labor supplier as well as demand creator. So, since they employ their own labor, they cannot pay themselves," argues Abiy.

However, Wasihun Belay, Economist, argues that unpaid work is already compensated in kind, just not paid in cash. ''When a woman spends time discharging household responsibilities, she is paid indirectly. She has no food expense, house rent, bills, or other expenses that come when you are salaried. It is difficult to monetize unpaid care work. Yet, I do not think the extended amount of time

"Awareness creation should be the primary task to reduce women's burden of unpaid work. Policy makers, civil organizations, employers and even family members must learn the impact of such unquantified work at the national level. Once parameters are set for where we are now in terms of unpaid work, we can set numerical targets and work towards reducing it," says Ankets Petros, Gender Program Manager at Oxfam Ethiopia. **EBR**

REMODELING FOOTBALL BUSINESS

When the Ethiopian Premier League SC was established and began commercializing the televising of local football matches as of last year, many bet that Ethiopian football dependence on municipality budgets would end, with abundant commercial revenue now coming from DSTv. Now, the league company is on another march to end its governmental dependency for good. The league company is currently conducting a study—the Ethiopian Premier League Development Plan—by hiring a consulting firm in a bid to build its own capacity and be able to attract more sponsors and partners and work in an ever-sustainable way and to never look for handouts again. EBR's Abiy Wendifraw explores.

In the morning of Wednesday, September 29 2021, officials of the Ethiopian Football Federation (EFF) took a trip to the Ethiopian Premier League Share Company's (EPLSC) offices located just a kilometer away from the headquarters of the regulatory body. Esayas Jira, President of the federation, has not had the chance to visit this well-branded office of EPLSC, full with eye-catching interior design and a growing workforce. He could not hide his appreciation as the office set-up seems to declare the new era of Ethiopian football starting to enjoy the fruits of its first-ever broadcasting and naming rights agreement, signed last year.

The league company with a staff size of 13 is already planning to expand its capacity and source of revenues in the coming years. According to Kifle Seife, General Manager, there are plans to buy a new building in Addis Ababa that can serve as headquarters but also as a source of additional income from rentals. Seife states, "we need to look for other sources of revenue. We cannot just rely on income from broadcasting rights . What if the sponsors and broadcasters refrain from taking part in the bid process after five years? Are we going to go back to the old system? That should never happen."

The launch of the Ethiopian Premier League (EPL) on DStv is an exciting opportunity for players, fans, and club administrators. Prior to the start of the 2020/21 season, Ethiopian football was full of uncertainty, with Coronavirus not the sole reason. Most of the clubs were struggling to finance their expenses, including even salaries notably. Because of the pandemic, municipalities and private businesses were not in a position to allocate millions of Birrs to their teams. The military conflict in Ethiopia's Tigray region was another headache for the national football governing body as three of the 16 clubs, Mekelle 70 Enderta, Suhul Shire, Welwalo Adigrat University, were from this region.

EPL's 22nd season kicked off on December 12, 2020, after a nine -month break with only 13 teams. The new league ended in May 2021, with the new champion Fasil Kenema collecting a lumpsum of ETB12 million in prize money and share of the company's income. EPLSC collected total revenues of over ETB 163 million from the Betking Ethiopian Premier League 2020/21 season which it shared with competing clubs. Even relegated teams secured over ETB eight million each.

According to the distribution and broadcast model of EPL, 50Pct of the revenue is split equally amongst clubs, 25Pct is paid in "Merit Payments" or as per season-end placement in the league table, 15Pct is for EPLSC's management expenses, and the remaining 10Pct is allocated to cover facility-related expenses.

The financial gains may help clubs turn the corner. In the

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ETHIOPIAN PREMIER LEAGUE S.C

second season of the broadcasting and naming rights deal, clubs are set to receive more capital from the league company as the annual payment increases by USD250,000. This increase will continue every season until the deal ends in 2024/25.

While the clubs seem busy preparing for the new season, EPLSC's management is focusing on its agenda . Kifle admits that the country's football and all those involved were not fully prepared for the positive change. He flatly states that "we need to build our own capacity to be able to attract more sponsors and partners. We lack manpower, infrastructure, and proper structures to deal with such a huge engagement. "

As indicated in the contract with Supersport, trainings are being organized by EPLSC to capacitate club administrators, football referees, and team management staff . In August 2021, a capacity-building session was facilitated in the capital for club presidents and general managers on topics including club branding, marketing principles, contract agreements, and sponsorships. The two-day training was led by experts from Supersport and was aimed at helping club officials understand how to brand their club and benefit from it.

The new league format, introduced because of the pandemic, was an unfortunate event with a positive outcome, says the general manager. "The pitches were not ready for live broadcasts. Showing football fields in regional cities with cameras from several angles could have been a disaster. Having the league's games in the same city gave us the opportunity to control the situation better in all the fixtures. 156 games transmitted were live on DStv."

In the new 2021/22 season, EPLSC wants to make sure that the league will be back with Ethiopian elements. The broadcast intro jingle for the Betking EPL will have an amended logo and newly produced music melody with an Ethiopian style. The league trophy made of silver in England features a unique design reflecting Ethiopia's rich culture.

The league which is still being led by the board assigned committee, may need to wait for quite some time to have full-time experienced professionals with an understanding of modern leagues. "The league company is now conducting a study—the Ethiopian Premier League Development Plan—underway by a consulting firm. It has a defined objective to assess the overall structure of Ethiopian football including clubs' financial management, mandates of EFF and EPLSC, and the potential impact of the league on clubs, players, coaches, fans, and other stakeholders. The findings will shape our detailed plan and execution," says Kifle.**EBR**

THE FRUIT OF THE 28-YEAR EXERTION

In this digital fast-paced age, an online reference book is looking to take hold. Alphabetic African Timeline, an almost three-decade old journey of information compilation, is now looking to take a spot amongst students, researchers, and the general public as a go-to repository of general African information. Its developer has been working with a handful of government organs to institutionalize the work and looks to the near future where anyone can purchase general African information from the website africacomplete.org and other digital platforms. EBR looks into this yearning to enlighten the public.

Encyclopedias were once the go-to place to look up information, next to the dictionary. Especially those born before 1990 remember the multi-volume editions found in libraries or even in homes and offices. Providing alphabetically-arranged summaries of information, these reference works are now near extinct. In the ongoing digitization of our world, encyclopedias are being replaced by online platforms. Students, academicians and researchers, and the general public in Ethiopia are now being introduced to a new platform that looks to replace the nostalgic encyclopedia, at least with reference to Africa.

The platform is a general comprehensive summary and ranking created to give an overview of African nation states and gives socioeconomic, political, geographic, historic, and lifestyle information. The platform says that it is a compilation from different sources consulted by multi-disciplinary African group of scholars in the field.

Alphabetic African Timeline (AAT) is the fruit of 28 years of the compiling of historical facts and journalistic reports as well as continuous updating. Also called Alphanumeric African

Timeline, the online reference platform was developed by Moges Mulugeta Amharay (Laureate, Ed-D, Arts Hon.), now serving as its Chief Content Editor. In addition to its website, AAT is also found in the e-books section of Flomart android and iOS apps, where users can pay for and download individual country chapters as well as other referential material in similar fashion to the website. Flomart is a subsidiary of Flocash—the digital payments services company handling Ethiopian Airlines' digital transactions.

Currently, AAT is in use by the Ministry of Education (MoE), Ministry of Foreign Affairs (MoFA), the National Archives and Library Agency (NALA), and the Ethiopian Broadcast Corporation (EBC) where Moges has provided the platform free of charge for research purposes by employees and students/researchers. However, Moges looks to monetize the output of his laboring of almost three decades while giving students free access. "The platform is quite important for students and teachers of all levels. Primary level students use it to learn national contexts and basics like flags, coat of arms, location, and presidents of each nation. University students, on the other hand, will use it for historical and political studies."

Recently, the Information Network Security Agency (INSA) gave him the green light towards accommodating the National Bank of Ethiopia's terms and conditions to fully operate throughout the country in partnership with local financial institutions. He now expects to full-fledge digital sales of individual chapters, or the full 18,000+ pages of information, to both individuals and organizations.

Born in Wonji in the 1960s, Moges moved to Addis Ababa due to the unsuitability of the local weather until he had to migrate to Germany after the 2005 national elections. With a stint in Sweden, Moges settled in Norway for ten years. After being deported from the Scandinavian nation for not fulfilling immigration requirements, he stayed in Kenya for a few years before finally returning to his home country after the ascendancy of Prime Minister Abiy Ahmed (PhD).

It is in Kenya where AAT found its first home for it is here where the government approved of his idea after seeing of its importance for education. He saw that Kenyans give significant importance to general education and are even willing to spend additional money for the purpose. Now in Ethiopia, upon the backing of the Ministry of Innovation and Technology (MInT) and INSA, his platform has been availed to the public and selected institutions.

This type of online dictionary is fitting well into digitization programs seen throughout the educational and research sphere of Ethiopia. For example, NALA has placed AAT on its local network where researchers can readily access it as of last year. Though not well-promoted, users are accessing the information. The agency has embarked on a wide-ranging digitalization of manuscripts and other historical depositories of knowledge found in physical form only. Moges' online country manual will fit well into this, according to a worker of the agency. EBC is also using AAT for research purposes with Moges expecting continued negotiations on how to monetize his relationship with the state broadcaster.

Gizaw Waqjira, Database Administrator at NALA, says that "Alphabetical African Timeline is a very important digital platform for education and research purposes, especially in order to get wholesome African Information." He adds that "there aren't enough libraries in Ethiopia and that students face challenges in accessing information quickly because of transport problems and books being held by other readers or researchers. Instead of wasting their time on this, the digital platform gives information in real-time in their personal locations. As such, it is very important."

According to Gizaw, the government should work to motivate other Ethiopian scholars to prepare and compile similar online informational platforms. Of its kind, AAT is the only digital educational platform in Ethiopia. It is also registered with the Ethiopian Intellectual Property Office.

Moges' vision to create a complete and comprehensive guide to African countries, its people, and their activities has even taken him to the African Union. He envisions this platform in excess of 18,000 pages to be incorporated with all African nations' educational and research infrastructure. In Ethiopia, his dream is nearing fruition and he will soon be able to reap the reward of his long laboring. **EBR**

from P. 26

and other codes from the 1960s. In addition, Ethiopia was not a signatory of the New York Convention, until it did so in 2021. The commercial code was amended and ratified in 2020 whilst the Arbitration and Conciliation Working Procedure Proclamation (ACWPP) and the New York Convention were ratified in 2021.

"These changes make Ethiopia an arbitration-friendly investment destination," says Ermias, who participated in the preparation of the ACWPP. "The proclamation addressed many issues untouched before."

Arbitration, which is an alternative to a court of law, is a globally widely-used mechanism used to particularly settle commercial disputes. Established by treaty in 1899, the Permanent Court of Arbitration, is a high-level body that internationally provides diverse dispute resolution services. "Courts are inflexible and time consuming since they are usually flooded with many cases. It takes years for courts to pass rulings, especially on complicated business cases," says Ermias. "Arbitration tribunals, on the other hand, take shorter time, because the tribunal is installed to look into a particular case. Especially when cases are business-related and require timely rulings, courts are less helpful."

International investors are willing to invest in countries where the judiciary system and courts accept and implement arbitration awards,"

Ermias Ayalew,
Assistant Professor of law.

But even after the ratification of the New York Convention and the ACWPP, as well as the amendment of the old civil and commercial codes, Ethiopia's policy towards arbitration is still ambiguous for many. The proclamation states that the arbitration awarded in any signatory country is taken as the final decision and will be enforced in Ethiopia. However, Ethiopia's constitution places the Court of Cassation as the final verdict in Ethiopia's territory. According to Ermias, the major shortcoming of the ACWPP is that it does not say anything about other conflict resolution mechanisms that are used to settle commercial disputes.

Arbitration is internationally becoming the major instrument in especially settling commercial disputes.

"Ethiopian courts and judges do not want arbitration. They think any fully independent system separate from the court system undercuts their power. Judges see arbitration as a threat. They have even been protesting against the introduction of the arbitration proclamation. That is why Ethiopia did not previously ratify the New York Convention," argues Michael.

The other major challenge is the lack of an arbitration center that can represent Ethiopia at the national level. Many African countries have such an institute. For instance, the Kigali Arbitration Center is widely known in terms of serving as a regional arbitration seat and also provides qualified arbitrators. African arbitration institutions charge reasonable fees but similar centers in Europe, Asia, and America are expensive.

"The new arbitration proclamation states that parties can assign Addis Ababa as a legal seat of arbitration while designating another city as a physical seat," explains Hafez Virjee, Cofounder and President of Delos Dispute Resolution, an independent arbitration institution based in Paris and operating across the world including in Ethiopia by partnering with Aman Assefa & Associates Law Office. **EBR**

VISUAL ART BR
LOCALIZED FASH

Visual and performing arts are augmented by fashion design in Ethiopia, especially after Kassmasse's Negen Letizita music video and Betty G's 2019 Nobel Peace Prize ceremony performance where Ethiopian fashion and visual art designers elevated their professions. Such opportunities provide fashion and set designers exposure to catapult their themselves, but not without sacrifice. The industry, though seeing advancements, still has its low points. EBR's Samson Habtab looks at both up-and-coming as well as established industry players to the assess the confluence of fashion design, culture, and the visual art industry.

Ethiopian art critics highly grade the iconic design outfits that Kassmasse wore in his recent video, Negen Letizita, or that of Betty G during her performance at PM Abiy's Nobel Peace Prize awarding ceremony in 2019. Their visual creativity blended well with the melodies and lyrics, giving it an additional dimension. However, few know about the creative set designers, as well as fashion experts and makeup artists behind the scenes.

Kassmasse's music clip, took almost two months in the preproduction phase and an outlay of ETB30,000 was required for the costumes. Shooting took just two days at the Ethiopian National Theater. Contrastingly, finding the costumes to match the video's concept and historical value took much more time. In the music clip, the dress of Ethiopian rulers, famous people, and commoners of past times are replicated.

"I was even willing to work on Kassmasse's music video for free. I was that desperate because the concept was so good. When the artist and his team told me of the idea at first, I estimated the costumes' cost to be no less than ETB150,000. But we found the costumes from the theater itself and from Shiromeda as well as family and friends," said Bethlehem Abebe, Makeup Artist and Designer, as well

REWING IN THE HION INDUSTRY

as Manager and Founder of Cosmo Beri. For her creativity and execution of Negen Letizita's visual effects , she was paid ETB17,000—her highest pay since starting the profession.

"After the Kassmasse clip, soon-to-be newlyweds who liked the costumes approached me for a similar production for themselves. My team and I are now building sets for couple's photoshoots. Other people and advertisers are also enquiring after seeing my success with the music video which revolutionized the visual art industry. Makeup, costume, set design, and props are critical for every artwork consumed by the eyes. Without these works, a piece of art cannot look good no matter the camera, cast, or anything else deployed. So, production design must be given due value. If this is not the case, I do not think Ethiopia's visual art industry will progress," says Bethlehem, currently designing for Sami Dan of Ethiopia's reggae music scene.

An artist by profession, Bethlehem started practicing makeup art and designing while at home during the Covid-19 lockdown. "I did it for passion. But after I shared my works on social media, the response was beyond expectation and thus, I became a visual artist. After posting my makeup works online, over ten film producers and directors asked me to work for them."

The other sensational designer making moves in Ethiopia's emerging fashion design industry is Fikirte Addis, designer of Betty G's outfit during her 2019 performance in Oslo when PM Abiy was awarded his Nobel Peace Prize.

Fikirte is Founder and General Manager of Yefikir Design. She focuses on designing and manufacturing traditional Ethiopian fashion, alongside working as a set designer for photoshoots, theater and other shows, music videos, and albums. Apart from her retail clients, she is a permanent designer for artists like Kuku Sebsibe, Danayit Mekbib, Betty G, and others. She works with influencers, models, producers, musicians, advertisers, event organizers, magazines, and many others who want her fashion products.

High-end designed fashion is taking hold in the visual and performing arts sphere. During the last Gumma Film Awards, almost all artists wore specially-designed works, seemingly following in the footpaths of the Oscar and Emmy award ceremonies. The major deviation from the west, however, is that most of the designs are traditionally and locally rooted in handwoven fabrics, culture, and fash-

ion sense. The designers, who also have manufacturing plants to produce specific orders as well as for the mass market, also commercialize their top designs trended by artists. Many designers have their own trademarked brands, collections, and even sales outlets.

"A lot of people are asking me to make similar clothes to the ones worn by Betty G, Danayit, or other popular Ethiopians. Such iconic people are greatly influencing consumers through social media. Digital marketing is very influential now. Immediately after a new design or piece of fashion is posted, sales grow significantly. The inclination of popular people and public figures towards wearing local and authentic fashion designs, coupled with their activities on social media, is creating a huge market for fashion designers," says Fikirte.

The prices of Yefikir clothes can be categorized into three groups. Traditional handwoven cotton clothes with hand embroidery cost between ETB40,000 and 100,000. Without embroidery, prices range from ETB15,000 to 40,000. Normal tops made of traditional fabrics are priced between ETB700 and 1,500. For custom-made orders, discounts are given for bulk orders. Fikirte also produces clothes from recycled cotton. Other similar traditional Ethiopian clothes designers charge up to ETB200,000 for handwoven garments with hand embroidering. The designer is currently shifting her business model from made-to-order to ready-to-wear collections.

There is a growing change of outlook and demand for local designs, placing a severe dent on the market of imported fashion which had been dominating the local market. Most people are shifting towards local products. Professional design schools are increasingly being opened by passionate founders, producing dynamic and talented graduates that create new fashion ideas for special events and even for occasional attires. Fashion is also currently and singularly recognized by governmental policy, after it was previously categorized under the administration's garment strategy. The recently founded Ethiopian Fashion Designers Association, is also currently supported by the ministries of Tourism, Culture and Sport, and Industry.

However, Fikirte says traditional handwoven clothes—Habesha libse and tilf—are on the brink of extinction. "Printed traditional garments are currently increasing in the market. They are overtaking the traditional handcraft—shimena. A shemane, or weaver, takes months to finalize an embroidery weave—tibeb tilf—that can now be printed overnight. Once the print garment overtakes the market, the traditional artisanal workers will leave the sector looking for other jobs. The danger is immense for Ethiopia. Yefikir Design is striving to save Ethiopia's traditional artisanal weaving and embroidering ecosystem from print work. African countries used to have a handwoven clothing culture which today is overtaken by imported garments. In Japan, it is just a niche market. Around the world, maybe only India has managed to maintain the culture. Ethiopia needs to preserve its unique traditional industry."

However, many criticize the fashion industry as environmentally unfriendly, as well as being detached from and not benefiting value chain players. The traditional garment industry in Ethiopia is accused of reaping profits without benefiting handcraft and manual workers at the

bottom of the supply chain. Traditional clothes more than double in price between the weavers and embroiderers and the final selling store. The shemane, which could take four months to weave a garment's tilet, gets far less than his/ her fair share.

"The fashion industry needs to discharge its social responsibilities. We work with many artisanal handcraft workers in Ethiopia and we are trying to include all workers involved in the value chain. Many other designers are also following suit and linking backward in the chain. This is starting to financially benefit the traditional weavers and embroiderers in Ethiopia, which were disregarded for too long. With so many shops being opened in Addis Ababa and around Ethiopia, big money is circulating in the designing and fashion industry.

"There are numerous regional members in the association. We use design inputs form all corridors of Ethiopia. There are so many beautiful fabrics and designs across Ethiopia. It is a matter of linking them to the market in Addis Ababa and major cities. Social media's role is high right now, in promoting the fashion industry and its designs. The Ethiopian Intellectual Property Office is willing to protect trademarks and creations of fashion designers, but the legal process to stop other people from illegally using your trademark, is full of hustle and could be a futile undertaking. Industry members themselves must respect each other's creativity and trademarks. We also need to educate customers about copyrights," says Fikirte.

A psychologist by profession, Fikirte uses fashion as a platform to empower women and especially motherhood. "We reach out to them. Pregnant women do not have to go out and work for a living. She can do so from home, through embroidery, designing, and many other simple yet creative works. Mothers do not have to leave their kids. An all-rounded development system is the philosophy of Yefikir Design."

We have an amazing culture, rich creativity, and production system. The youth can engage in the production system with just a high school or technical diploma. **EBR**

FREE TRADE IS OLD-FASHION ECONOMIC THOUGHT

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Globalization and free trade have now become the axiom of countries worldwide. This is because western countries and institutions that promote globalization and free trade, like the World Bank Group (WBG) and the International Monetary Fund (IMF), have been promoting and pushing the idea relentlessly ever since the end of World War II. Especially after the 1980s, the notion that globalization is inevitable and free trade benefits everyone has been elevated to high status to become the major global economic philosophy.

Nowadays, standing against the idea of globalization and free trade is regarded as discarding the natural order. This can be summarized by the words of Robert Zoellick, 11th president of the World Bank and former United States deputy secretary of state, who said "globalization is akin to a force of nature."

The portrayal of free trade as the holy grail led many to believe it is an inevitable and unstoppable force. Just like many others, I was taught to believe in it while in college. As a student of economics, I was conditioned to think in this way by the works of classical economists such as Adam Smith and David Ricardo who stressed that free trade brings the best results for all, whether the exchange takes place within or between nations.

Currently, the concept of comparative advantage governs international trade. Put forward by David Ricardo, this theory explains how free trade fetches mutual benefit for all involved parties using two imaginary nations with different costs of production. For more than half a century, this laissez-faire approach to economics dominated the world.

Africa also seems to be embracing free trade, with the recently launched African Continental Free Trade Area (AfCFTA) as evidence for this. AfCFTA is intended to drastically reduce tariff barriers for trade amongst African countries and enable the creation of a single market for goods and services.

However, the progress of AfCFTA is far from just expectations. Except Eritrea, all African countries have signed on to the agreement two years ago and AfCFTA was officially launched nine months ago. But only few countries like Ghana, South Africa, and Guinea have started trading under the planet's newest economic block. On the other hand, more than 30 African nations are still preoccupied by the groundwork, let alone commencing trade under the agreement.

The presence of various threats and challenges is the main reason for the delay. High transport costs as well as poor infrastructure and lofty logistics are the major obstacles. What happened in Ethiopia a while ago might explain how existing poor infrastructure and associated high transport costs could dwarf successes of the newly created trade block. In 2012, due to a slump in cement demand in the local market, a few cement factories operating in Ethiopia decided to export their products to neighboring countries including South Sudan and Uganda. However, after the first shipment, it became apparent that the strategy was not viable as the price of the exported cement doubled by the time it reached Juba and Kampala, due to poor transport infrastructure that connects east African countries.

Not much has changed in terms of infrastructure development in the region since then. In fact, non-tariff barriers such as poor infrastructure, lofty logistics hurdles, and cumbersome customs procedures are common and remain to be major obstacles to trade across and within the continent.

The other challenge standing against free trade is that most African countries specialize in few primary products and mainly export agricultural commodities, raw materials, and oil. Since the majority of export commodities of African countries are similar, there is no incentive to engage in intra-Africa trade.

After evaluations by taking the above circumstances in to consideration, the much-emphasized belief that free trade is a savior of Africa becomes just a myth intended to serve western countries only. Here, we must ask why African countries are pursuing free trade even if it is not designed to serve their needs.

The first reason for this is that policy makers in Africa are victims of the philosophical thought and teachings of the western world. Even the education curriculum taught in Africa is crafted based on Western viewpoints. As a result, policy makers are less-prepared and less-interested to question the justifications behind free trade and globalization.

However, there is a second reason which is more dominant. It is known that the WBG and IMF—influential shapers of the world's economic structure —are the most relevant and powerful norm setters in international development. As history has shown, these Bretton Woods institutions—established in 1944—have been instrumental in protecting the political and economic power of the western world.

The outcome of the Structural Adjustment Programs (SAPs), reluctantly adopted by many developing nations in the 1980s and 90s, can shed light on some of the nefarious agenda western nations and the Bretton Woods institutions have in-store for developing regions, in particular Africa.

In the name of promoting free trade, these institutions pushed many developing nations to accept deregulation, privatization, and trade liberalization as a viable policy option. But, the outcome of this economic reform was devastation. In particular, the economic reforms brought catastrophic economic crisis to many African countries. While westerners managed to accumulate additional wealth by investing and selling their products abroad, developing nations that implemented the SAPs became poorer. In fact, many of these least-developed nations ended up being dependent on the aid and technologies of western nations.

This is not the only time westerners took advantage of poor African nations. Recall that it is through slavery and colonization that western countries managed to amass so much wealth in the first place. Africans must not forget the fact that the large wealth accumulated by the western world through these inhuman means is the main reason for the wealth inequality that currently exists amongst nations.

Ironically, western countries used to claim that slavery and colonization were imposed on Africans for their own good and to spread civilization. The same promotion and explanation apply to globalization and free trade. Although they continually claim free trade benefits everyone, the reality on the ground confirms the opposite. Apart from the same old rhetoric, no concrete evidence can be found to conclude that free trade reduces poverty and income inequality to benefit all. In fact, many studies indicate income inequality has been rising both within and between countries in the last three decades.

Much of the justification for free trade emerges from narrow thinking and old-fashion classical economic thought. Classical economists stress that for free trade to work properly, there must be perfect competition. However, the vast majority of goods are not produced and traded in anything remotely resembling perfect competition. For instance, most products are currently protected by intellectual property rights, which prevent honest competition.

To support their idea, proponents of free trade argue that it is because of free trade that more job opportunities are created in Africa by foreign investors. Of course, no one doubts that free trade has generated millions of overseas jobs in developing economies. However, since foreign investors mainly come to Africa in search of cheap labor, their wages are barely enough to lift workers out of poverty. For instance, garment and textile workers in Ethiopia are the least paid in the world at an average wage of USD26 per month, according to a report Made in Ethiopia, published by New York University in 2020. By definition, low-cost labor means a lower standard of living. If the standard of living in a low-labor-cost economy is low, how can anyone say free trade benefits everyone?

We must realize no win-win deal can be made and no mutually beneficial outcome can come out of the existing arrangement. Just like many other exploitive economic systems, the idea of free trade is crafted based on the principle of a win-lose strategy. This means, for some to win others must lose. In other words, Africa must sacrifice its resources, its labor as well as its markets and remain poor in order to make western countries richer.

One striking feature of free trade is that it is the major driving force behind income inequalities even within western countries. The withdrawal of the UK from the European Union and the election of Donald Trump as president of the United States in 2016 are the result of social tension brought on by growing income inequality. This shows that globalization and free trade are not benefiting vast majorities of the globe apart for a very small group of powerful elites.

Why does globalization and free trade only benefit powerful elites? Because most of the time, free trade leads to an inefficient allocation of resources. In the past, we have seen

To P. 57 »

International Hydro-politics and the Current Debate on GERD

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One of the major issues in international hydro-politics is the utilization of transboundary rivers. Although there are existing theories on the use of these bodies of water, they were not universally used in a uniform way. Accordingly, some countries are trying to protect their interests by distorting the meaning of terminologies in these theories. In other words, in the utilization of transboundary rivers, the upper riparians may consider only their national interest while the lower riparians, on the other hand, exert their utmost effort to keep their interest. To this end, the lower riparians may use amicable negotiation (soft diplomacy) or may wage war (hard diplomacy) against the upper riparian countries.

If countries that share transboundary rivers fail to reach an agreement on the utilization of the water, conflicts are likely to occur and it is necessary to enact laws that have a binding effect. These laws are the 1966 Helsinki Convention on the use of transboundary water bodies and the 1997 UN Convention on the utilization of transboundary water bodies. However, the laws are not fully effective for all and countries respect these laws only when the messages are in line with their national interest. This means that states are willing to sign and abide by a convention only if it is advantageous to their interest. Due to this reason, it is common to see some countries trying to use these laws for their sole interest jeopardizing the interest of other riparian states. The reason for this malpractice is the nature of international law, which has no mandatory law enforcement and judiciary.

International laws that are governing transboundary rivers are based on theories. Although there are many theories, we will look at the three main theoretical frameworks that are imperative to the context. The two have conflicting approaches reflecting the claims and counterclaim of countries over their share of a transboundary resource, while the third one reconciles the two extremes. In this regard, we will discuss the theory that it will work better under international law to help resolve the dispute between Ethiopia, Egypt, and Sudan.

Absolute Territorial Sovereignty Theory

This theory is also known as the "Harmon Doctrine" after the American lawyer, Harmon, who developed it. The basis is protecting the absolute sovereignty of a state in which a transboundary river originates to utilize it in any manner. As its name implies, the theory insists about the complete freedom of action of the country from which the river originates. Thus, regardless of the needs of the lower riparian countries in the transboundary river, the country at the origin can use its resources even without consulting the lower basins. The country also has the right to change the natural course of the river, which includes changing the volume and quality of water for its benefit. But to achieve this, there must be a better economic and military power than the lower riparian countries. A typical example of this is the long-running dispute between the United States and Mexico on the Colorado River. The river flows from the southwestern United States to northern Mexico. Although it crosses the border, the US is utilizing the resource without considering the interest of Mexico. Studies show that Colorado is now one of the world's fully utilized rivers for agricultural irrigation, hydroelectric power, and domestic water supply. With each drop of water being fully utilized in the United States, the flow of the river towards Mexico has hugely decreased after the dam was built near the border between the two countries.

Relying on this theory, the US is utilizing the Colorado River in a way that jeopardizes the interest of Mexico. This is also mainly based on its economic and military superiority over Mexico and out of a sense of arrogance. The United States, which has long benefited from the theory of "Absolute Territorial Sovereignty", has shamelessly criticized Ethiopia for building GERD using its resources on the river that originates from its territory. It is evident that the United States is supporting Egypt and Sudan in the dispute between the three countries. The United States has used sanctions citing various reasons to weaken Ethiopia's economy and military capabilities. With a developed economy and military capability, it is easy to comprehend that the United States is an arrogant country so that it does not abide by international law to protect its interests and those of its allies. Evidence of this is the fact that it is not uncommon to see double standards in US policy is the current US position against Ethiopia which is more politically motivated than a legal based accusation. Accordingly, Ethiopia should not surrender its interests to develop the water resources originated from its boundary without harming others, instead should further continue to strengthen its previous position despite the threats of its opponents. As this theoretical framework fully supports the country of origin of a particular river, it is unacceptable under various laws and principles of international law, judicial bodies, and treaties.

Absolute Territorial Integrity Theory

This theory is contrary to the doctrine of absolute territorial sovereignty, as it fully supports the interests of the lower riparian countries. Accordingly, this concept emphasizes that rivers are a gift from nature and opposes changing the natural flow of a transboundary river. In other words, the state of origin should not interfere in the natural flow of the transboundary River in any manner and under any circumstance. This theory states that the country from which the river originates should not undertake any activities in the water level and quality of the transboundary river. To this end, ambiguous terms and words are included in defining this theory. These terminologies include historical rights, natural rights, the obligation to consult before doing anything, and obligation not to cause harm to others.

As it fully favors the lower riparians, this theory is repeatedly invoked by the downstream countries. This might be applicable when the lower riparians have better economic and military power than the upper riparians. In this case, the former may threaten to use military options against the latter when they plan to develop water resource projects on the common river. In this regard, Egypt's "historical right" claims are targeting to warn Ethiopia not to affect the flow of the river. The origin of these claims is a one-sided agreement signed between the two lower riparians to allocate the Nile water for their own benefit. Contrary to this theory, the Nile River agreements signed in 1929 with Great Britain (on behalf of its colonies) and in 1959 with Sudan gave veto power to Egypt on any upstream water projects. These agreements totally ignored the interests of Ethiopia over its water resources. If disputes cannot be resolved amicably, the lower riparians can go beyond warnings to wage full scale wars to control the sources of a river and its tributaries.

In the 19th century, Egypt sought to expand its territory to the south to control the sources of the Nile. History has shown that whenever the Egyptians went to Ethiopia to control the source of the Nile, no one returned to tell the what happened story at Gura and Gundet. Overall, Egypt's tactic is supporting disgruntled internal forces, blocking access to loans for any projects on the river Nile, and threatening to use military force against Ethiopia to deter any water development project on the Blue Nile and its tributaries. Back in 2011, after his announcement for the construction of the GERD the then Prime Minister of Ethiopia Meles Zenawi was asked about the threats and intimidation from Egyptians side, and he replied that, "the main thing that is expected of us is not to be afraid, even though they are threatening." Instead of trying to institutionalize the colonial legacy as a governing institutional arrangement for water allocation, Egypt must come back to the 21st century to respect international treaties and the national sovereignty of the Nile riparian countries. Similarly, instead of shamelessly sided with Egypt's endless ambition for Nile water by ignoring the rights of other Nile Basin countries, "The Washington Consensus" executive institutions such as IMF and the World Bank must show their impartiality in finding long lasting solutions for other basin countries to use their natural resources.

A prime example is the way Egypt and Sudan threatened to use all available options on the table for any reduction of a drop of water (including military attack against Ethiopia) to abort the construction and filling up process. However, Ethiopia is effectively managing to complete the project without reaching a final deal. Ethiopia has ignored these threats and stressed to the world that the dam is crucial for its development by utilizing its resources in accordance with international law. In fact, Ethiopia has informed the world that the dam is constructed for electricity generation implying a non-water consumptive project, and the dam reservoir provides benefits to the lower riparian countries by preventing recurrent floods and siltation on dams in the downstream countries. Currently, Ethiopia has successfully completed the first and second phase of filling its reservoir contrary to Egypt's end-less ambition to monopolize without contributing a drop of water.

Limited Territorial Integrity and Sovereignty Theory

This theory is basically designed to reconcile the two extreme views to create balance between natural and sovereign rights of upper and lower riparian countries. According to this theory, there is no such thing as "absolute" right over the utilization of a transboundary River; rather countries in a river basin should cooperate appropriately and in a just manner to use a transboundary River. To this end, discussion in good faith for cooperation has a better solution than competition. All riparian countries can protect their sovereign, natural and historical rights on a transboundary river only through

To P. 57

THE GREAT SUPPLY-CHAIN MASSACRE

Diane Coyle
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EBR received the article from PS.

In the period leading up to the 2008 global financial crisis, a few prescient voices warned of potentially catastrophic systemic instability. In a famous 2005 speech, Raghuram G. Rajan explicitly cautioned that although structural and technological changes meant that the financial system was theoretically diversifying risk better than ever before, it might in practice be concentrating risk. At the time, Rajan was mocked; former US Treasury Secretary Larry Summers was not alone in thinking him a "Luddite."

This episode comes to mind because of the widespread shortages emerging around the world. Markets for gas, truck drivers, carbon dioxide (extraordinarily), toys, ready-to-assemble furniture, iPhones, computer chips, and much else have been affected. Will these supply shocks prove merely a temporary disruption as the global economy recovers from the impact of the COVID-19 pandemic? Or are we instead witnessing a meltdown of the global production system? And in the latter case, what would be the supply-chain equivalent of leading central banks' interventions to prevent a global financial collapse in 2008?

The parallels between today's supply shocks and the 2008 financial shocks are striking. Prior to each crisis, the prevailing assumption had been that decentralized markets would provide adequate resilience, whether by spreading financial risks or ensuring a diversity of alternative supplies.

In the energy sector, for example, there has been a steady shift away from national self-sufficiency toward reliance on global markets. The European Union started the "liberalization" process in 2008, enabling new competition in gas and electricity in what was intended to be an EU-wide market. Although some had previously expressed concerns about the implications for security of supply, policymakers pressed ahead with legislation to entrust European economies' energy imports to global markets.

But most analysts – and policymakers – failed to anticipate that the global markets for gas and many other commodities would turn out to have bottlenecks or gatekeepers. The supposed diversification of supply resulting from liberalization frequently seems to be illusory. For many products, including semiconductors or CO2 (a fertilizer by-product) for food processing, supplies have become more concentrated. And the splitting of global production chains into ever more specialized links over several decades has led to unexpectedly close correlations between supply shocks in different industries, as with fertilizer and food or semiconductors and cars.

In addition, some shortages (such as those of truck drivers and shipping containers, or gasoline in the United Kingdom) directly affect the logistics connecting the links in supply chains. As a result, vulnerabilities have rapidly become mutually reinforcing and self-amplifying. The global production system's highly specialized, just-in-time design delivered substantial benefits, but its weaknesses are now evidently greater.

So, how should policymakers think about this lack of system resilience, and what can be done to counter it? Northwestern University's Benjamin Golub has shown that queuing theory offers insights into how a small change in a well-functioning system (such as cutting two supermarket checkout lanes down to one) can lead to huge increases in wait times. Conversely, introducing a little slack into a system adds a lot of resilience.

Likewise, the classic cobweb model shows how time lags can destabilize markets and trigger large fluctuations in demand and supply. If demand is less responsive than supply to price signals, and expectations about the future prove incorrect, then a delay in suppliers' responses drives volatility.

W. Brian Arthur's famous El Farol Bar problem, which combines decisions made over time and the need to form expectations, produces a similarly unstable outcome. And as McKinsey & Company's Tera Allas has pointed out, system dynamics was invented to think about supply chains as complex, non-linear dynamic systems.

So, there are plenty of mental models for understanding the current shortage problem. The pressing challenge is how to restore stability and ease the shortages so that people are not facing a holiday season with no toys, turkeys, or gas.

A top priority is to have better data and better business intelligence in government. Even after 30 years of globalization, there is astonishingly little detailed, publicly available information on product flows in global supply chains. Ministries need to restore the kind of engineering-based industry knowledge that was more common back when industrial policy was considered a key government function.

But in the short term, decentralized markets and price signals are the problem, not the solution. Governments will need to step in – whether by deploying soldiers to drive gasoline tankers or providing production subsidies – to mitigate some of the shortages.

When the immediate supply concerns abate, firms and policymakers must consider what kind of insurance or slack they should build into the production system over the longer term. Just as banks needed to increase their equity buffers after 2008, we perhaps now need to step back from just-in-time production and redefine productivity in light of supply-chain risks.

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CALL FOR TALENT/VACANCY

Position: Executive Editor

CHAMPiON Communications, publisher of the Ethiopian Business Review (EBR), a leading business publication; and Addis Maleda, an up-and-coming newspaper, would like to recruit a competent executive editor, the highest editorial decision making position in the company.

The executive editor has strategic and functional responsibilities. She/he will be the face and leader of the publications; and oversee the content of the publications together with the respective editor-in-chiefs. She/he needs to have the flexibility and competence to effectively develop and manage the editorial teams and ensure that the publications' content is in line with their missions.
Competent applicants can send their CV along with supporting documents via email to info@championethiopia.com or in person to CHAMPiON's Office in the Tsehay Messay Building, Fourth Floor, Office No. F4.

Staff Development

The executive editor leads the process and approves the hiring of newsroom staff members, conducts periodic performance appraisals and is responsible for the editorial staff professional discipline and integrity in their works.
He/she needs to have a strong background in reporting, editing (content and copy), design and pagination. He/she will have to come into play if other staff members are unable or not available due to emergency or any other factors. The work usually necessitates stepping in and taking on more duties within the newsroom.
Making sure that everyone working in the newsroom has the necessary mix and set of skills, knowledge, attitude and professional integrity is the executive editor's responsibility. That is why training and staff development is crucial to constantly sharpen the critical faculties of the newsroom members. The training will, in particular, be useful to interns and entry level employees to provide them a strong grounding in the basic journalism skills. Leadership and professional development programs are also important to make sure that the publications always deliver quality, investigative reporting. The executive editor must, therefore, be capable to organize and provide such trainings.

Task Master

The executive editor must be able to handle multiple planning, scheduling and budgeting duties under stressful and limited resource base. Planning includes conducting regular meetings. Meeting publications deadlines falls under scheduling. In addition, the executive editor is called to work with other departments such as creative arts, photography, advertising, production and IT to ensure deadlines are met. Keeping the editorial expenses (e.g., staff salaries and supplies) to a certain amount are budgeting necessities that the executive editor needs to work with the top management.

Knowledge of Media Law

The newsroom leader must have a firm understanding of Ethiopia's media, communication and advertising laws. Many times, she/he is the end-all on stories that run in the publications. She/he also has the duty to update and strictly maintain the in-house style guide for both publications in the company. The executive editor must ensure that editorials reflect the mission of the publications and that columns align with the readership portfolio. She/he needs to ensure that the content at all times comply the country's media, communications and advertising laws.

Qualifications

A master's degree in Media studies, MBA, Economics, Political Science, Development Studies, and Literature with at least 10 years of experience in media leadership.

Salary & Benefits

Negotiable


CHINA MUST RESTORE GROWTH

Yu Yongding
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EBR received the article from PS.

China is having an eventful month, marked by proliferating power-supply disruptions and the debt crisis of the country's second-largest property developer, Evergrande. What does this mean for China's post-pandemic economic recovery and growth prospects?

Begin with the energy crisis, which started when a rapid increase in exports – driven by the global recovery – fueled a sharp increase in demand for electricity. China remains dependent on coal for 56.8Pct of its total electricity supply. And yet, in an effort to meet mandatory targets for reducing energy consumption, local governments have shut down many coal mines in recent years.

At the same time, the government's climate goals – to reach peak carbon-dioxide emissions by 2030 and achieve carbon neutrality before 2060 – discourage investment in the coal industry. Of course, these goals also encourage investment in renewables, which are a growing part of China's energy mix. But renewables are nowhere near where they need to be to cover the current shortfall.

As a result, when energy demand surged, so did coal prices. But, because China's government regulates electricity prices, energy providers – most of which are state-owned enterprises – could not pass the costs onto customers. To limit the losses, they cut electricity supplies, thereby forcing some manufacturers to curtail production.

Not surprisingly, the government sprang into action. It ordered a rapid expansion of some coal mines, and the reopening of others. It gave utility companies more leeway in setting electricity prices. And it pushed manufacturers to boost energy efficiency and accelerate investment in renewable energy.

China will quickly overcome the power shortages, which already are becoming less acute. But developing a more resilient, sustainable energy sector will take time. And if each step of the development is not carefully planned and implemented, this transition could weigh on economic growth.

The Evergrande crisis, too, poses serious risks to growth. Over the years, owing to defective corporate governance, the developer expanded at a frantic pace, not only through its real-estate investments, but also by diversifying into the electric-vehicle industry. To fund its activities, it borrowed heavily from both commercial banks and capital markets, including issuing dollar bonds to foreign investors. Ultimately, it racked up some CN¥800 billion (USD124 billion) in debt.

Though Evergrande has more than CN¥1.85 trillion (USD290 billion) in assets, it has not been able to sell them fast enough. Last month, when the company admitted that it is unlikely to be able to service its debts, rumors of an impending collapse – and a potential Chinese financial crisis – began to swirl.

Yet fears seem largely to be overblown. To be sure, it would be unwise to predict Evergrande's fate at this point. But it is probably safe to assume that the debacle does not pose a systemic threat to China's financial sector.

Pundits have been predicting since 2012 that a housing-market collapse would trigger a financial crisis in China. But in Evergrande's case, the problem is liquidity, not solvency, and any spill over effects can be contained, not least because, despite its issues, China's banking system is basically healthy. Real-estate developers and home buyers account for only about 30Pct of total bank loans, and that share is falling. The share of new loans that are real estate-related is also on the decline, having dropped from 45Pct in 2016 to less than 24Pct in September 2020.

Moreover, in China, there are no subprime loans, and virtually no securitized mortgage loans. More importantly, there are very few cases of delinquency, let alone mortgage defaults by households: most Chinese commercial banks' non-performing loan ratio is less than 2Pct. Even if there were a major financial event, the Chinese government has enough instruments to deal with it.

So, like China's energy crisis, the Evergrande debacle does not pose an imminent systemic risk. But that does not mean policymakers should be complacent. The real-estate sector is a pillar of the Chinese economy, and an important link in the production chain. And Evergrande's collapse would severely disrupt it – not least because a few other large real-estate developers might follow in Evergrande's footsteps. Some non-bank financial institutions would also be in trouble. And, of course, Evergrande's suppliers would suffer enormously. All of this would worsen China's economic prospects.

To prepare for what may come, financial-system vulnerabilities, especially the corporate sector's high leverage ratio, must be addressed. But the first priority must be to end the persistent growth slowdown, which began in 2010. This trend is at least as worrying as the short-term structural problems that have grabbed headlines lately. China's experience over the past 40 years shows that without decent growth, financial stability is difficult to achieve.

This pattern is borne out by recently released official statistics indicating that China's annual growth rate was a lower-than-expected 4.9Pct in the third quarter of this year, and it is widely feared that the growth rate in the fourth quarter may be even lower. To counter that possibility, Chinese policymakers need to pursue bolder fiscal and monetary expansion, alongside structural reform and adjustment.

from P. 52

cooperation in a good faith. However, there are ambiguous terms as well in this theory. Countries often use these terms to protect their national interests, that includes reasonable use, legitimacy, and not harming the others. These words are a source of disputes that could not be reconciled, this is because what is reasonable for one is seen as harm to the another.

An example of this is the agreement reached between India and Pakistan concerning the utilization of the Indus River. After a series of discussions and negotiations, they have reached a mutually beneficial agreement. The two neighbors set up a commission to investigate any disputes and negotiations over the future use of the river. They are now using the river to their advantage, and they are not at loggerheads specifically over the use of the river. This India-Pakistan success can be taken as a best practice to find a long-lasting solution for the endless and ongoing negotiations between Egypt and Sudan on the utilization of the Nile River. This can be achieved if all three countries are in a way to find a common solution through negotiation. For its part, Ethiopia has repeatedly stated its readiness on the principles of reasonable use and legitimacy to use its water resources without harming others as per international law on transboundary rivers. The principles in this theory are enshrined in international laws and treaties on transboundary rivers, e.g., we can cite the 1966 and 1992 Helsinki Convention and the 1997 United Nations Convention on the Use of Transboundary watercourses. In light of this theory, the 2015 Khartoum agreement "declaration of principles (DoP)" between Ethiopia, Sudan and Egypt is in line with the 1997 United Nations Convention on Transboundary Rivers.

Thus, the use of transboundary rivers is not always governed by international law. On the other hand, national interests and military capabilities determine the utilization of transboundary rivers. This means that countries often refer to the law when it agrees with their national interests and, on the contrary, they challenge it. Therefore, Ethiopia must protect its interests in accordance with international law. If there is a dispute over how we are using its resources and countries are trying to negotiate on the principles of international law, Ethiopia will invoke the law to reach an amicable consensus. On the other hand, when greedy countries choose to follow the path of conspiracy and selfishness instead of cooperating on international law, Ethiopia must remain steadfast for its national interest.

At this crucial time, Ethiopians need to strengthen their unity more than ever before. Ill-intentioned groups and individuals in the west are trying to keep Africa in the dark for their endless resource exploitations. A good example is how they are trying to impose a 1929 colonial rule on Ethiopia, despite Ethiopia's partnership to their interests for a long period of time. Ethiopia's weakness as a result of Western conspiracies is detrimental to other African countries as well. Just as Kenyan President Uhuru Kenyatta emphasized at the inauguration of the new Ethiopian government, Africans must protect Ethiopia from the dangers of neocolonialism: "For all of us on the continent, Ethiopia is our mother. And as we all know, if the mother is not at peace, neither can the family be at peace." Ethiopian patriots have faced countless challenges to protect Ethiopia's independence and dignity, and it is important to remember that the current generation has a greater responsibility to pass on Ethiopia's greatness to the next generation. History tells us that if Ethiopians are united, they will always win!

from P. 50

free trade distorting economies and making countries worse-off than they would be in the absence of such trade.

The evidence is clear to anyone who wants to see. The delusion that free trade is mutually beneficial is a false presumption designed to exploit poor nations, especially in Africa. We don't see globalization and free trade helping Africa's domestic private sector to grow. Rather, it gives foreign investors a free ride. In addition to access to cheap labor, foreign investors receive duty free privileges, tax cuts, and an entree to huge untapped markets. While westerns take the lion's share, Africans are left with small bits. By sacrificing so much in the name of free trade, we are condemning current and next generations to fewer good jobs and opportunities, as well as an inferior standard of living.

To be perfectly clear, I am not advocating protectionism. Rather I am saying that we don't have to accept popular thinking just because of promises of easy success. If we examine closely, many of the rules of free trade contradict with the economic objectives, interests, and policies of African nations. In fact, the system is not built based on inherent values of Africa's market. And on the other hand, it neglects essential rules of fair competition. So, why should we accept such a system operating based on inconsistent and inharmonious rules?

What African countries need to do at this moment is to put their own economic affairs in order. Currently, macroeconomic problems such as high unemployment, negative balance of payment, and inflation are rampant on the continent. Such undesirable economic settings dwarf productivity as well as export competitiveness. Before confronting the developed world head on, Africa must improve its competitiveness and diversify its export commodities first. Solving these macroeconomic problems primarily requires the adoption of inward-looking strategies that take the interests of each African nation into account. It is only after accomplishing these tasks that African countries can engage in mutually beneficial trade with each other and with the rest of the world.

Quote

“Creativity without strategy is called art. Creativity with strategy is called advertising.”

Jeff I. Richards,
Professor of advertising at Michigan State University

From the Horse’s Mouth

“It must stop,”

Jen Psaki,
White House Press Secretary

said after the Ethiopian government declared seven UN officials persona non grata on September 30, 2021.

“The government of Ethiopia is not under any legal obligation to provide justification or explanation for its decisions.”

Taye Atske Selassie,
Ethiopia’s Permanent Representative to the UN, told the Security Council on October 7, 2021.

“We are obliged to make reference to the basic norms of the UN Charter that states “sovereignty, territorial integrity, and nationality of states must be fully respected.”

The Number

USD 730 MILLION

Export revenue generated by thirteen federal industrial parks in Ethiopia, of which over 70Pct was exported to the US market under AGOA.