Ethiopia Needs to stay AGOA-eligible today more than ever before

By Mamo Mihretu

Following a recent move by US President Joe Biden threatening sanctions against Ethiopia due to the conflict in Tigray, Ethiopia's fledgling manufacturing sector might be facing existential challenges. While many will share the US Government's concern about "the peace and security of Ethiopia and the stability of the greater Horn of Africa", Ethiopians are dismayed by the threat of AGOA withdrawal in the name of protecting them. Whatever concerns one may have about the situation in Ethiopia today, AGOA removal would only worsen the condition of ordinary Ethiopians that have nothing to do with the war.

Signed into law by President Clinton in 2000, and repeatedly extended and expanded under both Republican and Democratic presidents since, AGOA remains "the cornerstone of the U.S.-Africa economic relationship". AGOA eligibility is subject to domestic policy choices in beneficiary countries, encouraging them to adopt market-based economic policies, adhere to rule of law and political pluralism, and eliminate barriers to US trade and investment.

Although Ethiopia before 2018 would hardly pass the test of human rights or political pluralism, the US never seriously questioned its AGOA eligibility. Indeed, when AGOA was launched in May 2000, Ethiopia was deep in a state of war against Eritrea. Yet, Ethiopia was on the original list of 34 countries declared AGOA-eligible later that year.

Ethiopia used its tariff-free access to the US market to successfully entice foreign investors into the manufacturing sector, using a network of industrial parks in over a dozen cities across the country. As a result, FDI in light manufacturing grew rapidly, attracting some of the leading global brands in these sectors.

The impact on Ethiopia's exports has been equally significant. When AGOA was introduced in 2000, Ethiopia exported to the US goods worth a miniscule USD 28 million; in 2020, that figure rose roughly ten-fold and stood at close to USD 300 million, nearly half of it under AGOA.

Today, the two most successful exporting industries under AGOA, apparel and leather, employ about 200,000 people directly, 80 percent of them young women. In Hawassa Industrial Park alone, 95 percent of the employees are women, providing in many cases the first-ever jobs for young families. Small businesses operating within the broader ecosystem of these two sectors—from raw material suppliers to service providers in areas such as catering, transportation, hotels, restaurants, and logistics—are estimated to support in excess of a million low-income citizens.

Ethiopia's removal from AGOA will deal a serious blow to the welfare of millions of low-income workers at a time when a post-COVID activity is registering record monthly output levels. Indeed, even at the height of the pandemic, the Hawassa Industrial Park proved instrumental, saving lives by quickly repurposing itself to PPE production to supply the local and export markets with face masks worth more than $114 million.

The effect of Ethiopia's removal from AGOA would go a lot further, deeper, and longer. Ethiopia's decades-long and relatively successful efforts to extricate itself out of poverty, to build a viable manufacturing industry, to create jobs for its youth and progressively wean itself off aid through trade will all be imperilled. Moreover, by injecting uncertainty into the Ethiopian investment environment, such a measure will undo the promising gains registered over the past two decades while escalating the investment risk premium for a long time to come.

Today's Ethiopia has adopted a decidedly market-oriented economic policy with a plethora of reforms intended to improve the investment environment, opening its financial sector, cleaning up long-mismanaged state-owned enterprises, accelerating its WTO accession negotiations, and launching a privatization programme that covers some hitherto untouchable state assets.

Despite these promising developments, it is ironic that Ethiopia finds itself in danger of losing AGOA eligibility precisely because a group that was removed from power in 2018 by democratic means has launched a treasonous war against the Federal Government with determination either to return itself back to power or precipitate Ethiopia's violent break up.

Like all conflicts, this one has also caused unnecessary loss of lives, destruction and suffering for all Ethiopians. In recognition of these realities, the Government of Ethiopia has taken steps to investigate and hold accountable members of its own armed forces unilaterally through its own domestic institutions as well as in collaboration with the UN. Ethiopia needs the support of its partners in these efforts, not threats of trade sanctions that will only hurt rather than help the very people these partners aspire to protect.

It is my hope that the U.S. Administration will maintain a sense of balance, context, and perspective in its determination of Ethiopia's continued AGOA eligibility. If Ethiopia ever deserved AGOA benefits, there has been no better time than now.

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