

6. Continental, Regional and Bilateral Trade Agreements

Ethiopia has been conservative, and taken a defensive position, in market access agreements. As noted above, Ethiopia is in the early stages of accession to the WTO and, although is a member of the Common Market for Eastern and Southern Africa (COMESA), it is not a signatory to the COMESA Free Trade Agreement. Ethiopia also has a bilateral Free Trade Agreement with Sudan, is a signatory to the African Continental Free Trade Agreement (AfCFTA) and was, until 1st January 2022, a beneficiary of the Africa Growth and Opportunity Act. As a Least Developed Country Ethiopia is also a beneficiary of the Generalised System of Preferences offered to all LDCs by developed countries.

6.1 African Continental Free Trade Agreement (AfCFTA)

The African Continental Free Trade Agreement (AfCFTA) is the world's largest free trade area bringing together the 55 countries of the African Union (AU) and eight (8) Regional Economic Communities (RECs). As part of its mandate, the AfCFTA aims to eliminate trade barriers and boost intra-Africa trade. In particular, it is to advance trade in value-added production across all service sectors of the African Economy. The AfCFTA entered into force on 30th May 2019, after 24 Member States deposited their Instruments of Ratification. Ethiopia submitted a diplomatic letter confirming ratification of the AfCFTA on 10th April 2019.

6.2 Common Market for Eastern and Southern Africa (COMESA)

Ethiopia has been a member of COMESA since its inception in 1994 but is not a member of the COMESA Free Trade Agreement but does offer a tariff preference of 10 per cent to COMESA FTA members. The COMESA FTA was launched in 2000 after members had reduced their tariffs on COMESA originating products gradually over a 10-year period.

6.3 Inter-Governmental Agreement on Development (IGAD)

The Inter-Governmental Agreement on Development (IGAD) does not have a free trade agreement in place amongst its Member States but does have a Regional Trade Policy which is designed mainly as a cooperation framework that seeks to guide the IGAD Members States to promote trade integration in a more flexible policy environment.

6.4 Africa Growth and Opportunity Act (AGOA)

In 2015, Ethiopia became eligible for preferential access to the market of the United States of America (USA) under the African Growth and Opportunity Act (AGOA) and this preferential access was granted for a 10-year period, until 2025. However, AGOA is a non-reciprocal, non-negotiated and non-contractual set of preferences and the USA withdrew all AGOA privileges it had granted to Ethiopia in January 2022. Ethiopia, therefore, has no existing trade agreement with the USA.

6.5 Ethiopia-Sudan Preferential Trade Agreement

The Ethiopia-Sudan Preferential Trade Agreement (PTA) entered into force on 6th February 2003 and provides preferential market access provisions to all industrial and agricultural products originating from both countries. Origin is determined through the application of the COMESA Rules of Origin as both parties are members of COMESA.

6.6 Generalised System of Preferences

The principle of The Generalised System of Preferences (GSP) was agreed at the United Nations Conference on Trade and Development (UNCTAD), and is a facility granted to developing countries, including Least Development Countries ("beneficiary countries"), by certain developed countries ("donor countries"). GSPs are not negotiated (the donor countries unilaterally decide what preferences they will give); are not reciprocal (donor countries provide preferences but beneficiary countries do not provide any preferences in return); and are usually non-contractual (donor countries can remove the GSP preferences, or change the conditions of the preferences, whenever they decide to). GSP schemes offered by the various donor countries can, and usually do, differ fundamentally, especially the rules of origin that are applied. Ethiopia can benefit from the GSP schemes⁹ offered by the European Union (termed Everything-But-Arms or EBA) and the Japanese GSP.

⁹ The USA GSP scheme, which is different from AGOA, has been in force since 1976 but expired on 31st December 2020 and its renewal is pending Congressional approval.