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The Economy of Ethiopia

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THESIS

The Economy of Ethiopia

by

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I. Background to the Problem

A. Introduction

Despite a very ancient history and civilization, Ethiopia has been known very little to the outside world during the last few centuries. But back as far as Herodotus we see Ethiopia mentioned as the area lying below Egypt. Later on, for a long time, Ethiopia was known as "Abyssinia" and also as the country of Prester John. The name "Abyssinia," which is still used by many people, has presumably come from the Arabic word "Habesh."

Many people in Europe and in the United States think of Ethiopia as a remote, wild country, where monkeys and other wild animals move freely from house to house. This belief has fortunately started to change, for now many people are visiting the country. The rate at which foreigners are coming to Ethiopia is increasing considerably thanks to the emergence of Africa as an important political and economic area. The reports of visitors have helped in enlightening, to some extent, the people back home.

Ethiopia is the only African country that has been Christian for many centuries. This, as will be seen later, has played a very important role in the evolution of the country.

Economically speaking Ethiopia is a "new" country, because a large part of her rich soil is virgin and her resources are largely undeveloped. The potential of the Ethiopian economy is very great indeed, and unlike most of its neighbors the country does not suffer either from lack of water or from overpopulation.
One of the main reasons for Ethiopia's relative backwardness is that for many centuries she was cut off almost completely from the rest of the world. This was a result of her being surrounded by hostile Moslem states. A second reason for her isolation is that the very mountainous nature of the terrain has made communication very difficult, indeed. Since the beginning of the twentieth century, the Ethiopians have tried hard to modernize their country, the real effort starting when H.I.Majesty Haile Selassie I took the reins of Government, first as Regent and then as Emperor. The fulfillment of his efforts was hampered and disrupted by the Italian occupation and by some chieftains who resented modernization. At present his efforts are being rewarded by gradual success, which includes acceptance by most Ethiopians of his plans for the gradual modernization of the economy, an increase in trade, and Ethiopia's active participation in international affairs. But the country still has a long way to go before it emerges from the category of underdeveloped countries.

Education and improvements in communication are, at the moment, the most pressing needs of the country, but as soon as these are satisfied, many other problems will crop up, but the difference will then be that the country will be better prepared to receive and solve them.

At present there are very few publications on Ethiopia and those existing are mostly travel books or reports by the various commissions that have been there recently. The writer will attempt in
this study to make a general survey of the country, concentrating on
the economy and its problems. The picture shown will be one from in-
side Ethiopia and will therefore differ from earlier ones, which were
mainly reports by people who had but short acquaintance with Ethiopia
and her problems.

Owing to the size of the work and limitation of space, none
of the problems of the economy will be examined exhaustively. How-
ever, an attempt will be made to look at the Ethiopian economy as it
is today and to estimate what it might become if its potential is
fully utilized. In this process the past will have to be touched
upon now and then. During this discussion, political problems will
be omitted because they are beyond the scope of this survey. Eritrea,
now part of Ethiopia, will be excluded because her problems are es-
sentially different due to the long period of Italian control.

The writer hopes to show the tremendous possibilities of
Ethiopia, which one day may become one of the greatest economic powers
in Africa. Africa, in turn, is rapidly becoming of great importance
to world economics and politics.

B. Area under Consideration

Ethiopia is in East Africa and lies between 4° and 18° north
of the Equator. The terrain is very mountainous and the variations in
elevation are extreme, ranging from sea level and below to heights
above 15,000 feet. The area of the country is about 350,000 square
miles (Eritrea not included).*

* 7, p.438.
Owing to the high altitude, the climate in most of Ethiopia is much more temperate than its relatively low latitude would indicate. Ethiopia, which is often called the Switzerland of Africa because of her good climate, borders Kenya, the Sudan, and the three Somalilands (French, British, and Italian). Since the reunification with Eritrea, Ethiopia has now a long coastline on the Red Sea.

C. The Importance of Ethiopia's Position

The world is at present desperately in need of food. World food production is today insufficient to feed the existing population to which 20 millions are added every year. Unfortunately, world food production is not keeping up with this increase in population. A quick glance at the map shows that the only way to increase world food production is to improve land already cultivated. Unlike the period after the Industrial Revolution, there are no big empty spaces which can be cultivated to give necessary food to additional mouths; there are very few virgin areas that can be turned into granaries. One very notable exception is Ethiopia. This country is one of immense potential wealth, with fertile soil, which awaits cultivation, and plenty of life-giving water for crops. Ethiopia, unlike the other fertile virgin lands (Amazon, etc.), is more accessible and free from disease.

The areas where most of the population increase takes place include India and the Middle East. Ethiopia is near these countries, which are great potential customers for the products she can produce at the greatest comparative advantage. At the moment high costs
resulting from bad communications are the reason for the lack of development in the area. As soon as the communications handicap is overcome and some improvements take place in agricultural methods, Ethiopia will be in a position to offer to needy countries the food they need at low cost. Ethiopia is also relatively near Europe, which is a great potential outlet of both raw materials and foodstuffs.

Owing to the fact that Ethiopia is not particularly suited to large production of rice, her food exports will have to be concentrated on Europe and the Middle East, giving a further advantage to Ethiopia in transport costs. "Ethiopia is a land of unimaginable agricultural riches and could easily become, owing to her proximity, the granary of the Middle East."*

In addition to the fact that Ethiopia is located near her future potential customers she is also located near her suppliers whence come the bulk of her imports. Oil, salt, cloth, and other of her main imports can be provided by most of the countries to which her produce will go.

As Ethiopia has suitable climate for the growing of many raw materials, she also has the possibility of becoming an exporter of some of them like cotton and flax. Therefore, we see that Ethiopia, which is a great potential producer of foodstuffs and raw materials, has the great advantage of being close to both her customers and suppliers of the future.

* 29, p. 38.
D. Brief Historic Account

1. Before 1936

   a. Isolation and bad communications, main reasons for relative economic backwardness.

   Ethiopia has a very lengthy history which dates back to Roman times. During the period of the Kingdom of Aksum, the country saw days of greatness, but as Islam gained more and more power in neighboring countries, Ethiopia became isolated from the rest of the world. It is true that some contacts did take place between Ethiopia and the Western countries during this period, but these were few and did not bring much change to the country. Although Ethiopia was at war with her neighbors many times, she never came into close contact with the rest of the civilized world as it came out of the darkness of the Middle Ages into the mechanical age of the Industrial Revolution.

   The Portuguese, English, and other foreigners did send delegations to the country, but their contact was limited. The first major contact with a European country occurred during the 1890's, when an Italian invasion was thrown back as a result of the battle of Adwa in Northern Ethiopia. This war made the Ethiopians suspicious of Europeans and their ways, and it was only with the rise of H.I.Majesty Haile Selassie I that the country started modernizing itself. Before the battle of Adwa, Ethiopia was a real thorn in the Moslem side. Its status as the only Christian country on Islam's south flank made the Moslems uneasy.

   Another major reason for Ethiopia's isolation is the diffi-
culty of communications. The country is very mountainous, and therefore, access from the sea has traditionally been very difficult, indeed. This communications difficulty has always been both a major economic and political problem, economic, because of the high cost of transport and the isolation from the rest of the world, and political, because of the difficulty of controlling the interior of the country. Ever since the modernization program was started, railroads have had priority, the first line built being the one joining Addis Ababa and the Red Sea back at the turn of the century.

Since 1941 great efforts have been made to repair the existing highways which were impassable during the rainy season in most cases. Mules, the main transportation means of the past, are rapidly vanishing. Before the building of the roads and the advent of the railway, the whole economy of the country was dependent on the moods of the weather. Physical and climatic conditions were such that people did not worry about improvements and time and costs were secondary to them. The big problem that the Government was facing when the Italians invaded Ethiopia was to open the main arteries of the country from which secondary roads would have their starting points. The latter would have been built later on. Before 1936 the greatest part of Ethiopia's trade was done via the Addis Ababa railway line. The Italians started building main arteries for the country, but oriented the whole system not on Djibouti but on their ports of Assab and Massawa.

So the basic reasons for Ethiopia's economic backwardness before the 1930's were three; fear of foreign conquest, bad communica-
tions, and the surrounding of the country by hostile Moslem elements. All three have now ceased to exist and Ethiopia is not only associating with the other free nations of the world but is opening the country by building highways and airports and at the same time promoting friendship with all her neighbors regardless of their religious affiliations.

b. Trade before 1936

Ethiopia's foreign trade is not new. Since ancient times she has had dealings with the outside world in order to obtain commodities she needed in exchange for her own products. The traditional main import of the country used to be salt, which was paid for in gold, skins, ivory, and a few other items. During the 19th century goods exported from Ethiopia were becoming more and more similar to her present exports.

It was then that Mocha coffee appeared for the first time as an exportable item* At first the quantities exported were very small, but with the passing of time they became more and more important so that today coffee is the leading export.

That Ethiopia never became a great trading nation has been mainly due to two reasons: first, the social attitude towards commerce, as in Europe during the Middle Ages, was hostile. All the glory and prestige was given to soldiers and priests. Second, lacking an outlet to the sea, Ethiopia's trade had to pass through the hands of Arab middlemen. This made trade unprofitable as well as

* 12, p.17.
dishonorable.

But as we advance toward the present, both conditions have changed to a certain extent. The attitude of the people is now more favorable to trade. Trading has become socially acceptable. Profit-seeking Arabs have been replaced to a certain extent by Indian traders. Having had no outlet to the sea until a year ago, Ethiopia had to send her goods to intermediate points like Aden, which, now controlled largely by Indian merchants, formerly was controlled by Arabs.

The opening of the railway line which connects Addis Ababa to the Red Sea coast had some stimulating effect on Ethiopia’s trade during the first twenty-five years of the present century. Ethiopian trade increased by only 72% between 1900 and 1925, while that of most other African countries increased by between 1000% and 1500% during the same period.* Ethiopian trade was then fluctuating around U. S. $10 million annually with exports and imports approximately equal.

During the same period coffee took first place among Ethiopian exports followed by hides, skins and beeswax. The average quantities exported annually were 20,000 tons of coffee and 10,000 tons of hides and skins.

During the same period the main Ethiopian imports were cotton yarns and cotton piece goods. About 90% of these came from two countries, Japan and India.

Ethiopia's great handicap during this period was her lack of adequate communications. Although low, wages were not low enough to

*8, p.11.
offset the great loss in time and energy resulting from the transport of goods by mule.

The building of the railway to Djibouti helped to open the country and to reduce transport costs somewhat. But although 70% of the country's external trade was carried by the railway, a great part of the internal transportation was still by mule.

This meant that considerable transportation costs were still incurred, for the distances to be covered by mule transportation were very often great. This lack of adequate and cheap transportation is one of the main reasons why many other bulky products were never developed for the export market.


a. The Italian invasion

Italy attacked Ethiopia in October, 1935. During the following seven months, the Ethiopians virtually unarmed fought heroically but were unable to stop the modern tanks and planes of the Italians. Despite pleas to the rest of the world, practically no help was offered Ethiopia, and the Emperor was even jeered by some when he went to plead his country's case before the League of Nations.

Italy attacked Ethiopia in order to fulfill three basic needs of the Fascist regime. The first was to obtain a source of raw materials to enable Italy to fulfill her autarchic programs. The second was to find an outlet for surplus Italian population. Italy had lost in the 1920's some of her traditional immigration areas, especially the U. S. A. The third reason was for glory, for Italy wanted
to increase her colonial Empire and therefore her prestige. Another seemingly ridiculous reason was Italy's claim that she wanted to civilize Ethiopia and abolish slavery. Barbarous acts during the invasion gave the lie to the last reason. Poison gas was used on several occasions, and when an attempt was made on Marshal Graziani's life, thousands of innocent women and children were slain. As for slavery, it was abolished in Ethiopia some time before the Italian invasion.

The Italians immediately initiated many of their numerous programs for Ethiopia. Although there were few extensive studies of the country's economy, the Italians had prepared rough plans for their initial operations. Their first and most important concern was the building of roads. They gave full priority to this program, starting their road building as the troops advanced. During their five-year stay, they flung many important arteries across the country. Their most remarkable achievement in this field is the road from the Eritrean border to Addis Ababa. These roads were built with no thought of cost, either in money or human lives. This resulted in their being built with great speed despite the very difficult nature of the terrain.

In addition to the road building, the Italians tried to establish many industries and made many surveys of the possibilities of the Ethiopian economy. The Italian aim was to make Ethiopia part of Italy, and therefore, their studies and projects were concerned with making the country an economic vassal of Italy. A commodity would
be produced not because Ethiopia needed it or because it was economically desirable, but because Italy needed it. At the same time, Ethiopia became the dumping ground for Italy's inefficient industries.

In the five years they were there, the Italians tried to destroy any nationalistic tendencies of the population by the teaching of Italian in the schools, by the introduction of Roman Catholic religious missions, and most of all by the elimination of all educated people. This latter policy inflicted one of the main injuries suffered by the country, because when liberation came, the Emperor had very few people to whom he could turn for assistance in the job of reconstruction and modernization.

b. Trade during the 1936-1941 period

During the period of the Italian occupation, Ethiopian trade was almost exclusively with Italy. The balance of trade was unfavorable, because the Italians had to bring into the country a great deal of machinery and other goods for their road building and colonization projects. To these were added many goods that the Italian settlers needed and were unable to obtain locally. During this period imports into Ethiopia went up by about 3,000%.* At the same time exports were quite low due to dislocation caused by the war and the orientation of the economy towards the Fascist pattern. It is significant that during the occupation, millet, which is the staple food of Ethiopians, had to be imported in order to supplement local production, which formerly was sufficient for the needs of the country.

* 10, p.vi.
3. **1941 onwards**

a. The liberation and since

Ethiopia had the fortune to be the first country liberated from the Axis. But this early return into the circle of free people did not help the country very much in its modernization and reconstruction, because the war was still on in Europe and very little outside help was available.

The country lacked sufficient trained personnel of its own and had to retain some Italian technicians to provide basic services. They worked with the few Ethiopians and allied foreigners who were available. During this period there was not much thought of development, because the more urgent and pressing problems of relief had to be solved. One of the most urgent problems was that of monetary reform, but this was not achieved until 1945.

Another major obstacle to development was that very little capital was coming in and the sources of most necessary goods were shut off. On top of this, the British military authorities removed much of the machinery and installations that the Italians left behind. Goods that were badly needed for the reconstruction of the country were being shipped to Iran, Egypt, and other places where they were badly needed to help the Allied cause.

Despite the above handicaps, the Emperor has tried to modernize and strengthen his country so that future invasions will be less likely. His heart and energies are set primarily on educational development, which he believes is most essential for progress. As soon as
it was feasible, Ethiopians were sent abroad to study while at the same time as many schools as possible were built in towns and villages throughout the country.

Since the end of the war, the country has been advancing steadily. Its progress is not spectacular by American standards, but taking into consideration the difficulties and handicaps that had to be faced, the results are gratifying.

The reconstruction work has been assisted by American and European technicians and advisers plus increasing numbers of Ethiopians returning from their studies abroad. At present the educational program receives the greatest stress, Ethiopia being one of the very few countries in the world whose major budget item is for education. In addition to the many elementary schools, there is an increasing number of secondary schools of which some are Technical and Agricultural in their programs. Very soon the capital will have a full University. In addition to the educational program, the Government has been pursuing others in the areas of health, road building, and agricultural development.

b. Trade since 1941

Since liberation, there has been a trend toward increased trade, with both imports and exports rising considerably.

In the early part of this period, the main export items were cereals and pulses (dried legumes), but about 1949, coffee began to reassume its dominant position until today it comprises 50% of the country's total exports. On the import side there has been a definite
shift away from textiles toward transportation and metal goods for the following reasons: first, increased emphasis on transportation and building; second, increased local textile production; the textile shortages of the early post liberation period have been met.

During the 1941-1952 period a great part of Ethiopia's exports went to a few neighboring countries like Aden, Eritrea, French Somaliland and the Sudan whence most of them were transhipped to their final destination. At the same time imports came mainly from five countries: India, U. S. A., United Kingdom, Italy, and Japan. Since Eritrea's federation with Ethiopia, many exports are now directly shipped to the buyer countries.

Exports went up from Eth. $69.0 millions in 1946-47 to 112.7 million* in 1951-52. At the same time imports rose from 69.0 million in 1946-47 to 111.8 million in 1951-52. Thus it can be seen that the volume of Ethiopia's external trade has increased considerably in the last few years.

There are hopeful signs that trade in Ethiopia will increase as improved communications make more of the country's produce available to world markets at lower prices.

E. Ethiopia's Potential

1. Labor Supply

Most of the underdeveloped countries in the world suffer

# As the Ethiopian year goes from Sept. 11th of one year to Sept. 10th of the next. No data is available for the full Gregorian calendar year.

* 36, p.2.
from overpopulation and an overabundant supply of labor. Ethiopia is fortunate in that she is free from the former and partially from the latter. Ethiopia has considerable underdeveloped and virgin areas which could absorb and feed many more than her present 15,000,000 (est.) people.

At present the labor supply seems abundant, but this is because so many peasants have left their lands to come into the towns in search of work, thus putting a temporarily heavy burden on the relatively few service and industrial jobs available at this time.

As development progresses and incentives are given to the peasants to work more land, the labor surplus of today may become a future shortage. Of course, this assumes that the economic development of the country continues.

The Ethiopians are a clever people, and with increased contact with the outside world, their attitude towards modernization has changed radically. At present they lack training and education, but if the present schemes for education both at home and abroad are successful, Ethiopians should one day make one of the best labor forces on the African continent.

The big difference between Ethiopia and its neighbors south of the Sahara is a tradition of ancient civilization and history, which the people want to continue. Ethiopia, the only independent country in the area, realizes that in order to do so, she must westernize. The common people, slow to grasp this idea, are now becoming more and more anxious to learn. The problem now is whether the
Ethiopians can digest in such a short time all they want to learn.

2. Mineral Wealth

Ethiopia's mountainous and volcanic soil is believed to contain many minerals. Gold has been found since ancient times in the sands of the rivers in Western Ethiopia.

Before the Italian invasion, there was very little positive proof of the existence of these minerals due to the superficiality of all previous studies. During their five-year stay, the Italians were unable to do much serious exploratory work owing to the lack of time and of security in the interior of Ethiopia (Ethiopian guerrillas were active all through the Italian occupation).

However, the Italians did form a State monopoly for exploration, but some private firms were later allowed to undertake a certain amount of it. The greatest one of the latter was the S.A.M.A.C.I., (a joint Italo-German Company), which was allowed to proceed in the study of the Cercer, Jixica, and Harrar areas in Eastern Ethiopia. The hopes of Italian geologists were centered in the areas where alluvial gold had been found in the past: in the Gimma area, in Uolegga between the rivers Diressa and Jaubus as well as in the Beni Sciagul and Cercer areas.

Also before 1936, a French company had developed a small platinum mine near Jubdo. This mine looked quite rich, but the methods of extraction were so primitive that only the low cost of production

# See map.

* 3, p.226.
coupled with the high price of the mineral enabled profitable operation of the mine. At present its output is small, 1,303 ounces, (1951-52).

In addition to these two metals and mica, a wide number of others are believed to be present, including iron ore, copper, and lignite. New discoveries plus modern methods of extraction could make mining a more important part of the Ethiopian economy than at present.

3. Ethiopia's Natural Wealth
   a. Water

   Ethiopia is one of the few countries in Africa that receives an abundance of water from rains. Were this water distributed evenly over the country, the situation would be almost ideal. Unfortunately, this is not the case. Although Eastern Ethiopia gets very little rain, Western Ethiopia gets torrential rains. At the same time at least 80% of the yearly rainfall comes during the relatively short period of the rainy season.

   For the above reasons, crop irrigation is essential for a great part of the country. At present individual farmers try to irrigate their farms, but their methods are very primitive and consist of digging small brooks to divert some water from the main streams to their plants.

   The only modern irrigation system in Ethiopia is that of the Wonji Sugar Company, where the Dutch, who have obtained the concession to manufacture sugar, irrigate the sugar cane by pumping water from the river Awash.

   Canal irrigation on the Egyptian and Pakistani models does
not exist in Ethiopia, although this type of irrigation would pay dividends, particularly in the lake Tana region.

In Ethiopia there are also several alkaline thermal springs and three well-established spas* which are patronized as health resorts.

b. Power

There are no known deposits of mineral fuels in Ethiopia. Timber and charcoal are the only fuels presently available. The Sinclair Oil Company hopes to find oil, but at present nothing definite has been found. Hydro-electric energy is therefore the great hope for a future power supply for the country. The potential of the country in the hydro-electric field is very great**, but at the moment only a minute fraction is being tapped by the four operating plants of the country. Plans for the establishment of many more have not yet been realized.

c. Agriculture and animal husbandry

Ethiopia now produces a great variety of crops. Owing to the diversity of temperate climate, the country will produce much more when techniques of production are improved and when transportation from producer to export and consumption points is likewise improved. At present Ethiopia produces coffee, many varieties of cereals, pulses, oil seeds, many types of fruit, and an infinite variety of other agricultural produce. To these one should add the great wealth of cattle,

* 64.
** 21, p.18.
sheep, horses, mules, hens, pigs, and other animals as well as the immense forest riches of the country in order to understand the magnitude of the country's potential in the fields of agriculture and animal husbandry.

4. Topography and Climate
   a. Topography

   The Equator divides Africa into approximately two halves which have almost uniform climatic conditions for places situated at similar distances either north or south of it.

   To the above there are some exceptions, notably the Highland regions of East Africa, Ruanda Urundi, Southern Rhodesia, and the Kivi region in the Belgian Congo. Of these areas the biggest and most important is the first, of which Ethiopia occupies the greatest part. Ethiopia has the greatest elevation in the whole of the African continent, averaging about 6,500 feet above sea level. Ethiopia is like a big island of about 1 million square kilometers, cut by very deep valleys and having elevations of up to 13,500 feet.

   This island is like a big triangular based pyramid which elevates to the east from the fracture zone of the Red Sea and to the south from the vast depressed areas of the gulf of Aden and the Indian Ocean. This depression extends down to Lake Rudolf and to the elevation of Mount Kenya. In the West there are the lowlands of the Nile, the major extension being from Kaffa to the south to Rora in the north (6° to 16° North). In Ethiopia there are mountains as high as the highest in Europe.*

* 16, p.39.
7. Gold Coast 8. Bechanaland
On the border of Eritrea and Ethiopia is the great land depression known as the "Danakil" depression. Parts of Ethiopia very much resemble the famous Colorado canyons.

b. The rainy season

Ethiopia is in the monsoon tropics and has the typical seasonal weather pattern of such areas: two distinct periods, the dry and the wet. In the rainy season there is a very noticeable distinction between the summer and winter rains.

The peculiar phenomenon in Ethiopia is that the seasonal pattern as well as the amount of rain is very different from one region to another. There are two regions where the time of the rainy season is different. First, on the eastern approaches to the Highlands, as on the Red Sea coast, it rains in winter.* In the Highlands it rains in summer. As one comes down from Eritrea towards Central Ethiopia the yearly rainfall increases, at the same time rainfall decreases as one goes towards the Red Sea.**

On the Ethiopian plateau, rains fluctuate between 45 and 60 inches a year, a great part of which falls in the rainy season. Some areas get a much greater amount. Gambela in Western Ethiopia has the heaviest rainfall, over 100 inches annually.

Atmospheric humidity is at its highest during the rainy season.***

* 16, p.31.
** 17, p.46.
*** 19
c. **Great diversity of climate**

Although Ethiopia is in the monsoon tropics, the high elevation of most of the country gives her a different temperature range than other countries at similar latitudes.

There are some places in Ethiopia where the climatic conditions are typically tropical, but those are generally located in the lowlands. As one goes to higher elevations, the climate gradually becomes moderate.

There is great diversity in Ethiopia's climate from area to area, and sometimes one sees noticeable differences a few miles apart. Rainfall, temperature range, and vegetation may be quite different.

There are striking differences as far as vegetation is concerned among various regions of the country. There is thick equatorial forest in the west, semi-arid areas in the east, and between the two, various places with Mediterranean and even middle latitude vegetation. Generally speaking, Ethiopia is considered as having a savanna type of vegetation, despite the thickly wooded hills and mountains of the Highland region.

So Ethiopia is one of the very few places in the world where one can see so many striking differences in climate and vegetation at such short distances. In Ethiopia, by traveling about 400 miles from the coast, it is possible for one to see most of the existing types of vegetation. This great variety is due to the rather steep rising of the Highlands from below sea level in the Danakil depression to heights
of over 13,500 feet.

d. The importance of the rainy season

The rains affect the Ethiopian economy very much. The main effects of the June-September period of the heavy rains is twofold: first, the otherwise dry country gets the necessary water to grow abundant crops. Most of the Ethiopian and Somali plateaus fall in this category. Cereals, pulses, and oilseeds are sown between April and August, and their early growth takes place during the rainy season. In December, when the weather is dry, the crops are ready to be harvested. So at places where irrigation is possible, two crops can be collected from the fields every year. Second, the rainy season is all important in communications. When it rains, most of the roads are impassable and many rivers flood. So the movement of exports and imports is very much dependent on the amount of rain that falls. This situation is being gradually improved by the construction of all-weather roads, but, as has happened many times, the heavy rains of Ethiopia can damage even the most modern highways.

Ethiopia's only navigable river, the Baro, is usable only in the rainy season. So we see that the rainy season has a great effect on the Ethiopian economy, because it not only dictates sowing and harvest times but also the activities of life and commerce which are dependent on communication of various areas with each other.

e. How rains come to Ethiopia

In April and May a low pressure system develops over the upper
and middle Nile valley, and south winds blow from the Indian Ocean over Somaliland or over the Equatorial lakes region into Ethiopia, bringing the early rains. With the advance of the summer, the low pressure over the Nile valley becomes merged in the great low pressure system extending over southern Asia, and, after a few weeks of variable wind and, in places, of diminished rainfall, a definite southwest wind brings moisture from the gulf of Guinea and the South Atlantic and from the very humid Congo basin. In winter the dry trade winds from the north and the northeast are drawn toward the low pressure system of central Africa; they bring very little rain even to the Highlands of Ethiopia.*

f. Ethiopia's climate ideal for a great variety of crops.

Ethiopia's varied climate would enable the country to produce as great a variety of crops as is found in the U. S. A., with the main difference being that the latter extends over a much greater area both from west to east and from north to south.

Owing to the sudden changes in altitude, tropical produce like bananas can be produced at a short distance from where apples and grapes are cultivated.

At present Ethiopia's farms produce a great variety of cereals of which teff, wheat, corn, and barley are the most important. In addition, oilseeds, coffee, sugar cane, temperate vegetables, pulses and other farm goods are produced abundantly. Successful experiments in the cultivation of other crops such as cotton offer hope that these may be added to the list. Animals of the useful type are abundant, and better

* 48, p.l.
care would increase their number still further. In addition, forests cover large areas and are a major source of wealth.

The above are only a few examples of what Ethiopia can produce, due to its fortunate combination of rich soil, diversity of climate, and an abundance of water.
II. The Ethiopian Economy as of 1953

A. Introduction

In the previous chapter, we looked briefly into the background of the Ethiopian economy and its climate. It is now time to examine the economy as it is at present.

The Ethiopian economy is undeveloped relative to the size of the country and its economic potential. Figures given later reveal that its trade industry and other economic institutions are very small by American standards. However, a more meaningful comparison could be made with this same economy five or more years ago. Great progress has already taken place, and the country is on the way toward developing those resources that now lie practically untouched.

In the years that have followed liberation, Ethiopia has steadily advanced toward a powerful modern economy under the guidance of the Emperor.* During the 1941-1953 period, all parts of the Ethiopian economy saw changes for the better.

Exports rose from Eth. $41.0 million in 1945 to Eth. $116.8 million in 1951,** while imports at the same time rose to Eth. $104.6 million. At the same time the monetary reserves of the country rose by Eth. $13.7 million.

Ethiopian peasants, because of a great rise in world coffee prices, are now in the best economic position ever. This has enabled them to buy more goods, one of the reasons for the rise in imports.

During this period, new industries have come to the country,

* 28, p.5.
** 59, p.7.
and some loans have been given to Ethiopia. These loans and the newly-
arrived Point Four administration are helping the Government to carry
out improvements in communications, education, etc.

B. Minerals

From the relatively little work that has been done in the ex-
ploration of Ethiopia's mineral wealth, the following conclusions are
arrived at. The regions most likely to be rich in mineral wealth are
two: one is a narrow strip on the eastern part of the Ethiopian High-
lands; the other is a strip on the western slopes of the mountain sys-
tem. The hopes for minerals are based on the conditions of the soil
which are similar to others which have produced metals. Of these metals,
the most frequently traced is gold.

1. Gold

In Northern Ethiopia gold was extracted in olden times as far
back as the Roman Period. The Portugese, during their penetration into
Ethiopia during the late Middle Ages, speak of gold being obtained from
the sands of the Blue Nile in the Uolegga region of Ethiopia. Another
area where gold was found is southeast of Adwa in the valley of the river
Ueri.

In the Uolegga province, excavations were made from time to
time by the local people, and some gold was found in the valleys of the
Diressa and the Jabus.*

So it is not unreasonable to hope that the Ethiopian terrain
has considerable deposits of the precious metal. At the moment, a

* 3, page 224.
Physical Map of Ethiopia.
certain amount of gold is extracted in Ethiopia in the Uolegga region, part of which is found in the sands of rivers. At present, the exploitation of Ethiopia's known gold deposits and the search for new ones are hampered by the lack not only of good communications, but also of water for washing in many regions.

Despite the high costs of extraction, gold, because of the fact that it is being used by the treasuries of most governments, can be easily sold. But there is also a great disadvantage in that the price of gold has officially remained at the U.S. $35 an ounce, while costs of extraction have more than doubled. It is true that the price of gold in the "black market" is sometimes higher than the official price, but since such markets are unreliable where legal, one must consider the price of gold as stable at $35.

To operate profitably, therefore, efficiency must be quite high. The gold extracting industry cannot be helped by Government subsidies without running the risk of depreciating the country's currency. On the other hand, when costs fall, gold producers are at an advantage, as their product continues saleable at a stable price.

At present, the industry is plagued by high costs and unless efficiency is greatly increased, will be condemned to atrophy. The main handicaps to be overcome are bad communications and relative lack of mechanization, although the latter condition is gradually improving.

Production of gold, which is at present the only mineral produced in commercial quantities, was 33,000 ounces in 1952. Most of Ethiopia's gold comes from the Adolo region.
2. Petroleum

The Italians expected to find petroleum in Ethiopia, but they did not do much in the field of exploration. A few years after liberation, an American company, the Sinclair Oil Company, obtained from the Imperial Government the exclusive right to explore for oil in Ethiopia.* The concession was given in 1945, but operations did not start until 1947. Sinclair first explored Eastern Ethiopia, notably the province of Harrar. Owing to the difficulty of the terrain and the dryness of the region, work was quite difficult, but in 1949 the first exploratory well was drilled at Gumburru in the Ogaden, half way between Wadiri and Galali. After reaching a depth of 10,000 feet, the well had to be abandoned as a dry hole.

Another well, drilled in 1952, also had to be abandoned in December of the same year and again at 10,000 feet. The data obtained from these two wells and from much geological work done in conjunction with the drilling, has been sent to the United States where it is now being examined in order to set up a program for further operations.

The geological structure of the soil in Harrar province seems very promising indeed. Such soil is of the type which in many other parts of the world has already yielded large quantities of oil. But Ethiopia's soil is volcanic, and therefore, there is fear that the petroleum that might have existed at one time may have either evaporated or shifted to other areas. But despite the above fears, the Sinclair Oil Company is confident that petroleum will be found. The economic

* 18, p.523.
significance of the wells, if and when discovered, will depend on many conditions, some of which are:

1) The size and the richness of the field
2) The local demand for oil at the time of the discovery
3) The political conditions of the Middle East

A problem that will have to be faced is where the crude oil should go. There are two alternatives: refine the crude oil locally or pipe it to the sea, the former depending on the first condition above, and the latter depending on the second. The Ethiopian consumption of oil at the moment hardly reaches 2,000 tons a month, which is the daily production of a medium sized refinery. So even if petroleum is found, present Ethiopian demand would not justify a refinery. On the other hand, if the position of the fields is far from the sea, and at the same time the quantity of the crude oil produced is small, then exploitation of the fields may not be economical.

As Ethiopia has no other known sources of mineral fuels, the experiments of the Sinclair Oil Co. are looked upon with great interest by the Ethiopian people, because if petroleum is actually found in sufficient quantities, not only will another important item on the negative side of the balance of trade be lessened, but the development of the country will be helped. The Sinclair Oil Co., which now employs 25 Americans and 200 Ethiopians, has spent about 7,000,000 U.S. dollars up to now, which they hope will soon show results.*

* 62.
3. **Other Minerals**

For other types of minerals the search will probably be concentrated where the crystallinity of the soil is of more recent origin. In the Danakil depression, common salt, potassium chloride and magnesium chloride are found with traces of iodides and bromides.

In the Lake Tana region there are indications of the existence of brown coal (lignite) deposits, while sulphur is believed to exist in the Danakil depression and in the middle valley of the Awash. Lead is believed to exist in Central Ethiopia where there are also signs of silver deposits in commercial quantities.

Besides gold, Ethiopia also has platinum deposits. These were partially exploited before the war when the country occupied the world's fifth position as a producer of the metal. At present the production is very small and amounted in 1951-52 to only 1,303 ounces, which was exported.* Production is expected to rise in the near future with the advent of better roads and machinery.

The mountains of Chercher, in Harrar province, are believed to contain deposits of mercury (Hg). There is a world-wide scarcity of this mineral and therefore its exploitation should prove profitable. Copper is believed to exist in considerable quantities in the Guraghe, in the Chercher area and north of Boroma. Mica is found in many areas, but at present not much is done about its exploitation. Iron ore is another mineral, signs of which have been found in Jubdo, Ancober, Debra Tabor, Dembidollo, near Entoto, and in the Arussi and in other

* 30, p.4.
places. All the other minerals but gold and platinum are only possibilities, but signs of many of them have been found. No one has as yet been able to estimate the quantities available. Without such an estimate it is impossible to know beforehand which of the minerals are commercially exploitable.

After getting the estimates of the deposits available, one will have to consider whether they are near communications and whether it is worth while extending the existing roads to where deposits are found. In addition, the availability of fuel will have to be considered to determine whether local smelting will be possible.

At present the Government with the aid of some foreign advisers is trying to answer these questions. The passing of a mining law defining the rights of people holding concessions would help very much in attracting mining capital to Ethiopia.* The discovery of minerals would not only give to Ethiopia another profitable source of wealth but would also help her in the preservation of some of her resources. For instance, exploitation of lignite resources will help avert the denudation of Ethiopia’s forests now being cut for firewood and charcoal.

C. Agriculture

The main occupation of the Ethiopian population is agriculture. Before the 1930’s agriculture was carried on by much slave labor and the most primitive methods, such as very limited use of animal fertilizers and the cultivation of the same crop year in and year out. At present no slave labor is used, but the basic methods of

* 30, p.4.
cultivation have changed very little.

Agriculture is the logical area on which development efforts should concentrate, because it is there that Ethiopia has the greatest comparative advantage over her neighbors because of fertile soil, abundant water supply and good climate. Ethiopia is particularly fortunate in having plenty of water, most of which, especially that of the lakes and rivers, is not fully utilized. If a systematic water conservation is begun and is coupled with irrigation projects, better use of the yearly supply may be achieved.

Ethiopia needs to improve her farming methods and to give incentives to her peasants to grow more cash crops. At present, relatively low prices are offered to the peasants for most crops other than coffee because of very high transport costs. Better communications will enable the peasants to get a higher price for their produce without endangering the profit of the middlemen (exporters).

Labor and equipment must be adequately distributed for a rational working of the soil. The mistake of concentrating near the big urban centers must be avoided. In addition to the above, farmers have to be educated generally and taught in particular how to avoid and cure the evils of soil erosion.

Owing to the fertility of Ethiopian soil and the existence of a long dry season after the rainy period, cereals like teff\(^\text{\#}\), corn and wheat are grown under favorable conditions. In addition to cereals Ethiopia can produce many other crops, some of which grow extremely

\(^\text{\#}\) Teff is the main cereal of the Ethiopian diet. It is an indigenous crop of the millet type.
well under the country's soil and climatic conditions. Coffee trees, for example, grow amidst weeds which in the soils of neighboring Kenya would have killed the plants.

One needs only to travel in the interior of this great country in order to realize the magnitude of its possibilities. For example, hundreds of thousands of acres of virgin land await cultivation all over the country but especially in Northern Ethiopia. There the green of the Ashianghi and the rich lands of the Ernaccio have been called more impressive than either the Punjab or the green wheatfields of Cawnpore in India.* At present this land is only a beautiful sight for travelers and hunters. Work, modern methods (including fertilization), rotation of crops, etc., education and sacrifices are essential before its potential can be realized.

Because of the abundance of fertile land in relation to the other factors of production, Ethiopia should concentrate her efforts on the development of her agriculture. But allied industries should be created alongside**, so that the country can fully benefit from the products where it has the greatest comparative advantage.

Many people in the underdeveloped countries resent remaining agricultural, believing that unless a country is industrialized it cannot be modern. This is a basic mistake, and the writer notes with pleasure that the majority of the educated Ethiopians have not fallen into such a belief. As long as a country is modernized and uses its resources efficiently, it will advance. Denmark, for example, is an

* 1, p.271.
** 14, p.50.
advanced country although her economy is basically agricultural.

Ethiopia's 1,060,000 sq. km.# are divided into the following classes: cultivable land which contains brush lands, grasslands, and already cultivated land, 700,000 km. sq.; half desertic (dry low land), 290,000 km. sq.; forested areas, 30,000 km. sq.; high mountains, 40,000 km. sq. Of the already cultivated area the greatest part (4 million acres) is devoted to teff, 1,600,000 to wheat, 1,900,000 to pulses, 1,200,000 to barley, 700,000 to coffee, with the rest being cultivated with a variety of other crops.*

1. Crops

A great variety of crops can be grown in Ethiopia. Some are important as export crops while others never enter international trade, and therefore their importance is only local. Below, an attempt is made to evaluate the relative importance of each crop and how its production might be increased by improvements in marketing, crop rotation, seed selection, etc. Crops will be given in groups, although a better subdivision would be as follows: a. Subsistence crops include a great part of the teff, durra, and oil seed production as well as some coffee and fruit. b. Market crops include most of the country's products with teff, wheat, coffee, oilseeds, fruit, vegetables, pulses, tobacco and some spices being among the most important. c. Export crops include some of the most important items of the previous group. These are mainly coffee, oilseeds, pulses, cereals and vegetables which are

# All figures are rough approximations.

* 71.
relatively unimportant in this category.

To the above three categories, whose individual products will be examined more closely below, a fourth category of crops that are in the development stage have to be added. These latter include cotton, flax, soya beans, grapes, etc.

a. Cereals

Cereals are the most important of Ethiopia's field crops, although the greater part is consumed locally. Between 1946 and 1950 Ethiopia exported great quantities of cereals because of the great demand caused by the end of World War II. High prices and inadequate production tempted some local traders to mix dirt with their exports. This was a death blow to the trade of Ethiopian cereals, because not only they were graded very low but demand for them fell very sharply. The Imperial Government took action by appointing a grain board which undertook to improve the situation.* Since the Board was inaugurated in 1950 exports of cereals have again risen and such commercial malpractice has been eliminated.

The most important of Ethiopia's cereals is teff, a variety of millet, which grows in four varieties distinguished by their color, white being considered the best. Teff is the main cereal of the people's diet and is much more important in Ethiopia than either rice or wheat. The plant grows very fast at relatively high altitudes, thus allowing cultivation of the greatest part of the habitable land. Teff, which yields between 1300 and 1800 lbs. per acre, can also be used when green

as forage, giving about ten tons per acre. The Ethiopian equivalent of bread is called injera and is made from ground teff.

Barley grows well in most parts of the country. In Ethiopia the average yield per acre is about 2500 lbs., but since it does not grow well in wet areas, it is mostly cultivated where the rainy season is short. Barley is often planted as an emergency crop following crop failure or poor harvest in wheat.* At present only one crop a year is possible, but this could be increased to two by use of irrigation. Barley is sometimes used as food in Ethiopia, but its main use is for the brewing of talla, a local beverage much like beer.

Wheat is not very widely grown at the present time. The Ministry of Agriculture attributes this to the fact that the varieties available at present are not well suited to Ethiopia's soils but offers no explanation as to why this is so. However, the Ministry believes that the value of wheat in the Ethiopian economy can be greatly increased by the careful selection of seed and that the areas best suited to wheat are Ambo, Debra, Brehan, Dessie, and Gondar.** World demand for Ethiopia's wheat, fairly strong in the period before 1949, has now decreased to negligible proportions.

Durra (Egyptian wheat) is the second most important grain crop in Ethiopia. Durra requires very little care and grows well in most of Ethiopia giving high yields. It is used as food and for the making of talla. With durra the peasants often plant corn. As the durra matures earlier, enough space is left for the corn which is also

* 35, p.11.
** 35, p.9.
planted sometimes with cotton to which it gives warmth and protection from the wind. Corn is grown in S.W. and Western Ethiopia as well as on the Somali plateau (north of Chercher). Most of the yearly yield is used locally for both human and animal consumption. The biggest part of Ethiopia's corn comes from the Wando and Gimma areas.*

Other cereals of secondary importance are rice, which could be cultivated in small quantities, oats, dagussa and bultuk. Of these, oats is grown near Dessie but is very unimportant. Dagussa is an emergency crop used for human food, for forage and for talla. Bultuk is also grown in Ethiopia and has the same uses as dagussa.**

From the above it can be seen that many of the cereals widely consumed in the world can be grown in Ethiopia. With care their yield and quality may be improved, bringing costs down. So when Ethiopia's communications and farming methods are improved, the country may one day become a substantial exporter of many of these cereals.

b. Oil seeds

There are ten or twelve varieties of oil seed in Ethiopia. The greatest part of Ethiopia's production comes from cultivated plants although there are some wild varieties also. Castor seeds, sesame, flax seed, peanuts and many other varieties are grown in Ethiopia.

Before the war most of the seeds produced were ground locally for their oil, which was consumed in Ethiopia. This picture has changed somewhat because of the increased world demand for oils and fats resulting from the war. This has caused Ethiopia to export considerable

* 35, p.9.
** Ibid. p.10.
quantities of oil seeds. Modern plants for the extraction of locally consumed oil are being established constantly all over Ethiopia. Niger seed (neug) is the most widely used for local consumption. Because most of these seeds grow very easily in Ethiopia and demand is increasing, further expansion of oilseed production is likely. Oil cakes can be used both as fuel and as animal food.*

c. Pulses (Legumes)

Of these, the most commonly grown in Ethiopia are chick peas, beans, horse beans, and peas. In the last few years Ethiopia has become an exporter of some of the above-mentioned pulses. Although this trade has now declined, there is hope that it will be soon revived, especially since the quality and cleanliness of the exports are now controlled by the Grain Board.

Chick peas are widely grown on the Ethiopian plateau due to the resistance of the plant to drought. Most of the production is consumed locally, but considerable quantities are also exported.

Broad beans, which grow even on poor soil, are grown over most of Ethiopia.

Beans (haricot), horse beans and peas are also grown in Ethiopia but are less important than the others. Clover is rarely found.**

d. Fruit and vegetables

Owing to her varied climate, Ethiopia produces quite a few types of tropical and temperate fruit.

Citrus fruit grows well, especially in the Erer and Harrar

** 35, p.l3.
areas. Some production of citrus fruit is also reported in the valley of the Webi Shebeli.

Grapes have been successfully produced in many parts of the country. The crop is consumed in Ethiopia except for small quantities exported to nearby areas.

Bananas are grown in S.W. Ethiopia, in the Sidamo and near Harrar. The yield is small but the quality very good. Owing to the proximity of Ethiopia to the European market, bananas are the only fruit that can be profitably exported.

Mangoes, avocados, peaches, paw-paw, pineapples and other fruit are grown for local consumption only.

In Ethiopia there is considerable production of vegetables, but because they do not usually form part of the ordinary man's diet, they are consumed mostly in the urban areas. Most varieties of vegetables grow well in Ethiopia.

During the last few years Ethiopia has been exporting yearly about 1,600 tons of vegetables* to nearby areas.*

These are then the field crops that grow in Ethiopia. As can be seen, they are very varied because of the country's varied climatic and soil conditions.

e. Textile crops

There are possibilities in Ethiopia for the cultivation of fiber crops which can be used for the spinning and weaving industries.

* includes most table vegetables such as green peas, beans, artichokes, lettuce, tomatoes, etc.

* 35, p.12.
The most important of these are cotton and flax.

Cotton. There are many places in Ethiopia where both soil and climate are ideal for the cultivation of cotton. In some places the yield is as high as 650 lbs. per acre.*

The areas most suited are around Lake Tana, Godjam and Gimma. Here, high-grade, long staple cotton could be grown at a rate of about 250,000 bales a year. (Italian estimates)

The Italians, who were very much interested in getting cotton from Ethiopia, made various studies, according to which, American-type medium-staple cotton could be grown in many other districts. If cotton is to be grown in Ethiopia, there will be much capital required for the establishment of ginneries. The latter should be put up by Government agencies to avoid exploitation of the growers and encourage the small farmers who will be the bulk of the producers.

Flax. Experiments have shown that flax can grow very well in Ethiopia, in places, even better than in Ireland. At present the flax plant is mostly used for the seeds it produces. It is hoped that very soon the fibre will be used for the manufacture of rope, for binding and other domestic uses. As Ethiopians become more skillful, a linen cloth industry is a possibility.**

Other crops

In addition to the above, two others are widely grown in Ethiopia, coffee and tobacco. Others like soya beans and tea could be grown in large quantities if incentives were given to farmers.

* 4, p.58.
** 29, p.38.
Tobacco is grown in the Guragie, Lekempti and Gimma areas. Most of the production is consumed locally either as tobacco or as cigarettes and snuff manufactured by the Tobacco Monopoly plant in Addis Ababa. The production is estimated at about 500,000 pounds annually.

Soya beans of Japanese origin were tried very successfully in Ethiopia about twelve years ago. The experiments that were conducted showed that the plant can grow very well in the middle part of the Highlands.* It is hoped that the cultivation of soya beans will be taken over by the Ethiopian farmers, because the plant is very rich in oil (17%) and can be processed into flour and raw material for artificial fibers.

Tea, though not widely grown, is another crop with good possibilities. Gore and some other places in the West and South have a suitable climate for tea growing.

Owing to the importance of coffee to the Ethiopian economy, a separate section will be devoted to it.

g. Coffee

Coffee comprised in 1952 over 50% of the total value of Ethiopia's exports. Although this situation may not be economically healthy, much attention should be devoted to the improvement of production methods and quality so that the country may maximize its revenue from this source.

There is a tradition according to which coffee first appeared

* 24, p.6.
in the Ethiopian province of Kaffa, hence the word coffee.

From Ethiopia coffee was introduced into Yemen and slowly to the rest of the present coffee producing countries. Ethiopian coffee is among the best in the world and therefore it is in great demand in the world market. At present there are two types grown in Ethiopia, the Abyssinian, which grows wild in the southwest, and the Harrari, which is cultivated.

Abyssinian coffee, which is subdivided into three varieties, is mainly produced in Jimma, Kaffa, Lima, Gore, Wallo, and Godjam, while Harrari grows in Harrar province, with smaller quantities cultivated in Wallo and Arussi. The coffee grown in Gimma is very similar to the Brazilian Santos variety.

Owing to its high caffeine content, Ethiopian coffee is excellent for blending.* The U. S. A., which is now the best customer for Ethiopian coffee, bought substantial quantities even before 1936. During the pre-1936 period Ethiopian production averaged around 30,000 tons a year of which about 22,000 tons were exported annually.** The present production is around 40,000 tons annually, most of which is exported. This figure is very small compared to the production of Brazil, Colombia and other major coffee producing countries, but to Ethiopia it is of vital importance. Being the major export, it provides the country with much needed foreign exchange, especially U. S. dollars, and its fortunes affect a large section of the agricultural and commercial segment of the population.

* 35, p.17.
** 4, p.54.
Although the coffee tree is not attacked by locusts, it it vulnerable to many other pests and demands a certain amount of care. Parasites like couch grass can be very harmful, and to achieve better and increased cultivation of coffee, the farmers will need increased knowledge and tools. The former can be encouraged by having teams of experts tour the countryside lecturing and demonstrating methods of detecting and combating diseases. The latter will be helped by loans from the Agricultural Bank enabling the farmers to buy some of the most essential chemicals for pest control.

Most of Ethiopia's coffee comes from small individual holdings rather than big plantations of the Brazilian type.

It is true that big plantations have lower costs per unit weight. However, any changes in the present system should be made gradually so as to minimize any dislocation in the lives of the coffee producing farmers.

h. Timber

The forest wealth of Ethiopia is considerable, the areas especially rich in trees being those of Western Ethiopia, notably the Tecazze and Abbai (Blue Nile) regions.

The impossibility of accurately estimating the forest resources of Ethiopia means that the potential of the country in this area is pretty much unknown. One thing is certain though, and that is the greatness of it. The principal valleys are covered with dense forests, especially in the humid areas.

* 35.
The great variety of trees includes the eucalyptus, Ethiopian pine, acacia, sycamore, tamarind, horizontal cypress, mahogany and many others including Ethiopian varieties called cosso, and zigba.* Bamboo is also found in great quantities. The timber provided by the above types of trees includes the various qualities necessary for building, cabinet making, and other uses. A great quantity of timber is currently converted into charcoal.

Although many current uses of timber are competitively threatened by plastics, Ethiopia, in the long run, might expect to export timber as wood pulp, the raw material for paper and some rayons. New uses for rayons are being found which are replacing many natural fibers. Both viscose rayon and cellulose acetate can be effectively made from Ethiopian wood pulp, which is in many cases quite pure. But development of a wood pulping industry in the future is, like so much of Ethiopia's planning, dependent on lower transport costs.

D. Animal Produce

1. General

One of the fields in which Ethiopia seems to have considerable development potential is that of animal husbandry. Ethiopia is one of the few countries of the East African area which is relatively free from the ravages of the tse tse fly, the part affected being limited to Jubdo in the West. Owing to this fact, plentiful land, and an abundance of food, Ethiopia is capable of rearing most of the "useful" animals in substantial quantities.

* 11, p.7.
Economic map of Ethiopia.

Note. Because teff, durra, oilseeds and pulses are grown almost in every province of the Empire they are not included in this map.
No census of Ethiopia's livestock is available, because the peasants were afraid, in the past, to declare the number of their cattle, the most important of the above animals, lest taxes be increased by the Central Government. *

Estimates of total animal population vary from 19,000,000 (F.A.O.)*** to about 27,000,000 head (Italian estimate). If these are even approximately correct, the animal population of Ethiopia would seem to be of considerable proportions with great scope for the development of a livestock industry.

2. Cattle

Cattle in Ethiopia suffered considerable destruction during the Italian invasion. At least 35,000 head were destroyed by the Italian forces in the Beni Sciagul area alone. ** Since then, losses have been recouped, but diseases take a heavy toll running into the millions. Disease control, organized marketing and increased milk production are immediate goals for improvement. The former is being successfully tackled, at present, with the assistance of F.A.O. But the successes in controlling disease will soon increase considerably the number of cattle in Ethiopia, and unless marketing of the cattle is assured, pasture lands may become overworked.

Another important need is the improvement of the species through cross-breeding with foreign thoroughbreds. This is better than the introduction of pure race animals, which is in danger of failure.

* 6.
** 29, p. 38.
*** 4, p. 64.
in Cirenaica, in Libya, where the Italians introduced thoroughbreds unable to withstand the tropical climatic conditions.* By improving the livestock, milk production, which is quite low at present, would be increased and improved.

As for Ethiopian beef, it appears that it is comparable to the best South African qualities.** The cattle of Wallega, Gimma, Scioa, and the Lake Tana region have very abundant meat of very good quality.

In addition to vaccination against the best known pests, the cattle should be sanitized according to the highly successful South African experiments. Cattle affected by disease should be removed from the healthy ones and destroyed, a policy very unpopular with the peasants but apparently necessary.***

Ethiopia has not figured as a cattle exporter in the past because of rinderpest, which affects the humpback types of cattle. Because of recent successes in combating rinderpest, meat exports in volume are a near future possibility.**** Up to now meat and dairy products were consumed locally, hides and skins being the only exportable items.

Also these improvements should permit increased milk and meat consumption adding valuable proteins to the diet of the average Ethiopian.

Many allied industries may result from the development of this sector of the country's economy. By-products now lost in slaughtering could be used in feed industries. Slaughtering of cattle for export could well be very profitable because of high world prices of meat.

* 4, p.66.
** Ibid., p.65.
*** 9, p.193
**** 29, p.38.
Once again substantial investment will be required beyond the building of the slaughter houses, for transportation and preservation facilities.

The most suitable places for the establishment of slaughter houses (for the export market) are Quoram# and the town of Awash. The former is near both the points of production and export. The latter has an additional advantage, as it is situated on the railway line which links Addis Ababa to the sea and may in the future be linked to Assab by a new railway proposed in the last chapter of this study. Since cattle will have to be transported from distant areas in Western Ethiopia, Ethiopia as a meat exporter will face keen foreign competition, but decreased exports from Australia and Argentina have already caused world meat prices to rise. I believe that prices will remain relatively high enabling Ethiopia to compete with the other meat producers.

Ethiopia, therefore, has a good chance in the near future of adding meat and allied products to the hides and skins that she has been exporting for a very long time.

3. Other animals

Next to cattle sheep are the most important animals in Ethiopia. They are raised in almost every section of the country, the main areas being the Godjam, Teccazze, Cobbo, Abbai (Blue Nile) and the Lake Tana regions. Present flocks are reared primarily for meat and skins, but experiments indicate that a good quality wool could be produced by cross breeding with merino sheep.

# North of Dessie.
Mr. Millar of the F.A.O. reported that in Ethiopia there are millions of other animals, such as pigs, mules, horses, etc., with pork as a great potential export because most Ethiopians do not eat it. Mules and donkeys in great quantities now perform a vital job in transportation. As they will be needed for some time to come, care should be taken for their health. Poultry and other birds could be reared on a scientific bases. This may give excellent results in both the production of eggs and meat for export. Since the raising of poultry is expensive and difficult, its development for the export market should be left to the more distant future.

E. Transportation

We have frequently noted that the economic development of Ethiopia is greatly hampered by transportation inadequacies. Despite the recent federation with Eritrea, giving Ethiopia direct access to the sea, the country still needs many additional communication lines to connect its economic centers with the sea.

Ethiopia's exports, actual and potential, are rather bulky agricultural goods, the price of which is greatly increased by unduly high transport costs. Competitive export prices have been possible only at the cost of very low prices to the producers. The same applies to imports in that the peasant must pay higher prices. So we see that the lack of good and economic means of transport hurt many Ethiopian farmers who form the greater part of Ethiopia's population.

The means of transportation in Ethiopia are railways, highways, air transport and inland waterways. Of these the first two are
currently the most important with the third gaining importance very rapidly. The latter is of limited importance, for there is only one navigable river, the Baro, which owing to its limited navigability, is not very important.

1. The Railway

The only railway line in Ethiopia was built at the beginning of the present century. It is owned by La Compagnie de chemin de fer Franco-Ethiopienne de Djibouti à Addis Ababa and runs from Djibouti to Addis Ababa, a distance of 486 miles.

The line is a single track, narrow gauge, and its low capacity cannot be greatly increased without substantial investment. Before 1936 the railway was the main link of Ethiopia with the sea. During the Italian occupation its function was mainly to serve as a communication link between Addis Ababa and the Eastern part of the country, most of the external trade being done by highway via Assab or Massawa. Since liberation, the railway has regained much of its former importance due mainly to the deterioration of the highways linking Ethiopia to the Eritrean coast. Now that the highways are being somewhat repaired and Eritrea has been federated with Ethiopia, less trade passes through Djibouti.

One of the main reasons why this railway is declining in importance is its high rates. Although transportation of bulky products is usually cheaper by rail, in Ethiopia it is often possible to transport such goods more cheaply by truck despite the imperfect highways.
Some people say that the Djibouti railway is one of the most expensive in the world, on the basis of what it costs to move goods over this 486 mile stretch. In many instances it costs less to send goods from Djibouti to New York than to have them carried from Addis Ababa and placed on board ship at Djibouti.

Although the inefficient and overstaffed company has slightly decreased charges in the face of trucking competition, rates are still very high. If current rates were to remain with no alternative routes to the coast, Ethiopia’s exports would be saleable only in a sellers market, the only exception being goods of outstanding quality (coffee) or extremely low production cost.*

Transport of bulky goods by railway is traditionally cheaper in the long run. For this reason Ethiopia should try not only to build new railways but also to come to an agreement with the French to improve the line and reduce charges.

The improvements that are necessary are several, the most important being the reduction of unnecessary, highly-paid employees and improvement of plant and equipment. First, doubletracking of the line is essential and should be done starting with the Addis Ababa-Nazareth portion, over which more and more trade will flow in the future. Second, electrification of the line should be seriously considered. As Ethiopia has no known fuels except charcoal, electrification could help in improving the efficiency of the company’s locomotives and would be feasible if the Ethiopian Government were to go ahead with its plans for

* 46, p.4.
building a dam near Coca, south of Addis Ababa.

Owing to the bulky nature of Ethiopia's potential exports, a great assist would be given to trade if the present line were extended towards the interior production centers of the country to such points as Arussi, Ilubador, Wollega, Godjam and others. This has been considered by the Government and discussions have been held with the French Company, but up to now, no positive program has been decided upon.

It is hoped that the Railway Company will follow a more progressive policy. To wait until the end of the Company's contract sometime near the end of the century before fully utilizing and improving the line would greatly hinder the development of the country.

2. Highways

Almost all of Ethiopia's major highways radiate from Addis Ababa. The better ones are asphalt-surfaced but have been neglected in recent years. At present the Government Highway Authority is charged with improving the roads in order to decrease the transport costs of the country's exports.

There are 7 main highways in Ethiopia, connecting Addis Ababa to Sidamo, Gima, Lekempti, Asmara, and Berbera. The other two connect Combolcia to Assab and Adigrat to the Lake Tana region. The many secondary roads are not passable during the rainy season and are less important.

Despite the efforts of the Imperial Highway Authority, most Ethiopian roads are still in a rather bad condition, making transporta-
tion very expensive. Their generally unsatisfactory condition is aggravated by the very irregular and mountainous country which they have to cross over. This, and the fact that heavy trucks frequently damage the hard surface of the roads are other reasons why this form of transportation is expensive in Ethiopia. Still, the great bulk of the lighter exports and imports is transported by truck to and from Assab, because of the exorbitant railway charges. Of course, most of the internal transportation of all goods regardless of weight has to be done by truck, as there are no other railways.

There is no prospect that any more railways will be built in the very near future, so the highways will continue to be of great importance to Ethiopia. Therefore, their upkeep and maintenance should be of vital concern to the country.

3. Airlines

Communications in Ethiopia have been greatly improved by the formation of Ethiopian Airlines Inc. (E.A.L.). A big gap has been filled by this Company which now connects in a few hours places which were days apart and sometimes completely isolated from the rest of the country during the rainy season.

E.A.L. was founded in 1945 and American personnel were hired to operate the Company until the Ethiopians whom they were training were ready to take over.

The Company met with great success, and it now connects Addis Ababa to most of the important centers of the country. In addition to the domestic connections, E.A.L. planes fly to Cairo, Nairobi, Aden,
Khartoum, Port Sudan, and Djibouti, enabling Ethiopia to have continuous contact with the outside world.

Ethiopians have now become air conscious and the passenger service is widely used. These lines not only transport passengers but also goods. Despite the high cost of air transportation, many light goods are brought in by air from Aden and Djibouti. The cargo services of E.A.L. are also serving very well the internal transportation of such goods as goatskins, chivet and gold.*

Air transport will probably always flourish in Ethiopia because of the difficult terrain, even after the roads are improved.

B.O.A.C. also connects Ethiopia to the outside world through weekly service from Addis Ababa to Djibouti, Aden, and London.

4. Inland Waterways

Ethiopia has no completely navigable rivers. The mountainous nature of the country means that most rivers are too rough to permit navigation. In addition to this, most of the Ethiopian rivers are shallow and irregular, becoming torrential during the rainy season.

The only exception to the above is the Baro River in Western Ethiopia. This river, navigable only a few months of the year, serves only as a "back door" to Ethiopian trade. As it is only navigable as far as Gambela, only a fraction of the navigable portion is in Ethiopia, and therefore, it does not serve the country's internal communications in any substantial way.

* 46, p.8
5. Seaports

Since her federation with Eritrea, Ethiopia has acquired a coastline which includes the two ports of Assab and Massawa. The latter is the best equipped harbour of the area but is at a disadvantage compared to Assab because of its greater distance from Addis Ababa.

The Ethiopian trade that flows through Djibouti will be slowly diverted to Assab and Massawa as cheaper transportation becomes available. At present most ships stop at Aden whence goods go to Assab and Djibouti by dhow. As Ethiopia's trade increases, it is hoped that more and more ships will stop at Assab and Massawa thus making Ethiopia independent of both Aden and Djibouti.

F. Electric Power*

1. Present Situation

At the moment, power units in Ethiopia are very few in relation to the population, and are situated for the most part in the great centers of the country.

The existing power plants are a combination of thermic and hydroelectric units. Since Ethiopia has no presently exploitable sources of fuel except timber and charcoal, a great effort is being made to use as much as possible of the hydroelectric potential of the country. But owing to the great distance of the potential sources of supply from the centers of consumption, only a few small rivers and an artificial lake are being used.

The biggest power unit in Ethiopia is the Addis Ababa plant

* 61.
Communications map of Ethiopia.

Legend:
- Main highways
- Secondary highways
- Railways
which is composed of one hydroelectric and one thermic unit. The former is ordinarily used and electricity is generated by turbines moved by the water enclosed in the artificial lake situated just outside the capital. The latter unit is for reserve reasons and uses charcoal and diesel oil as do the other thermic units in Ethiopia. Charcoal is locally produced whilst diesel oil is imported. The other Ethiopian power stations are the Hydroelectric Plant at Nazareth (Adama), whose turbines are situated on the Awash River. Then there is another hydroelectric plant on the river Urso that provides electricity to Dire Dawa with the help of a thermic unit. The oldest of the river plants is the one at Gimma, which is also supplemented by a thermic unit. The other Ethiopian towns that have thermic units are Harrar, Gondar, and Dessie.

To these, the individual power units of some industries can be added. It is worth noting that the Urso and Awash plants are of very recent origin and though of small potential, are very welcome signs for the future.

2. Inadequacy of the Present Potential

In the previous section, the existing power units of Ethiopia (excl. Eritrea) were described. From the above it is obvious that their number is very small and that very few Ethiopian localities are provided with electric power. Even the existing power units are of such a small potential that the largest of them can only serve an area within a radius of 35 miles. Despite the new turbines that the Shoa Electric Company has installed in Addis Ababa and the new plants of Urso and Nazareth, the present potential of Ethiopia is insufficient to satisfy demand even at
the present high prices per unit of electricity. Proof of the above is that many of the industries, notably the sugar refinery, the Cotton Company of Ethiopia Ltd., and the cement factory, have to use electricity generated by their private stations. The Addis Ababa plant, though the biggest, can only supply electric current up to Sabbata (12 miles) and Bichoftu (25 miles). Ethiopia is in the process of developing her economy and she needs electricity very badly. To be able to fulfill the essential plans for her development, Ethiopia must be able to produce annually more than the present level of 17.6 million kilowatt hours.*

But once again we come to the problem of fuel. It is true there is hope of finding both coal and oil, but there is nothing concrete as yet to support such hopes. The only sure thing is that there is plenty of water and plenty of suitable sites for hydroelectric plants. As this is the only concrete possible source of power, it should receive much attention. However, most potential hydroelectric plant sites are distant from the present cities, and there is also a lack of capital to build plants. Those who have studied in detail the potential of Ethiopia in this field, describe it as tremendous. But they also say that the hopes for immediate development of this potential are premature because of present insufficient consumption to enable economic use of the power. The only solution would therefore be to enlarge the present plants, create new ones wherever necessary and, when conditions are suitable, to gradually tap the "tremendous"

* 59, p.4.
potential of the lakes and the rivers of the country.

G. Industry

1. General

Ethiopia is an agricultural country having a comparative advantage in agricultural production. If she were to follow economic theory, she should produce only those goods where she has the greatest comparative advantage or the least comparative disadvantage. This does not work properly in the present economic system, because the great fluctuations in the prices of many commodities make a purely agricultural country prone to great financial hardships.

To avoid the evils of these sudden price changes, Ethiopia must diversify as much as possible. However, she should be careful not to overdo any industrialization and that once attempted, she should concentrate mainly on industries allied to agriculture. In addition to which, certain essential industries, such as public utilities, should be created.

There are many areas in Ethiopia which could be industrialized, the best being the Addis Ababa district. The latter offers great possibilities but cannot be properly developed unless a methodical system is followed.

There was very little industry in Ethiopia before 1935 due to lack of interest of many foreign industrialists who were disappointed because they were unable to make huge profits as elsewhere, because of the high costs of transportation. The Italians were very interested in developing Ethiopia for their own purposes and, by the end of 1938
had created fourteen companies. Of these companies only three were devoted to activities other than the development of raw materials and food.

Since liberation a considerable number of new industries have come into being, the most important being a sugar factory, which will save yearly a considerable amount of Ethiopia's foreign exchange. It is hoped that soon many more factories of this type will be built, enabling Ethiopia to use more of her foreign exchange for capital goods and also to earn more

2. **Existing Industries**

   a. Oil refineries

   Part of Ethiopia's oil seed crop is locally refined in the nine existing mills of the country. Some Ethiopian edible oil was exported during the early post-war period, but at present most of the production is consumed at home.

   The refineries are distributed all over Ethiopia, five of them being in Addis Ababa and the rest in Lekempti, Debra Markos, Dessie and Harrar. Most of these mills are quite modern and their products good. From the by-products some soap, candles, etc., are also made.

   Recently a sort of trust was formed under the name "The United Oil Mills of Ethiopia", the purpose being to end the very damaging cut-throat competition which was endangering the life of the industry. The three biggest oil manufacturers, A. & M. Zecos, N. Halcoussis and N. Georgacas decided to form the above company which would be the only
oil producing company in the country. Smaller manufacturers were either bought out or paid to stay idle.

This move might have avoided serious damage to the manufacturers, but it has created a situation in which no competition exists, and therefore, there is no incentive by the producers to lower prices or to improve quality. This is detrimental to the consumer who is the one who pays the price for the lack of competition.

b. Soap manufacturing

The greatest part of the local demand for soap is satisfied by production within Ethiopia. Twelve local factories, which use mainly Ethiopian produced raw materials, produce ordinary soap. The relatively small demand for luxury soap is satisfied by imports.

c. Cement

Ethiopia's eventual development will require great quantities of cement. At present there is only one cement factory in the country, situated in Dire-Dawa on the railway line from Addis Ababa to Djibouti.

Though the factory is now covering the greatest part of the country's needs, more factories should be added in order to cover the expected rise in demand. Since raw materials for cement are abundant in many regions, new factories could be built near the centers of future demand.

d. Bricks, tiles, and cement pipes

There are at present only three such factories in Ethiopia. These, too, will have to be expanded eventually, in order to cope with the expected increased demand for building materials and supplies.
e. Saw mills

Ethiopia has great potential wealth in her forests. At present they are only partially exploited, the job being performed by eleven mills scattered all over the country. Of course, a great quantity of lumber is cut by the peasants and used in that form without ever going through a mill, but the largest part of the timber that enters the lumber market is a product of these few mills. The present potential of Ethiopia's mills is enough to satisfy the present needs of the country.

f. Alcohol

Some alcohol is manufactured in the immediate vicinity of Addis Ababa where the four local factories are situated. The raw materials used are cereals. Main uses of this alcohol are for medicine and the manufacture of alcoholic beverages.

g. Beer and other beverages

The St. George Brewery of Addis Ababa is one of the oldest factories of the capital. It produces good quality lager beer, which is consumed for the most part locally.

In addition to the brewery there are a few plants producing alcoholic and soft drinks. Owing to the relatively mild climate of the country, the latter have only a limited market compared with the demand for them in some of the hot neighboring areas.

h. Canning*

There is a great future in Ethiopia for canning. Owing to great distances that have to be travelled from the source of supply to

* 69.
the point of consumption or export, the less bulky the product, the better. In the case of meat, vegetables and fruit, canning is the solution for high transport costs and damage caused by the heat of the areas through which the products would have to pass if exported.

Canning of both meat and vegetables has been successful at the Shashamaneh factory. This factory, which started first by canning tomato extract, is situated in the heart of the rich Ethiopian Lake district, where the richness of the volcanic soil enables the raising of excellent crops.

The Shashamaneh plant is producing mainly tomato extract, but it also has facilities for the canning of meat and a variety of vegetables, such as beans, peas, etc. The plant includes facilities for the local transformation of U. S. imported tinplate into cans. The sterilization plant of the factory is modern and uses temperatures up to 250 degrees F. for meat and up to 132° for vegetables.

The Shashamaneh factory should be a good example of what can be achieved if investors are prepared to accept new ideas and invest some capital. The difficulties encountered by pioneers at Shashamaneh were greater than those any future investors will find.

It is hoped that in the future more canning factories will be established in Ethiopia so that the potential of the country may be fully realized.

i. Flour

Although a great part of Ethiopia's flour (wheat, teff, etc.)

# See map.
is still milled at home or at water mills, there is a tendency to switch more and more to modern electric mills. At present there are six modern mills in Ethiopia, the greatest of which is the Cerealia, which is situated in the outskirts of Addis Ababa. In addition to milling flour, it also produces various allied products, such as biscuits (cookies), spaghetti and other similar products.

j. Cotton goods

One of the main imports of Ethiopia is cotton goods, including cotton yarn, of which Ethiopia imported in 1952 2,825 tons and cotton cloth of which about 29 million square meters were imported during the same period. These quantities plus the production of the only textile mill in Ethiopia make up the annual consumption of the country.

The only textile mill now existing in Ethiopia is the "Cotton Company of Ethiopia Ltd.", situated just outside Dire Dawa. Although it is working at full capacity and operates three shifts a day, it can only satisfy one eighth of Ethiopia's current demand.

The mill is very modern, is managed by British technicians, and employs about 1,600 Ethiopians and 16 Europeans.* It has 20,000 spindles and about 300 automatic looms, thus performing all the operations from raw cotton, which is imported, to the finished product.

The mill produces the popular qualities of plain cloth known as aboudjedid, the most widely sold variety in the country.

k. Fiber products

Being an exporter of coffee, cereals and pulses, Ethiopia

* 26, p.1.
needs a great quantity of gunny bags for their transportation. At present there is only one fiber factory in Ethiopia specializing in bags. This plant is in the outskirts of Addis Ababa and produces bags for the exporters. More of these plants will be necessary for Ethiopia as her exports of agricultural produce increase. Despite the fact that some of her exports are now transported by tank, it will be a long time before it will be possible to dispense with bags.

1. Leather and shoes

The four tanneries and two shoe factories in Ethiopia are all situated in Addis Ababa or its vicinity. The leather tanned in Ethiopia is used locally for various purposes, the most important of which is shoemaking. In addition to the two existing relatively modern shoe factories, many shoes are made by individual shoemakers.

This industry has a great future, because as the standard of living goes up in Ethiopia, there will be an increasingly greater market for leather goods and especially shoes.

m. cigarettes

The Government owned Tobacco Monopoly of Ethiopia operates, in Addis Ababa, a modern cigarette factory. Ethiopian cigarettes are made of a blend of domestic and foreign tobaccos and are consumed locally.

n. Glass

Most of the more popular types of glasses and bottles used in Ethiopia are produced by the one Addis Ababa glass factory. Though not very modern, the factory is efficiently run using mainly Ethiopian labor.
o. Other industries

In addition to the above mentioned industries, there are a few others in Ethiopia. Though not very important, they help in the production of some locally used consumer goods.

These are six furniture, one button, one hat and one perfume factories.

3. Caution Necessary in the Establishment of New Industries

It can be seen from the last section that there are but few industries in Ethiopia. At present a very high percentage of the manufactured goods needed by the country have to be imported.

In order to reserve as much of the foreign exchange as possible for the import of capital goods, there is a tendency toward the establishing of various small industries which manufacture some of these goods locally. Quite a few of the industries listed above came into being recently, and more factories are springing up gradually. Of course the rate is not very spectacular by American standards, but it is hoped that the present trend will soon gather momentum and that more local and foreign investors will venture into the manufacturing of essential goods. Ethiopia should avoid investing such capital as becomes available, in uneconomic and inefficient industries which can only exist behind the protective shield of duties or other obstacles to free trade.

Ethiopia should concentrate in the fields of foodstuffs and raw materials, because there she has a comparative advantage over most of the neighboring areas.

The fact that present Ethiopian wages are low tends to enhance...
the competitive position of labor-intensive mining and agricultural industries. As labor becomes relatively more scarce in the course of development, it is bound to become more expensive. But by then, Ethiopia will have improved her communications, and this rise may be offset by lower transport costs and also by the better quality produce which should result from improved agricultural methods and animal health.

However, recent improvements include the establishment of machinery for the cleaning of the country's exports of coffee, cereals and pulses, the building of more oil refineries and the sugar mill in Nazareth. To these has been added the effort to modernize some of the existing plants, such as the cotton mill of Dire Dawa.

It is very fortunate that the Imperial Government, having realized the importance of agriculture to the country, has put its efforts into the development of industries mainly allied to agriculture.

H. Finance

1. The Monetary System

Ethiopia has for a long time used no paper currency. Before 1850 most trade was done by means of barter, but about 1850 the silver Maria Theresa dollar was introduced in Ethiopia, remaining the most widely accepted currency up to 1945.

Despite the efforts of both Menelik II and Haile Selassie 1st, to introduce a state currency, the silver dollar never lost its importance as currency. Although the Italians tried to introduce their lira,
they failed to get it accepted by the Ethiopians. As there was no confidence in the lira, trade fell and the Italians were compelled to mint silver dollars.*

When Ethiopia was liberated, the British brought with them the East African shilling, increasing the number of currencies in circulation to three.

The situation that resulted made normal commercial activities very complicated because of the continuous change in the relationships among the three currencies. To clear up the existing confusion in 1945, the Ethiopian Government issued, with the help of a U. S. Lend Lease loan, a new currency called the Ethiopian Dollar (Eth.$), equal in value to 5.52 grains of fine gold,* or U. S. $0.4025.

The new currency is issued exclusively by the State Bank of Ethiopia, acting on behalf of the Ministry of Finance. Since its introduction, the Ethiopian Dollar has successfully replaced all the other currencies and is now the sole currency of the country. For the first time in her history Ethiopia has a paper currency widely accepted by the people, who now have confidence in it. The Maria Theresa dollars recovered by the Ethiopian Government are now part of the monetary reserve of the country, owing to their high silver content. The East African shillings which, together with the silver dollars, formed 60% of the original reserves were exchanged for sterling balances in London. The remaining 40% was made up by the sale of newly mined gold and by the gain of foreign exchange balances from the balance of trade surplus.

* 37, p.17.
The total issue of notes on June 30, 1953, was Eth.$101,220,572,* backed by foreign securities (31%), Ethiopian Treasury bills (35%), silver (15%), gold (9%) and silver (10%).* The law requires that the reserves of precious metals and foreign securities must be at least 30% of the notes issued, but at present the notes issued are covered to the extent of 65%.*

Although the reform succeeded in replacing the silver dollars by paper currency, some of the old habits of the peasants remain. Silver fifty-cent pieces are still hoarded and sold at a premium, but the incidence of this practice is very low.

The Ethiopian dollar is divided into 100 cents. Coins are of one, five, ten, twenty-five and fifty cents. Notes are being issued for 1, 2, 5, 10, 50, 100 and 500 Eth.$.

Ethiopia did not follow the 1949 sterling devaluation, and the Eth.$ has remained quite strong. At the time there was fear that the dollar would have to be devalued sooner or later because of the volume of trade that was done with the Sterling area, but this never materialized because of cuts in imports and increased trade with the Dollar area.

2. The State Bank of Ethiopia

Most of the banking business in Ethiopia is performed by the State Bank of Ethiopia, the agent of the Ministry of Finance. The Bank issues the country's currency and is the only authorized agency which deals in foreign exchange.

* 37, p.16.
** Ibid., p.20.
The State Bank was formed in 1942 and took over from the English bank, Barclay's (D.C.&O.), which was brought in temporarily by the British soon after liberation.

The predecessor of the State Bank was the Bank of Ethiopia, which was the first Ethiopian-controlled bank and was formed in 1931 in order to take over from the Bank of Abyssinia. This latter was the first bank in Ethiopia (formed in 1905) and was under Egyptian control.

Although there are three other banks in Ethiopia, their functions do not include the sale or purchase of foreign exchange.

The State Bank has many branches scattered throughout Ethiopia and a few in the adjoining territories. It has agents all over the world thus facilitating all banking operations. In the country the operations of the State Bank include demand and saving deposits, mortgage, merchandise, guaranteed loans, overdraft facilities as well as discounting bills. In addition to the above domestic services, the bank offers all the necessary services for foreign trade.

So we see that the State Bank is a very important part of the Ethiopian economy, because in addition to the services it provides for domestic and international business, money issue and circulation as well as all dealings in foreign exchange are performed solely by it.

The first eleven years of operations have been very successful for the Bank. Deposits and assets have risen considerably, and a national currency was successfully introduced. These successes would have been impossible without the enthusiastic cooperation of the original

# The Banque de l'Indochine, the Agricultural Bank and the Development Bank of Ethiopia.
handful of employees.

The State Bank, owing to its privileged position, faces practically no competition, and therefore, some inefficiencies have resulted. To cure the above and to avoid their being repeated in the future, additional banks should be allowed to form to take over most of the commercial work of the State Bank. The latter should have exclusively a role similar to that of a central bank such as the Bank of England.

3. Interest Rates and Loan Volume

During 1952 the loans made by the State Bank increased by about 12% to Eth.$ 24,467,563. The increase was due mainly to a greater amount of loans made to the Government.

As there is a relative shortage of capital in Ethiopia, interest rates have been quite high. During 1952 the Bank lent at rates ranging from 7 to 9 per cent.*

4. Exchange Controls

When the pound Sterling was devalued in 1949, the Ethiopian Dollar did not follow the former's road, despite the fact that most of Ethiopia's trading partners did so.

Instead, by the legal notice No. 127 of 1949, exchange controls were introduced in the country.** The reason for this introduction was to avoid a rush out of Ethiopian Dollars to Sterling and also the exhaustion of Ethiopian foreign currency for the purchase of the now cheaper sterling goods.

The State Bank of Ethiopia was made the exclusive dealer in

* 30, p.7.
** 47, pp. 1-9.
all foreign currencies and at the same time the exclusive custodian of
all the foreign exchange of the country both at home and abroad. A spe­
cial department, the Exchange Control Office, was formed within the State
Bank. Its purpose was to carry the decisions of the new Government de­
cree on foreign exchange.

The office formulates all rules and sets up procedures within
the framework of which foreign exchange is controlled and its issue
regulated. Application made to the office for the granting of foreign
exchange must be accompanied by a list of the goods to be imported. If
the Office approves the importation of the requested articles, exchange
(foreign) is automatically given, provided balances of the requested
currency are held by the Bank. The same applies when foreign exchange
is requested for the payment of services performed abroad.

When the Exchange Control Office considers an application for
the granting of foreign exchange, care is taken in approving only the
demands that are made for essential goods, those needed for the develop­
ment of the country and others important to the mass of the people which
cannot be produced at home. A list of the essential goods includes:
Pharmaceuticals and medicines, machinery, building and construction ma­
terials, petroleum products, essential textiles, spare parts for essen­
tial vehicles, tires and tubes, salt and sugar, and a few other items.*
If any of these items become available in Ethiopia, it is removed from
the list. This will apply very soon to sugar, as production starts at
the Wonji plant.

* 12, p.15.
Some permits are also given for remittances to relations of permanent inhabitants who live abroad, to students studying abroad, and to the country of origin of foreigners employed by the Ethiopian Government. Other permits are also given for the transfer of dividends.

To control all foreign exchange earned from sales of Ethiopian goods abroad, the Government requires that no goods will leave the country without an export license. By this method the full 100% of the receipts of foreign exchange are surrendered to the Exchange Control, which pays the exporter the equivalent in Ethiopian Dollars.

Despite the fact that exchange controls are harmful to trade, Ethiopia had to introduce them. In today’s world, trade has ceased to be free, and almost every country in the world uses all forms of protection. Some of the protecting countries are more severe than the others, but all more or less discriminate against one another. A notable exception is the U. S. whose tariffs are practically the same for every country.

Ethiopia is one of the very few countries in the world which has tariffs purely for revenue purposes and keeps exchange controls in order to conserve foreign exchange for the imports most necessary for her development. Had there been no exchange controls, most of the sales of Ethiopia’s exports would most probably have been used either for the transfer of capital abroad or for the import into the country of luxury goods, depriving the country of what it really needs.
5. **Taxes and Government Revenue**

The collection of revenue was very difficult before 1936 due to bad communications and to the relative difficulty of controlling distant provinces from the capital.

In the period preceding the Italian occupation, there was neither a budget nor centralized accounting.* Taxes were often paid in labor or kind and were therefore used locally. Therefore, there was no clear distinction between the expenditures of the state and those of either the sovereign or the local Governors (of the provinces). Taxes were mainly collected by the latter, and so the revenue of the Central Government was limited very often to the personal property of the Emperor and the Crown, supplemented by some levies on alcohol, coffee, etc.**

The first direct tax levied in Ethiopia was introduced in 1934, when on the eve of the Italian invasion a tax of $1 was to be paid by all adults and 20% of salaries and feudal dues.***

At liberation, great difficulties had to be faced, because not only the existing Italian systems had to be changed but also a new regime different from the pre-1936 one had to be established. For the first two years no proper budget was made because of the process of reorganization. During this period, the Italian tax systems were retained, but they were abolished soon after. Post liberation statistics show also that sources of revenue had changed somewhat.

* 12, p.190.
** 3, p.204.
*** 12, p.197.
In the period between 1943-1945 despite the fact that the largest single revenue item came from the land tax (21 million), the remaining 69 million came from other sources, such as custom duties (15.5 million), sale of gold (10.0 million), excise taxes (6 million), British Government subsidy (7 million) and various other items.*

Of the above, the British subsidy ceased soon after, while the other items have stayed approximately of equal importance. Custom duties are an exception, since because of the increase in imports, their importance has increased proportionately. A new item that has brought in revenue to the Government is the export tax on coffee and other exports. The trend in Ethiopia is to collect more and more of the Government's revenue from taxes on imports and exports and away from the older emphasis on land taxes. At present an effort is being made to increase revenues by the introduction of profit and salary taxes.

In his report on the Ethiopian economy, Mr. Breaux of the American Embassy says that during 1952 new expenditures by the Government were covered mainly by a new 1% tax on imports and exports, increased taxes on coffee, new municipal tax fees and the application of a 4-5% education tax on Eritrean imports.** From this we can see that the duties levied on Ethiopian imports are mainly for revenue and not for protection. In 1952 duties on imports made for 45% of total Government revenue.***

* 12, p.204.
** 30, p.9.
*** 59, p.4.
As no detailed budget figures have been published lately, it is not possible to show the revenues for each fiscal year. It is probable that during the 1952-53 fiscal period the total Government revenue exceeded Eth.₳ 100 million.*

During the same period (1941-53) the expenditure side saw a constant increase of funds spent for education, road construction and health. The type of these expenditures follows closely the Government policy to help the education of the Ethiopians and also to improve the communications and sanitation of the country.

I. Labor Conditions and Wages

Despite Ethiopia's status, a potentially-rich, underpopulated country, the standard of living of her people is low by American standards. The density of Ethiopia's population is roughly twenty persons to the square mile, leaving thus uninhabited large areas of fertile land.

Although the standard of living of the Ethiopians is low, it is higher than that of many other African and Asian people.** In the last few years with the increase in coffee exports and the rise in world prices, the standard of living of the Ethiopian peasant has risen somewhat. This is apparent from his expenditures for more expensive but basic goods, such as khaki cloth, sugar and other goods.

As the Ethiopian population is scattered over a relatively large area with poor communications, no census has ever been taken. Estimates vary from 12 to 15 million, a recent official estimate being

* 30, p.8.
** 12, p.176.
million.* It is therefore impossible to give any good estimate of the available labor force.

In Ethiopia the labor force consists of men, women and children below 15. The composition of the labor force varies from place to place and from country to town.

Although a great part of Ethiopia’s labor force was unskilled up to a few years ago, today more and more Ethiopians are trained to do skilled work and to enter Government service. At present there is a fairly large number of Government clerks, truck drivers and mechanics, factory workers, carpenters, builders, etc.

In the future more and more Ethiopians will pass into the higher income groups because of the policy of training Ethiopians for most of the jobs now performed by foreigners, the Ethiopian Airlines and the State Bank being the best examples.

Wages in Ethiopia vary according to the location and to the sex of the worker, being higher in the towns than in the countryside. It is very difficult to determine exact wages, because in many instances food and/or lodging are provided to the workers. Despite the above, it can be safely said that the wage level of unskilled workers in the towns is about Eth. $1 a day ($0.40 U.S.) dropping as low as 50 cents in some rural areas. Skilled workers can get up to 12 dollars a day depending on the work they do. A carpenter usually gets about Eth.$ 7-8 a day.

For clerks and civil servants salaries vary according to the

* 71.
education and seniority, and range from Eth.$ 100 to $400/month or more.

From the above it can be seen that wages in Ethiopia are very low, but the country obtains little competitive advantage from this because of the relative low productivity of many workers due to lack of incentive and skills.

In addition to the low wages they get, many heads of families are burdened with non-working dependents so that the unskilled worker spends almost all his salary just for the bare necessities of life.

An average working-class family in Addis Ababa spends 58% of its income for food, 10.7% on clothing, about 10% on rent, 5% on fuel, 3% on light and water, and the rest on miscellaneous expenses.*

Of the amount spent on food, about 30% is for cereals, 15% for vegetables, 25% for meat, 15% for butter and edible oils, and the rest on miscellaneous items like salt, sugar, milk, etc. Obviously, the diet of the Ethiopian worker is very starchy and low in protein. Actually the above figures are slightly misleading, because owing to the relatively high prices of meat, butter and oils these items seem more important in the diet than they actually are. The diet of the "poor" Ethiopian is mainly "injera", a local bread equivalent made out of teff (similar to millet).

These figures were given, despite the title of the section, because the writer wants to emphasize that the present low wages paid in Ethiopia help neither the employers nor the employees. The former have to employ more workers to do a particular job, and the latter are

* 33, pp.5-9.
relatively undernourished and susceptible to illnesses.

Training is another necessity for the Ethiopian worker, so that he can do his job quicker and better and be able to follow instructions better than now.

With a better-fed and trained labor force, Ethiopia will be able not only to decrease her costs of production but also raise the standard of living of the people.

Although most of the above referred to urban workers, many of the problems, especially those related to training, apply as well to rural workers.

J. Loans and Investment

There are two main ways by which a country can finance its development, with foreign capital in the form of loans or equity investment, or by using internal savings whether voluntary or compulsory. The former brings quicker results with less hardships, since the latter means foregoing present consumption for the sake of saving for capital development.

In the last hundred years there are two notable examples of the two systems, the U.S.A. and the Soviet Union. The former helped its development by borrowing the savings of Europe in the form of British, French and other European loans and investments. By the utilization of these funds, there was a relatively rapid development during which the people were not forced to unduly forego consumption, actually enjoying a rise in their standards of living in doing so. As the country came out of the young debtor class, it started repaying its debts and buying
out many of the foreign investments while at the same time it started investing abroad. In the case of the Soviet Union the other extreme was followed. In order to save for industrialization, consumption was kept at a minimum, and development was accomplished with the use of a minimum of foreign loans.

Ethiopia is now in the same stage as the U.S. and the Soviet Union were at the beginning of their development. She faces, therefore, the dilemma of following one of the two systems. Of course, the first one is the faster, but because of the bad record of investments in colonial areas, its consideration brings much skepticism. The exploitation of Iran by the Anglo-Iranian Oil Company, of Guatemala by the United Fruit Co. and other similar examples make most of the "new" countries afraid of such a type of financing.

Although direct investments in many territories did exploit those territories in the past, there is hope now that Ethiopia and other countries in the same position will take enough safeguards so that no such exploitation will take place.

Ethiopia must welcome foreign capital if she is to develop her economy rapidly. However, at the same time domestic capital should be fully utilized and sought through the abolition of hoarding.

In the process of development Ethiopia should try to effectively divide her economy into two spheres, public and private. The former will be that part which does not give adequate profits but which benefits the whole community, including such investments as roads, public utilities, hospitals, etc. Owing to the high initial investment and the low
direct return, these ventures can only be performed by such International bodies as the I.B.R.D. or by other Governments through similar bodies. In this case local expenses should be met by local funds. In the private sphere, profits may be expected to be relatively greater than in the first case and investment will be more attractive to private firms. Investors should be allowed to send abroad only a certain percentage of their profits, while the rest should be reinvested locally. This method is better than to allow a set percentage of the original investment to be repatriated annually, because in the latter case even in bad years the same amount of foreign exchange will be lost by the country. Although in a good year more may be exported than in the second case, there is more likelihood of re-investment.

In the years since liberation Ethiopia has received some loans and little private investment, but the rate is not high enough if the country is to develop and modernize its economy. In his 1952 report on the Ethiopian economy, Mr. Clarence T. Breaux, Second Secretary of the American Embassy in Addis Ababa, says:

"To ensure lasting economic benefits, additional investment in, and development of, industries, mining activities, and agriculture are needed. The Government has often expressed its desire to welcome foreign private investment, but so far little has been done to encourage interested investors, either by promulgating detailed legislation defining the duties and the rights of investors or in taking prompt and decisive action on specific investment projects."

In these few lines Mr. Breaux summarizes why there has been so little private investment in Ethiopia. As a matter of fact, it is this lack of legislation that has hampered the establishment of many foreign

* 30, p.l.
concerns. This delay of the Ethiopian Government is justified, because great care has to be taken before the country ventures forth in accepting foreign concerns. The terms have to be carefully weighed before decisions are taken. Up to now the foreign concerns that came to Ethiopia negotiated individual agreements with the Government. Still, the writer does not see why other interested investors do not follow the road of individual agreement as did the H.V.A. for its sugar plant and concession at Wonji.#

In the post-liberation period investment in Ethiopia, both foreign and domestic includes the establishment of many new industries, such as the sugar mill at Wonji,# several oil mills, power plants by the Government, coffee and cereal cleaning plants and many others. At the same time many dwelling houses, both of native and European styles, were erected during this period.

Many plans exist to increase investment in both new and old areas. In 1953 and 1954 a new textile and a new fiber mill will start operations.# Plans have also been made for investments in leather tanning, baking and oxygen manufacture.*

All the above investments are either local or direct ones by foreign investors. During the period under review (1941-53) some financing was also done by the loan method described earlier in this section.

Loans were made to Ethiopia by the I.B.R.D. for various

# See chapter on Wonji sugar mill - also chapter on new industries.
* 30, p.2.
purposes. The first was a loan of U.S.$ 5,000,000 for the improvement of the country's roads, and with the help of this loan the Imperial Highway Authority was formed. A second loan of U.S.$ 2,000,000 was made for internal development.* With the latter a Development Bank was formed to help agricultural and industrial development. These loans were the first to be made by the I.B.R.D. to an African country. I.B.R.D. also made a U.S.$ 1\frac{1}{2} million loan for the development of telecommunications, results of which are not available at present.

In addition to these loans, Ethiopia got help from U.N.R.R.A. during the immediate post-war period, which is now being supplemented by Point Four and F.A.O. assistance. The latter two bodies are helping Ethiopia in her efforts to train technicians, to improve conditions in agriculture and health, to control animal health problems, etc.

The foreign debt of Ethiopia amounted at the end of June, 1952, to Eth.$ 23,452,658 (These figures are the latest available).**

K. Development Projects

1. Highway Construction and Improvements

One of the main needs of Ethiopia is improvement of existing roads as well as the building of new ones. Improvement of the roads will make the country's hinterland more accessible, and therefore, costs for the transport of goods to and from the interior will be greatly reduced.

A road program is therefore one of the main problems in the development of Ethiopia and is being administered by an Imperial Highway

* 56, p.1.
** 30, p.7.
Authority, financed jointly by the Ethiopian Government and the I.B.R.D. loan which Ethiopia got in 1950. At that time, the highway authority was formed in conjunction with the American Public Roads Administration. This latter body was to provide the technical personnel for the operations which were to use the $5 million loan for foreign exchange cost of equipment, supplies and services,* and local funds to the extent of U. S. $50 million over 20 years for the local costs. The World Bank loan was for a 20-year period.

The Authority, in operation for nearly three years, has not come up to expectations. They did try to repair many roads but encountered great difficulties, principally lack of skilled labor and bad foundations of the already existing roads, these being on black cotton soil and very susceptible to damage during the rainy season. Early hopes proved rather too optimistic.**

Main roads now being repaired by the Highway Authority are:

1. Addis Ababa to Gimma about 220 miles
2. Addis Ababa to Assab " 500 "
3. Addis Ababa to Lekempti " 205 "
4. Gondar to Eritrean border " 280 "
5. Bichofo to the Auach " 115 " Road goes through Nazareth
6. Errer to Dire Dawa " 37 "
7. Dire Dawa to Gigica " 100 "
8. Nazareth to Azelle " 48 "
9. Addis Ababa to the Blue Nile " 135 "

* 56, p.2.
** 70.
10. Mojo to Adola about 260 miles

11. Combolzia to Asmara 340 " Continuation of Addis Ababa road

12. Adigrat to Adi Abuna 65 " This is road to Gondar

13. Blue Nile to Bahr Dar 45 " *

Only these main roads are being maintained by the Highway Authority because the available capital is not sufficient for the magnitude of the job in hand. But even with the limited resources and many other difficulties, some progress was achieved in the serviceability of these partly macadamized roads. At this point it should be noted that many of the roads had their bridges destroyed by the retreating Italian forces, and therefore, the rebuilding has brought costs up. In road No. 13, the little Nile (Little Abai) was bridged with great difficulty. Some of the bright spots in the work of the Authority in Ethiopia are the basic improvements on some of the roads under repair. One example of these improvements is the substantial saving of time in traveling between Wondo and Dilla. Before the repairs, the journey between the two points took more than nine days in the rainy season. Now the journey is done in 3 to 4 hours.** The money value of such saved time will be more obvious with time. A considerable improvement has also been noted on the Assab to Dobi road, where the journey can now be made in 7 hours compared to the 13 to 14 it took 2 years ago.***

It has been the policy of the Authority to train as many Ethiopians as possible to take over the job of maintenance from the

* 70.
** 72, p.2.
*** 72, p.1.
American personnel. At present there are 100 Ethiopians employed for every American.* One of the best illustrations of the value of improving Ethiopia's roads is the lowering of costs in transportation. On the Addis Ababa-Dilla road the cost of transporting salt has fallen by about 45%, that of coffee by 66% and of hides by 56%.* Another good result is the lowering of petrol (gasoline) retail prices from U. S. $0.865 to $0.752 to the gallon, which was made possible by importing through Assab.

From the few examples given above, it can be seen that there is much room for improvement in Ethiopia's road system. The information was obtained from the Highway Authority and may be exaggerated. Personal experience indicates that this may be so for the Wondo-Dilla road, at least. But despite any possible exaggerations, it is obvious that the Highway Authority is doing a lot of good for the country. The handicaps were many and great, although there is a feeling in Ethiopia that the managing personnel were too optimistic at first and also a little too generous in their town and administrative expenses.

2. **Point Four*****

a. Projects

One of the great gaps in the economies of the underdeveloped countries is the lack of technical personnel and advisors on the different economic problems that need solving in the course of modernizing their economies. To help solve this, the U. S. Government has undertaken to provide many of the world's underdeveloped countries with

* 73, p.2.
** 74, p.4.
*** 63.
technicians and funds which combined with local personnel and funds
would work toward the desired results. The agreement for the establish-
ment of Point Four was entered into on the 16th of June, 1951,* and the
first technicians arrived in 1952.

In nearly every country where Point Four people have gone, the
local people have been well pleased.

In Ethiopia, one of the biggest and most important problems
is technical education. Although many projects are underway, by far
the most important is the education of the country’s youth in the skills
most urgently needed by Ethiopia to develop the country’s agriculture,
the greatest of all its potential riches.

So, the primary function of Point Four is "to educate the
indigenous labor force which will be thus able to help in improving
their economy and in raising the country’s standard of living."

During their short stay in Ethiopia, the experts have tried
to find the weak points of the country’s economy and notably those of
agriculture. It was found that Ethiopia’s potential was very great as
far as agriculture was concerned and that with relatively little effort
the rich land of the highlands can be greatly improved.

First, Point Four set up agriculture schools in which people
are trained for the intelligent working of the land. Already established
is the one at Gimma, which has been operating since the fall of 1952.
This school has a capacity of 140 students, but a very encouraging point
is that the peasants have welcomed the school, many more of them apply-

* 21.
** 63.
ing to go there than can be accepted because of present limitations of space and personnel. In addition to this rather elementary technical school, another one of junior college level will soon be in operation at Harrar. The most promising students from the Gimma school will form part of the Harrar freshman class. However, development of Ethiopia's agriculture will require a much greater number of specialists than the projected schools can train. Other schools will have to be added to the above in such locations as: the Lake Tana region, the Gore area, and others. Also, Point Four has provided teachers for other technical and handicraft schools.

b. Animal Health

Other plans of Point Four include various projects in cooperation with the Food and Agriculture Organizations (F.A.O.) of the United Nations. The two above mentioned bodies are planning to establish health stations for animals to help cure and improve the breed of the local species. With relatively little care the cattle mortality in Ethiopia can be considerably reduced, thus increasing the potential of the country's meat production. Also, an attempt will be made to organize the marketing of the animals and to set up slaughter houses at various points in the country. "There is no point in saving the animal's life if you cannot market it, because the result will be an extra strain on the country's grazing fields."* The two bodies hope to achieve organized marketing by attracting private capital into the country.

* 63.
c. Human Health

Point Four will soon begin devoting much of its effort to combating the illnesses that are most widespread among the masses. Owing to centuries of neglect and a general lack of knowledge of even the most elementary rules of sanitation, the job will be very difficult. The suggested solution does not lie in a mass cure of patients and the mass vaccination of others, but again in the teaching of the masses to perform some of the elementary practices of hygiene and sanitation. The basic technique will be to train a select number of Ethiopians who will in turn go out from their villages to teach the peasants the fundamentals of health and to perform services like delivery of babies, bandaging, etc.

This solution, despite the fact that it looks less humane than the first, is the only practical one, because the former would require capital and personnel beyond the capabilities, not only of Point Four, but also of the Ethiopian Government, even if it were to spend most of its yearly budget on such measures.

It is hoped that the people will become more conscious of their ills and their causes and try to avoid most of them. If the above is achieved, then the job of vaccinating, etc., will be easier and less costly in the future. To achieve this goal, the Point Four administration is planning to establish public health training centers. At present just one will be set up in Gondar (Lake Tana), but later plans call for setting up several more in other centers of Ethiopia.
d. Wells

Another of Point Four's plans consists of well-digging, primarily for the purpose of providing the local inhabitants with potable water. At present, one of the first things that strikes a foreigner when he arrives in Ethiopia is the spectacle of women walking for miles to bring some potable water to their villages. The nearest spring is often miles away.

In most places in Ethiopia there is more than enough water in the wet season, but there follows a dry season when rains are very rare. Then is the time when a shortage of water is felt, and as there is plenty underground, the easiest way of getting to it is by digging wells. Later on, as things progress, these wells can also be used for irrigation, as they are in many parts of Europe. Point Four, through the above program, is only trying to provide the basic groundwork for a later extension of the plan to the rest of the country. At present they plan to open only a few wells, which will show their practicability as well as the advantage of having clearer water than hitherto. Therefore, the bulk of this well-digging will have to be done by the Ethiopians themselves later on.

e. Agric. Co-operatives

Another activity of Point Four consists of preparing an inventory of and assembling all the heavy equipment brought in by U.N.R.R.A. or left behind by the Italians. At the moment, in addition to the above, Point Four people are trying to put the usable machines (agriculture) aside, so that, in the future, machinery pools will be available in
certain key areas of the country where peasants can receive instruction from American technicians in the use of the machinery. It is planned to lend this equipment to them for a small fee. Later, the use of the machinery will be on a co-operative basis.

f. Surveying

Another of the activities of Point Four people is the study of the various parts of Ethiopia in order to prepare the groundwork for various projects, such as the dam near Coca, south of Addis Ababa. American engineers are doing the preliminary surveys at the place where the Ethiopian Government hopes to establish a multiple dam for both irrigation and hydroelectric power.

3. Attitude of the Ethiopian Government

The Ethiopian Government has been very enthusiastic about Point Four and has given it as much help as possible. Several Ministries have asked for assistance in solving some of their administrative problems.

When Point Four first came to Ethiopia, many people were pessimistic about its success because of the relatively few funds that were available. Fortunately, it appears at present that things have gone better than expected, and the Point Four personnel in Ethiopia are very optimistic for the complete success of the whole plan. One of the policies that has kept Point Four on good terms with the Ethiopians is that nothing is tackled unless so requested by the Ethiopians themselves. This has kept the atmosphere clear of major misunderstandings.
4. Financing

Financing is done through joint funds contributed by the Ethiopian and American Governments. As a matter of fact, in time, Ethiopia will be contributing more than the United States. The funds, appropriated for each plan, are administered jointly by the Director of Point Four and the Minister whose Ministry is concerned by the plan.

The Ethiopians, who deposit in advance their part of the fund, pay local costs, such as buildings, lands and services, and any other expenses paid in Ethiopian Dollars. The American part is mostly for the procurement of Dollar area goods, although it does not always mean that the dollar goods are given preference if cheaper goods can be obtained in other parts of the world.

So that is in short what Point Four is doing in Ethiopia. The program holds great promise, and it is hoped that it will be continued because the services of Point Four are greatly needed in Ethiopia. Happily the enthusiasm of the American personnel is shared by the Ethiopians, who are now very eager for Point Four's success in their country.

One disturbing factor is the present mood of the American Congress, which is to tie Point Four to other forms of assistance. Independent countries like Ethiopia are sometimes reluctant to accept any help which appears to have strings attached to it, and therefore any move in associating closely Point Four with the Military assistance program might change the original altruistic form of the plan.

5. F.A.O. Work in Ethiopia*

* 31, p.3.
The F.A.O. has performed very valuable services in Ethiopia. When the mission first arrived in the late 1940's, great problems had to be faced, the most acute being the health of the animals. Rindepest, blackleg, and anthrax had to be prevented from making Ethiopia's cattle unacceptable to foreign markets.

Rindepest was the most serious of the diseases that the mission had to fight. At first emphasis was put on the establishment of laboratories to produce protective vaccines. Native personnel was trained and accompanied F.A.O. road teams "up country" to vaccinate cattle.

At first the Ethiopian farmers were somewhat hostile but were soon won over by the beneficial results. Increasing numbers are now being vaccinated, and continuation of this work may well enable all the cattle of Ethiopia to be free from the terrible disease that killed so many animals every year. In addition to rindepest vaccines, F.A.O. laboratories stock other kinds, which have been effective against lesser diseases.

In addition to animal health, F.A.O. has helped farmers in the selection of seeds, and the Government with its forestry problems.

Future prospects are brightened by the expectation of F.A.O.-Point Four cooperation toward the solution of the remaining problems of Ethiopia's animal industry (care, breeding, etc.).

6. **Sugar Mill at Wonji**

One of the most hopeful and promising projects that has been
started in Ethiopia since liberation is the sugar factory now being built at Wonji (near Nazareth), about 70 miles s.w. of Ethiopia's capital.

This concern, which includes a sugar cane plantation in addition to the refinery, is very big by Ethiopian standards. The concession for both the refinery and the plantation have been given by the Imperial Government to the Dutch H.V.A. Company, formerly one of the greatest sugar concerns on the island of Java (Indonesia).

Owing to its great experience the company has tackled very realistically most of the problems that had to be solved. Many of the difficulties encountered at first were very similar to those that the company had formerly faced in its Javanese plant, which was the largest on the island. The company came to Ethiopia about three years ago and took over the concession from another company that had started the project but failed to complete it.

The difficulties encountered at first were really great, there being a marked lack of skilled labor. So Ethiopians had to be trained by the Dutch technicians who in Java were accustomed to use highly skilled Chinese workmen. After three years the Company is now in the final stages of preparation. Production is scheduled to start in April, 1954.

The establishment of this concern in Ethiopia has brought many interesting experiments to the country. First, the sugar mill will be the biggest concern of a similar nature which has been yet undertaken. Secondly, the company has undertaken to cultivate its own sugar cane,
which will be done with modern mechanical irrigation hitherto unknown in Ethiopia.

The land which holds the mill and the other installations of the company, plus the 12,000 acres of cultivable land in the company's possession, have been hired from the Ethiopian Government for a long period of years at the end of which the lease may be extended.

Wonji has now a new town of houses and other buildings erected by the company, which now employs only 50 European workers compared to 3,500 Ethiopians. The potential of the factory is about 15,000 tons per campaign but it is hoped that this can be somewhat increased, if necessary. This production is obtained from cultivation of only half of the cultivable area. In case more production is needed, the additional 6,000 acres will have to be sown with sugar cane. The various experiments undertaken by the company make it a real pioneer in Ethiopia.

As fuel, the mill will use leftovers from the cane, making itself completely independent of outside fuel needs. The second major innovation is the establishment of a modern mechanical system of irrigation through a pumping station built on the banks of river Auach, which is capable of pumping 4 m. of water a minute. At first only sugar will be produced at Wonji, and all by-products except the cane crushings will be disposed locally. The cane crushings will be used to produce steam which will be partly used to give electricity to the mill through the company's own generating plant. As the above fuel will be available only during the campaign, a supplementary diesel plant will be used to

# Campaign is the nine-month period during which the sugar refineries are working.
give electricity to the settlement during the rest of the year.

Workshops and many other installations have been built near the mill so that all maintenance and repair jobs can be done rapidly. Most of the machinery used by the company came from Holland, but building and other locally obtained materials were bought in Ethiopia. Tiles and bricks were constructed by the company itself at Wonji.

The factory is being built primarily to cover Ethiopia's needs (including Eritrea), and exports are not being considered at present. It is hoped that the country will soon be able to absorb more than what the mill will produce, based on the recent rise of the very low per capita sugar consumption of Ethiopia. As the standard of living rises more and more sugar will be consumed locally, making potentially a great expanding market for sugar in Ethiopia. As consumption increases, the installations at Wonji will have to be increased and with lowered costs, Ethiopia might be in a position to export sugar to her neighboring countries.

As soon as Wonji starts full production, great quantities of foreign exchange will be saved by Ethiopia, for whom sugar is one of the main import items. (See chapter on trade).

Ethiopians look with great hope to the Wonji experiment, because it is one of several projects which by developing Ethiopia's agricultural industries will both save and gain foreign exchange for the country, while at the same time economic development will follow the right track.
7. **Other Projected Industries**

Of the various industries in the blueprint stage, two will soon materialize. These are the Diabaco textile mill and the Papasinos fiber factory.

The Diabaco textile mill is to be built near Addis Ababa by Diamandas, Balascadjis, and Co. Ltd. The mill, which will have American machinery will cover only a small part of Ethiopia’s needs in cotton goods. When the plant is completed, the owners hope to have about 10,000 spindles and 300 looms.* To the above installations they hope to add bleaching and dyeing facilities so that the mill will be producing finished cotton goods. The reason why the mill has to adopt the system of vertical integration is that there are no dyeing or bleaching plants in the area and therefore all the operations will have to be performed within the Diabaco mill. The Diredawa cotton mill, which uses English machinery, faces the same problem and has also adopted vertical integration. The mill will probably start production sometime during 1954. The uncertainty in the starting date lies in the fact that Diabaco will have to train its workers before it can start production.

The other industry that will soon start operations is the Papasinos fiber mill. The plant, which will be located near Addis Ababa, will produce mainly bags for Ethiopia’s coffee and cereal exports.

* 65.
L. Trade Since 1946

Foreign trade is very important to Ethiopia, because many goods essential for the development of the country must be imported. To purchase these imports, Ethiopia needs foreign exchange, obtainable mainly through exporting.

In the early part of the period under examination, textiles comprised about 78% of the total imports and coffee, about 40% of total exports. As the years passed, textiles lost some of their importance, going down to 44.8% in 1950, while coffee rose to 51.2% in the same year.

As there are no detailed statistics for the period before 1946, the study will be made mainly on the period from 1946 to 1952, which is the last year for which statistics are available.

Ethiopia’s exports other than coffee faced a declining demand in 1949 when the sellers market for agricultural goods collapsed. Bad communications was one of the main reasons why costs could not be lowered to meet competition. But despite this, during the Ethiopian calendar year 1941# exports were Eth. $71 million compared to 85 million in 1940 (1947-48). Up to this period much of this trade had been with Sterling area countries.

When the pound sterling was devalued in 1949, the government did not devalue the Ethiopian Dollar, believing that Ethiopia could then buy, from the countries that devalued, cheaper imports while keep-

# The Ethiopian year runs from Sept. to Sept. of each year and is retarded by about 7 3/4 years from the Gregorian calendar. As all the statistics available are given in the Ethiopian calendar, it is impossible to give individual year figures.
ing markets for her produce by reducing costs; e.g., by better and cheaper communications. So the parity to the U. S. Dollar was left at the previous level of U. S. $0.4025 while the parity to the pound was changed from Eth. $10 to Eth. $7 to the pound.

Although a short run decline in sterling exports resulted, lower prices for Indian textiles and increased coffee sales at higher prices to the Dollar area have been the compensating factor, thus enabling the country to avoid a large balance of trade deficits.

1. Exports

Ethiopia's exports consist mainly of five items: coffee, hides and skins, cereals, pulses, and oilseeds. Of these, coffee has been the most important item, going from 47.6% of total exports in 1949-50, to 50.6% in 1950-51 and 51.5% in 1951-52. This gradual rise was due to higher coffee prices and to a fall in the prices of hides and skins. The relative importance of these exports in recent years is shown by following tables which show the percentage of total represented by each.*

<table>
<thead>
<tr>
<th></th>
<th>1949-50</th>
<th>1950-51</th>
<th>1951-52</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hides and skins</td>
<td>22.4</td>
<td>27.3</td>
<td>14.8</td>
</tr>
<tr>
<td>Cereals and pulses</td>
<td>10.4</td>
<td>8.1</td>
<td>14.8</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>9.8</td>
<td>7.1</td>
<td>11.7</td>
</tr>
<tr>
<td>Other exports</td>
<td>9.8</td>
<td>6.9</td>
<td>7.2</td>
</tr>
</tbody>
</table>

If one looks at the world prices of the above commodities, he will see that the relative importance of these items has followed closely their world prices. Relatively small coffee crops have meant

* 30, p.10.
quite high prices, and although there has been no appreciable increase in Ethiopia's crop, better crop conditions and increased planting offer hope that earning will be substantially increased in the near future.

a. Coffee

Since October, 1949, when coffee prices rose steeply, Ethiopia's economy has been depending more and more on the exports of this commodity, particularly for dollar earnings.

The rise of coffee prices in the world market has been reflected in the internal market of Ethiopia where the price of frasula# rose from Eth. $20 to Eth. $30.*

Ethiopian coffee is of excellent quality and is highly regarded in world markets. New regulations which require that all exported coffee be cleaned and graded will enhance this position.

Owing to increased U. S. consumption and the return of Europe as a large-scale buyer, it seems likely that coffee prices will remain quite high for some time to come and that exports to the United States will keep increasing as they have since 1946. Of course, this great dependence of the economy on coffee has obviously unfavorable aspects, but it is hoped that as the economy diversifies, this item will become less important relative to the whole economy. At the same time it is logical that efforts be increased to better the quality and increase yields.

The main importers of Ethiopian coffee between 1949 and 1952 were Aden, French Somaliland, the United States, Sudan and Eritrea.

# Equivalent to 17 kg. or 37.5 lbs.

* 53, p.3.
Most of the above were merely transit stops en route to European and American markets. Even in the absence of complete figures on the final destination of coffee exports, we do see that direct shipments to the United States rose steadily from 756 metric tons in 1949-50 to 4,181 in 1951-52. It seems likely that this figure would be greatly increased if all the Ethiopian coffee reaching the United States were included. The 1953 figures of U. S. coffee imports place Ethiopia in the eighth position as a supplier of coffee,* which indicates an increased tonnage for 1952.

The crop of 1952-53 is expected to be around 35,000 tons, much of which will enter the international market.

The export duty on coffee was raised during 1952 from Eth. $5 to Eth. $20 per 220 pounds. This was designed to lower domestic coffee prices, but the results are not apparent at the time of writing. At any rate the Government now has an extra income of about Eth. $4.5 million a year. This tax may be a convenient source of revenue, but in case of a drop in world coffee prices, it will handicap the competitive position of Ethiopian coffee.

b. Hides and skins

Hides and skins have been in the past much more important to the Ethiopian economy than they are now. Owing mainly to lower world prices their contribution to exports fell from 22.4% in 1949-50 to 14.8% in 1951-52.**

* 25, p.12.
** 36, pp. 1-10.
Skins can be divided into various categories of which the main are goatskins and sheepskins. Of these, the former have been traditionally exported to the United States, with the latter going mainly to the United Kingdom. Other skins include leopard skins, which went to several countries.

Raw hides were exported to many countries, but the main customers were Italy and the U.K. The U.S.A., the U.K., Italy and France took during the 1948-52 period about 50% of the hides and 60% of the skins exported.

Ethiopia will be able to maintain her position here only if many improvements are made. First, the products which are assembled from all over the country are neither of uniform quality nor in very good condition. Second, transport costs are again a big handicap.

High uniform quality of hides and skins can be maintained only when there are centralized slaughter houses manned by experienced people and subject to government inspection. Transport costs should decrease as soon as improvements in the highways are completed.

c. Oil seeds

Oil seeds are a relatively new Ethiopian export developed mostly at the end of the war. In the broad category of oil seeds exported, castor, linen, and neug (nigger seed) are the most important at present, but there are indications that peanuts and sesame are becoming more important.*

During the 1948-52 period, Ethiopia's exports went mainly

# For detailed figures, see tables.
* 27, p.1.
to Eritrea (now federated to Ethiopia), Aden, Italy, French Somaliland, etc., which as with coffee, were probably just transhipping points.

Ethiopia's exports ranged from 35,911 tons in 1948-49 to 25,284 in 1949-50, 21,870 in 1950-51 and to 36,224 in 1951-52. During the same periods their importance varied from 16%, 9.5%, 7.1% and 11.1% of the country's exports.*

All these figures, which do not include peanuts, show that there is a definite market for Ethiopian oil seeds, the demand for which seems to have relatively small fluctuations. If costs of production and transportation can be lowered and efforts of the Government to improve grades are successful, Ethiopia should look forward to increased demand for her oil seeds from an oil hungry world.

d. Cereals and pulses

Cereals and pulses dropped from the largest single export of the country in the period 1946-48 to the third most important. In 1946-47 they contributed about 25% of total exports, in 1947-48 the figure rose to 43.4%, and in 1950-51, it fell to 10.3%, which is the lowest figure of the period. By looking at the volume exported, one sees that except for 1949-50, when only 22,573 tons were exported, the exports have been steady around 35,000 tons a year. So the decline in the importance of cereals and pulses can be attributed to lower prices, due to lower world prices and the inferior quality of the Ethiopian exports. This latter has been cured by the introduction of the Grain Board, which now requires the cleaning of exported cereals and pulses.

# See tables.

* 36, p.20.
### Table I

**EXPORT OF COFFEE BY COUNTRY OF DESTINATION**

1942 - 1944, Ethiopian Calendar#

<table>
<thead>
<tr>
<th>COUNTRY OF DESTINATION</th>
<th>QUANTITY (in metric tons)</th>
<th>VALUE (in Eth. $ '000)</th>
<th>1942</th>
<th>1943</th>
<th>1944</th>
<th>1942</th>
<th>1943</th>
<th>1944</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aden</td>
<td>6,607</td>
<td>8,783</td>
<td>9,314</td>
<td>9,407</td>
<td>18,537</td>
<td>21,735</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fr. Somalia</td>
<td>2,491</td>
<td>4,997</td>
<td>5,326</td>
<td>4,394</td>
<td>11,088</td>
<td>12,457</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. S. A.</td>
<td>3,687</td>
<td>3,233</td>
<td>4,181</td>
<td>5,898</td>
<td>6,674</td>
<td>9,504</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td>2,390</td>
<td>3,211</td>
<td>2,170</td>
<td>3,329</td>
<td>5,361</td>
<td>4,676</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eritrea</td>
<td>2,915</td>
<td>2,679</td>
<td>1,252</td>
<td>4,063</td>
<td>5,082</td>
<td>2,827</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>1,004</td>
<td>1,012</td>
<td>741</td>
<td>1,621</td>
<td>2,070</td>
<td>1,734</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>27</td>
<td>825</td>
<td>441</td>
<td>43</td>
<td>1,736</td>
<td>1,030</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arabia</td>
<td>295</td>
<td>532</td>
<td>837</td>
<td>501</td>
<td>1,204</td>
<td>2,009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. K.</td>
<td>689</td>
<td>517</td>
<td>120</td>
<td>1,389</td>
<td>1,110</td>
<td>295</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holland</td>
<td>161</td>
<td>462</td>
<td>263</td>
<td>299</td>
<td>946</td>
<td>580</td>
<td></td>
<td></td>
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<tr>
<td>Egypt</td>
<td>257</td>
<td>313</td>
<td>---</td>
<td>477</td>
<td>686</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>90</td>
<td>450</td>
<td>20</td>
<td>184</td>
<td>966</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>220</td>
<td>280</td>
<td>731</td>
<td>365</td>
<td>574</td>
<td>1,754</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>1</td>
<td>21</td>
<td>---</td>
<td>1</td>
<td>48</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>178</td>
<td>10</td>
<td>36</td>
<td>360</td>
<td>19</td>
<td>88</td>
<td></td>
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</tr>
<tr>
<td>Hadramout</td>
<td>---</td>
<td>160</td>
<td>---</td>
<td>---</td>
<td>332</td>
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<tr>
<td>Australia</td>
<td>20</td>
<td>---</td>
<td>---</td>
<td>37</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>24</td>
<td>---</td>
<td>---</td>
<td>40</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>10</td>
<td>---</td>
<td>---</td>
<td>21</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>32</td>
<td>---</td>
<td>1</td>
<td>14</td>
<td>---</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>52</td>
<td>20</td>
<td>16</td>
<td>94</td>
<td>40</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21,152</strong></td>
<td><strong>27,503</strong></td>
<td><strong>25,451</strong></td>
<td><strong>32,538</strong></td>
<td><strong>56,475</strong></td>
<td><strong>58,761</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** Ministry of Commerce and Industry, Addis Ababa.

# Ethiopian calendar runs from Sept. to Sept. and is retarded by 7 3/4 years. 1942-44 E.C. is equivalent to 1947-1952.
### Table II

**EXPORT OF HIDES RAW BY COUNTRY OF DESTINATION**

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF DESTINATION</th>
<th>QUANTITY (in metric tons)</th>
<th>VALUE (in Eth. $ '000)¹ #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eritrea</td>
<td>2,418</td>
<td>2,836</td>
</tr>
<tr>
<td>Italy</td>
<td>1,092</td>
<td>2,072</td>
</tr>
<tr>
<td>U. K.</td>
<td>1,175</td>
<td>2,984</td>
</tr>
<tr>
<td>Aden</td>
<td>954</td>
<td>2,195</td>
</tr>
<tr>
<td>U. S. A.</td>
<td>293</td>
<td>84</td>
</tr>
<tr>
<td>France</td>
<td>70</td>
<td>413</td>
</tr>
<tr>
<td>Holland</td>
<td>102</td>
<td>131</td>
</tr>
<tr>
<td>Greece</td>
<td>153</td>
<td>71</td>
</tr>
<tr>
<td>Sweden</td>
<td>161</td>
<td>---</td>
</tr>
<tr>
<td>Switzerland</td>
<td>37</td>
<td>2</td>
</tr>
<tr>
<td>Fr. Somalia</td>
<td>49</td>
<td>34</td>
</tr>
<tr>
<td>Syria</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td>51</td>
<td>---</td>
</tr>
<tr>
<td>Norway</td>
<td>---</td>
<td>6</td>
</tr>
<tr>
<td>Kenya</td>
<td>1</td>
<td>---</td>
</tr>
<tr>
<td>Arabia</td>
<td>3</td>
<td>---</td>
</tr>
<tr>
<td>Belgium</td>
<td>---</td>
<td>4</td>
</tr>
<tr>
<td>Sudan</td>
<td>---</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>19</td>
</tr>
</tbody>
</table>

Total: 6,576 10,857 6,152 6,805 20,082 10,239


¹ Ethiopian Dollar = U. S. $0.4025
### Table III a

**EXPORT OF GOAT SKINS BY COUNTRY OF DESTINATION**

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF DESTINATION</th>
<th>QUANTITY (in thousand pieces)</th>
<th>VALUE (in Eth. $'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aden</td>
<td>1,047</td>
<td>992</td>
</tr>
<tr>
<td>U. S. A.</td>
<td>1,172</td>
<td>501</td>
</tr>
<tr>
<td>Italy</td>
<td>50</td>
<td>339</td>
</tr>
<tr>
<td>France</td>
<td>185</td>
<td>604</td>
</tr>
<tr>
<td>Fr. Som.</td>
<td>324</td>
<td>148</td>
</tr>
<tr>
<td>Eritrea</td>
<td>118</td>
<td>70</td>
</tr>
<tr>
<td>U. K.</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>Br. Som.</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td>Greece</td>
<td>---</td>
<td>9</td>
</tr>
<tr>
<td>Switzerland</td>
<td>---</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,979</td>
<td>2,709</td>
</tr>
</tbody>
</table>

*SOURCE: Ministry of Commerce and Industry, Addis Ababa.*

### Table III b

**EXPORT OF SHEEP SKINS BY COUNTRY OF DESTINATION**

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF DESTINATION</th>
<th>QUANTITY (in thousand pieces)</th>
<th>VALUE (in Eth. $'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. K.</td>
<td>717</td>
<td>941</td>
</tr>
<tr>
<td>Aden</td>
<td>782</td>
<td>964</td>
</tr>
<tr>
<td>U. S. A.</td>
<td>103</td>
<td>30</td>
</tr>
<tr>
<td>Italy</td>
<td>7</td>
<td>24</td>
</tr>
<tr>
<td>Eritrea</td>
<td>41</td>
<td>---</td>
</tr>
<tr>
<td>Fr. Som.</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Br. Som.</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Sweden</td>
<td>36</td>
<td>5</td>
</tr>
<tr>
<td>France</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,724</td>
<td>1,995</td>
</tr>
</tbody>
</table>

*SOURCE: Ministry of Commerce and Industry, Addis Ababa.*
Table IV

EXPORT OF OILSEEDS BY COUNTRY OF DESTINATION

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF DESTINATION</th>
<th>QUANTITY (in metric tons)</th>
<th>VALUE (in Eth. $'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eritrea</td>
<td>14,844</td>
<td>11,576</td>
</tr>
<tr>
<td>Aden</td>
<td>5,551</td>
<td>3,850</td>
</tr>
<tr>
<td>Italy</td>
<td>1,274</td>
<td>2,887</td>
</tr>
<tr>
<td>U. K.</td>
<td>400</td>
<td>2,705</td>
</tr>
<tr>
<td>Fr. Som.</td>
<td>949</td>
<td>60</td>
</tr>
<tr>
<td>France</td>
<td>460</td>
<td>316</td>
</tr>
<tr>
<td>Holland</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td>320</td>
</tr>
<tr>
<td>Syria</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>606</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td>120</td>
</tr>
<tr>
<td>So. Africa</td>
<td>119</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>25,284</td>
<td>21,870</td>
</tr>
</tbody>
</table>

## Table V

**EXPORT OF PULSES BY COUNTRY OF DESTINATION**

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF DESTINATION</th>
<th>QUANTITY (in metric tons)</th>
<th>VALUE (in Eth. $ '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aden</td>
<td>15,654</td>
<td>22,039</td>
</tr>
<tr>
<td>Eritrea</td>
<td>1,814</td>
<td>4,944</td>
</tr>
<tr>
<td>Italy</td>
<td>1,384</td>
<td>300</td>
</tr>
<tr>
<td>U. K.</td>
<td>830</td>
<td>975</td>
</tr>
<tr>
<td>French Som.</td>
<td>1,668</td>
<td>816</td>
</tr>
<tr>
<td>Egypt</td>
<td>---</td>
<td>1,620</td>
</tr>
<tr>
<td>India</td>
<td>20</td>
<td>670</td>
</tr>
<tr>
<td>Greece</td>
<td>---</td>
<td>3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>50</td>
<td>590</td>
</tr>
<tr>
<td>Arabia</td>
<td>---</td>
<td>40</td>
</tr>
<tr>
<td>Australia</td>
<td>187</td>
<td>190</td>
</tr>
<tr>
<td>France</td>
<td>---</td>
<td>40</td>
</tr>
<tr>
<td>Sudan</td>
<td>40</td>
<td>220</td>
</tr>
<tr>
<td>Israel</td>
<td>50</td>
<td>---</td>
</tr>
<tr>
<td>Hadramout</td>
<td>2</td>
<td>---</td>
</tr>
<tr>
<td>Others</td>
<td>875</td>
<td>792</td>
</tr>
</tbody>
</table>

**Total** 22,573 33,198 34,414 2,822 5,935 8,136

**SOURCE:** Ministry of Commerce and Industry, Addis Ababa.
<table>
<thead>
<tr>
<th>COUNTRY OF DESTINATION</th>
<th>QUANTITY (in metric tons)</th>
<th>VALUE (in Eth. $ '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aden</td>
<td>18,673</td>
<td>13,431</td>
</tr>
<tr>
<td>Eritrea</td>
<td>9,156</td>
<td>5,121</td>
</tr>
<tr>
<td>Fr. Som.</td>
<td>2,123</td>
<td>422</td>
</tr>
<tr>
<td>Br. Som.</td>
<td>907</td>
<td>196</td>
</tr>
<tr>
<td>Arabia</td>
<td>346</td>
<td>60</td>
</tr>
<tr>
<td>Hadramout</td>
<td>566</td>
<td>100</td>
</tr>
<tr>
<td>France</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Italy</td>
<td>---</td>
<td>59</td>
</tr>
<tr>
<td>U. K.</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Israel</td>
<td>---</td>
<td>300</td>
</tr>
<tr>
<td>Kenya</td>
<td>169</td>
<td>---</td>
</tr>
<tr>
<td>Yemen</td>
<td>20</td>
<td>---</td>
</tr>
<tr>
<td>Others</td>
<td>292</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>32,253</td>
<td>19,738</td>
</tr>
</tbody>
</table>

Table VII

EXPORT OF WHEAT FLOUR & FLOUR OTHERS BY COUNTRY OF DESTINATION

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF DESTINATION</th>
<th>QUANTITY (in metric tons)</th>
<th>VALUE (in Eth. $'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fr. Somalia</td>
<td>2,513</td>
<td>184</td>
</tr>
<tr>
<td>Aden</td>
<td>740</td>
<td>602</td>
</tr>
<tr>
<td>Eritrea</td>
<td>104</td>
<td>75</td>
</tr>
<tr>
<td>Br. Somalia</td>
<td>---</td>
<td>14</td>
</tr>
<tr>
<td>Sudan</td>
<td>470</td>
<td>69</td>
</tr>
<tr>
<td>Arabia</td>
<td>7</td>
<td>---</td>
</tr>
<tr>
<td>Italy</td>
<td>---</td>
<td>162</td>
</tr>
<tr>
<td>Egypt</td>
<td>450</td>
<td>---</td>
</tr>
<tr>
<td>Others</td>
<td>129</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>4,412</td>
<td>1,111</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMODITY</th>
<th>UNIT</th>
<th>QUANTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>('49/50)</td>
<td>('50/51)</td>
</tr>
<tr>
<td>Coffee</td>
<td>tons</td>
<td>21,152</td>
</tr>
<tr>
<td>Hides</td>
<td>tons</td>
<td>6,576</td>
</tr>
<tr>
<td>Skins:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goat skins</td>
<td>thou. pc.</td>
<td>2,979</td>
</tr>
<tr>
<td>Sheep skins</td>
<td>thou. pc.</td>
<td>1,724</td>
</tr>
<tr>
<td>Leopard skins</td>
<td>pieces</td>
<td>1,800</td>
</tr>
<tr>
<td>Oilseeds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linseed</td>
<td>tons</td>
<td>13,860</td>
</tr>
<tr>
<td>Sesame &amp; Nigge</td>
<td>tons</td>
<td>6,814</td>
</tr>
<tr>
<td>Rape seeds</td>
<td>tons</td>
<td>3,002</td>
</tr>
<tr>
<td>Castor seeds</td>
<td>tons</td>
<td>1,460</td>
</tr>
<tr>
<td>Pulses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lentils</td>
<td>tons</td>
<td>10,220</td>
</tr>
<tr>
<td>Chick peas</td>
<td>tons</td>
<td>5,218</td>
</tr>
<tr>
<td>Haricot beans</td>
<td>tons</td>
<td>4,981</td>
</tr>
<tr>
<td>Dry peas</td>
<td>tons</td>
<td>1,309</td>
</tr>
<tr>
<td>Horse beans</td>
<td>tons</td>
<td>844</td>
</tr>
<tr>
<td>Grain and flour:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>tons</td>
<td>9,091</td>
</tr>
<tr>
<td>Durrah</td>
<td>tons</td>
<td>17,132</td>
</tr>
<tr>
<td>Teff</td>
<td>tons</td>
<td>2,854</td>
</tr>
<tr>
<td>Maize</td>
<td>tons</td>
<td>2,515</td>
</tr>
<tr>
<td>Barley</td>
<td>tons</td>
<td>403</td>
</tr>
<tr>
<td>Wheat flour &amp;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other flours</td>
<td>tons</td>
<td>4,408</td>
</tr>
<tr>
<td>Edible oils</td>
<td>tons</td>
<td>265</td>
</tr>
<tr>
<td>Oilseed cakes</td>
<td>tons</td>
<td>---</td>
</tr>
<tr>
<td>Chellies &amp; peppers</td>
<td>tons</td>
<td>1,029</td>
</tr>
<tr>
<td>Spices</td>
<td>tons</td>
<td>81</td>
</tr>
</tbody>
</table>
Table VIII (cont.)

EXPORTS OF PRINCIPAL COMMODITIES

1949-52

<table>
<thead>
<tr>
<th>COMMODITY</th>
<th>UNIT</th>
<th>QUANTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>('49/50)</td>
<td>('50/51)</td>
</tr>
<tr>
<td>Eggs in shell</td>
<td>thou.pc.</td>
<td>3,006</td>
</tr>
<tr>
<td>Fresh fruits &amp;</td>
<td>tons</td>
<td>1,564</td>
</tr>
<tr>
<td>vegetables</td>
<td>heads</td>
<td>1,365</td>
</tr>
<tr>
<td>Cattle</td>
<td>tons</td>
<td>368</td>
</tr>
<tr>
<td>Khat or chat</td>
<td>tons</td>
<td>290</td>
</tr>
<tr>
<td>Beeswax</td>
<td>tons</td>
<td>98</td>
</tr>
<tr>
<td>Honey</td>
<td>thou.cz.</td>
<td>24.0</td>
</tr>
<tr>
<td>Civet</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Again the neighboring areas of Aden, Eritrea and French Somaliland figured high in the list of customers for Ethiopia's surplus production of cereals and pulses. Other countries that have bought important quantities are Italy, the U. K., and Egypt, the latter being a fresh entrant on the field. Some countries like Israel, Syria, and Sweden discontinued their purchases after a promising start in the early post-war period. With improved grades and lower costs, it is hoped that Ethiopia will be able to increase her sales to her present customers and regain a foothold on some of the lost markets.

e. Other merchandise

Other merchandise contributed 6.2% of total exports in 1951-52 and consisted mainly of wax, civet, vegetables, fruit, etc. This item used to be more important in 1946-47, when it comprised 17.9% of total exports. The fall in importance is for the most part due to the drastic reduction in Ethiopia's exports of flour in the last few years.

2. Imports

Ethiopia, being an agricultural country, imports a great variety of manufactured goods and such food items as salt and sugar, which formerly were not produced in the country.

The main import for the period 1946-52 was textiles. Though the relative quantity of imported textiles has decreased, they still hold first place among imports.

New developments during 1952 and 1953 are altering somewhat the pattern of Ethiopia's imports. First, the federation with Eritrea means that most of the former salt imports will be locally produced.
Second, the sugar refinery of Wonji will soon cover all sugar needs, thus eliminating another item on which large amounts of foreign currency are spent.

Although textiles are still the most important import, there has been a definite shift towards metal goods, petroleum products and rubber goods. This shift emphasizes the fact that the country has been spending more of its foreign exchange for items necessary to its development. At the same time, textile (cotton) prices have declined due to fierce foreign competition, and Ethiopia has benefited accordingly.

a. Textiles

Ethiopia's textile imports include cotton cloth and yarn, wool cloth and yarn, and silk and artificial silk cloth. Of these, cotton piece goods and yarn are by far the most important.

Textile imports comprised 71.7% of total Ethiopian imports in 1944-45. This figure dropped to 44.8% by 1950-51 and to 44.1% in 1951-52.* This drop in the importance of textiles is in part due to factors other than lower international prices, including the increased production of Ethiopia's only textile mill and the saturation of the market by excessive imports during the immediate post-war period.

These figures will be reduced further as more textile industries are established in Ethiopia. By 1954 a new textile mill will start operations in Addis Ababa, making Ethiopia less and less dependent on foreign supplies.

Main suppliers of the Ethiopian market were India, Italy,

* 36, p.3.
Japan, the U. K. and the U. S. A., supplying respectively (1951-52) about 19.2, 9.4, 7.9, 4.6 and 4.8 million (Eth.$) worth of textiles.

During the 1946-52 period, there has been a notable shift away from the cheaper to the more expensive types of textiles, more khaki and less abudjedid. This indicates the relative prosperity enjoyed by Ethiopia's peasant population, which is mainly due to the higher coffee prices.

b. Sugar and salt

Sugar and salt have been the only important food items imported into Ethiopia. As noted above, both will soon disappear from the list of imports because of domestic facilities to produce sugar and the federation to Ethiopia of Eritrea, which was one of her main suppliers of salt.

The value of sugar imported rose steadily during the 1946-52 period. From Eth. $2.2 million in 1946-47 imports rose to 5.5 million in 1951-52. This rise was due both to higher prices and to higher home consumption. In the same period, due mainly to greater amount of overall trade, the percentage of total imports represented by sugar rose only from 3.1% in 1946-47 to 4.7% in 1951-52.

Salt imports on the other hand remained at the very steady level of around Eth. $5 million a year, and as a percentage of total imports, fell from 7.1% in 1946-47 to 4.4% in 1951-52.

c. Metals and metal goods

Imports of metals and metal goods have shown a spectacular

# Abudjedid is plain cotton cloth. Usually called grey sheeting.
increase, between 1944 and 1951, of 481%,* mainly due to the advancement of many development projects, including building of roads and houses. As the country follows the road to modernisation, these imports are bound to increase still further.

The value of the above imports showed an increase in every year from 1946 to 1952 except 1948-49, when the fall was mainly due to lower prices. In 1951-52 metals and metal goods formed 10.1% of total imports and were valued at 11.3 million Ethiopian dollars, as compared to 6.1% and 4.2 million in 1946-47. The U. S. A., United Kingdom, Italy, Belgium and Germany have been the main suppliers.**

d. Vehicles and rubber tires#

The increase in traffic on the Ethiopian roads has been a result of a steady increase in the volume of vehicle and tire imports since 1950. At present the value of the vehicles imported is about Eth. $10 million a year as compared to $3.3 million six years ago, while rubber tires and tubes have risen from Eth. $2.2 million to $4.6 million in the same period.***

Imports of transport items are bound to increase as Ethiopia's roads are improved. Ethiopia's development is so dependent on transport that increased efforts in that direction will almost certainly mean greater imports of these goods. Local manufacture and assembly of cars and trucks does not seem feasible for the immediate future but is a

# For suppliers, see tables.
* 59b, p.2.
** 36, p.3.
*** 37, p.3.
possibility as soon as the market becomes big enough to support such industries.

e. Petroleum products#

The increase of vehicles in Ethiopia has meant increased fuel consumption, and petroleum imports have now risen to Eth. $8 million a year, this figure being double that for 1946-47.

Here again more petroleum products will have to be imported in the future in order to satisfy the greater demand created by greater use of Ethiopia’s roads.

At present high internal transportation costs mean that petroleum products are very expensive in Ethiopia, gasoline costing about U. S. $.80 a gallon. It is hoped that with better roads a decrease in the price of petroleum products will be achieved, although the basic price is largely controlled by agreement among the three petroleum companies now operating in Ethiopia (Shell, Socony and Caltex) which are not competitive in the usual sense.

f. Other imports

Under this heading are included wines and spirits, tobacco products, raw cotton, medicines, asphalt, caustic soda and numerous other less important items. These goods comprised about 14.3% of the country’s imports in 1951-52 and were valued at Eth. $14.5 million. Of these, medicines were the most important item.

g. General conclusions

The above detailed examination of the major categories of

# For suppliers, see tables.
Table IX

IMPORTS OF TEXTILE MANUFACTURES, INCLUDING YARNS, BY COUNTRY OF ORIGIN

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF ORIGIN</th>
<th>VALUE OF IMPORTS (in Eth. $ thousand)</th>
<th>PERCENTAGE DISTRIBUTION (Per cent of the total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>17,534</td>
<td>27,478</td>
</tr>
<tr>
<td>Italy</td>
<td>4,289</td>
<td>3,755</td>
</tr>
<tr>
<td>Japan</td>
<td>4,942</td>
<td>3,972</td>
</tr>
<tr>
<td>U. K.</td>
<td>3,155</td>
<td>2,370</td>
</tr>
<tr>
<td>U. S. A.</td>
<td>1,804</td>
<td>1,694</td>
</tr>
<tr>
<td>China</td>
<td>308</td>
<td>65</td>
</tr>
<tr>
<td>Aden</td>
<td>447</td>
<td>347</td>
</tr>
<tr>
<td>France</td>
<td>129</td>
<td>296</td>
</tr>
<tr>
<td>Germany</td>
<td>432</td>
<td>261</td>
</tr>
<tr>
<td>Belgium</td>
<td>374</td>
<td>117</td>
</tr>
<tr>
<td>Holland</td>
<td>120</td>
<td>64</td>
</tr>
<tr>
<td>Sudan</td>
<td>154</td>
<td>319</td>
</tr>
<tr>
<td>Czech.</td>
<td>---</td>
<td>134</td>
</tr>
<tr>
<td>Eritrea</td>
<td>14</td>
<td>130</td>
</tr>
<tr>
<td>Egypt</td>
<td>176</td>
<td>47</td>
</tr>
<tr>
<td>Fr. Som.</td>
<td>29</td>
<td>97</td>
</tr>
<tr>
<td>Br. Som.</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Arabia</td>
<td>---</td>
<td>7</td>
</tr>
<tr>
<td>Sweden</td>
<td>68</td>
<td>3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Syria</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Greece</td>
<td>147</td>
<td>---</td>
</tr>
<tr>
<td>Iran</td>
<td>---</td>
<td>12</td>
</tr>
<tr>
<td>Israel</td>
<td>2</td>
<td>---</td>
</tr>
<tr>
<td>Kenya</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>Australia</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Others</td>
<td>27</td>
<td>26</td>
</tr>
</tbody>
</table>

Total 34,188 41,210 49,239 100.0 100.0 100.0

SOURCE: Ministry of Commerce and Industry, Addis Ababa
Table X

IMPORTS OF METALS & ENGINEERING PRODUCTS# BY COUNTRY OF ORIGIN

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF ORIGIN</th>
<th>VALUE OF IMPORTS (in Eth. $ thousand)</th>
<th>PERCENTAGE DISTRIBUTION (Per cent of the total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. A.</td>
<td>2,017</td>
<td>6,435</td>
</tr>
<tr>
<td>U. K.</td>
<td>1,683</td>
<td>2,732</td>
</tr>
<tr>
<td>Italy</td>
<td>1,410</td>
<td>1,836</td>
</tr>
<tr>
<td>Belgium</td>
<td>780</td>
<td>2,228</td>
</tr>
<tr>
<td>Germany</td>
<td>204</td>
<td>1,806</td>
</tr>
<tr>
<td>Fr. Som.</td>
<td>1,044</td>
<td>280</td>
</tr>
<tr>
<td>France</td>
<td>149</td>
<td>399</td>
</tr>
<tr>
<td>Japan</td>
<td>578</td>
<td>750</td>
</tr>
<tr>
<td>Holland</td>
<td>162</td>
<td>622</td>
</tr>
<tr>
<td>Sweden</td>
<td>216</td>
<td>172</td>
</tr>
<tr>
<td>Switzerland</td>
<td>126</td>
<td>1,658</td>
</tr>
<tr>
<td>Eritrea</td>
<td>109</td>
<td>186</td>
</tr>
<tr>
<td>Czech.</td>
<td>106</td>
<td>336</td>
</tr>
<tr>
<td>Aden</td>
<td>86</td>
<td>108</td>
</tr>
<tr>
<td>India</td>
<td>113</td>
<td>143</td>
</tr>
<tr>
<td>China</td>
<td>61</td>
<td>84</td>
</tr>
<tr>
<td>Egypt</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Australia</td>
<td>54</td>
<td>30</td>
</tr>
<tr>
<td>Canada</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Sudan</td>
<td>11</td>
<td>30</td>
</tr>
<tr>
<td>Norway</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>So. Africa</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Br. Som.</td>
<td>9</td>
<td>---</td>
</tr>
<tr>
<td>Kenya</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Iran</td>
<td>5</td>
<td>---</td>
</tr>
<tr>
<td>Greece</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Others</td>
<td>61</td>
<td>183</td>
</tr>
</tbody>
</table>

Total 9,044 20,133 19,970 100.0 100.0 100.0

# By "Metals and engineering products" we include all metals, ferrous and non-ferrous, and manufactures thereof, e. g., vehicles, machinery and appliances, dental and surgical instruments, photographic instruments, sporting arms and ammunition, etc.

SOURCE: Ministry of Commerce and Industry, Addis Ababa
Table XI

IMPORTS OF RUBBER TIRES AND TUBES BY COUNTRY OF ORIGIN

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF ORIGIN</th>
<th>QUANTITY (in metric tons)</th>
<th>VALUE (in Eth. $'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. K.</td>
<td>265</td>
<td>305</td>
</tr>
<tr>
<td>U. S. A.</td>
<td>151</td>
<td>297</td>
</tr>
<tr>
<td>France</td>
<td>53</td>
<td>93</td>
</tr>
<tr>
<td>Italy</td>
<td>27</td>
<td>3</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Czech.</td>
<td>3</td>
<td>---</td>
</tr>
<tr>
<td>So. Africa</td>
<td>26</td>
<td>18</td>
</tr>
<tr>
<td>Germany</td>
<td>---</td>
<td>15</td>
</tr>
<tr>
<td>Sudan</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Eritrea</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Canada</td>
<td>---</td>
<td>3</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>534</td>
<td>744</td>
</tr>
</tbody>
</table>

SOURCE: Ministry of Commerce and Industry, Addis Ababa
Table XII

IMPORTS OF PETROLEUM PRODUCTS BY COUNTRY OF ORIGIN

1942 - 1944, Ethiopian Calendar

<table>
<thead>
<tr>
<th>COUNTRY OF ORIGIN</th>
<th>QUANTITY (in metric tons)</th>
<th>VALUE (in Eth. $ '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E.C.</td>
<td>E.C.</td>
</tr>
<tr>
<td>1942</td>
<td>1943</td>
<td>1944</td>
</tr>
<tr>
<td>Iran</td>
<td>14,795</td>
<td>8,296</td>
</tr>
<tr>
<td>Egypt</td>
<td>4,058</td>
<td>13,606</td>
</tr>
<tr>
<td>France</td>
<td>676</td>
<td>2,244</td>
</tr>
<tr>
<td>U. S. A.</td>
<td>635</td>
<td>275</td>
</tr>
<tr>
<td>U. K.</td>
<td>107</td>
<td>141</td>
</tr>
<tr>
<td>Sudan</td>
<td>65</td>
<td>47</td>
</tr>
<tr>
<td>Fr. Som.</td>
<td>144</td>
<td>80</td>
</tr>
<tr>
<td>Syria</td>
<td>236</td>
<td>3</td>
</tr>
<tr>
<td>Aden</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Eritrea</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Iraq</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Kenya</td>
<td>5</td>
<td>----</td>
</tr>
<tr>
<td>Israel</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Arabia</td>
<td>----</td>
<td>11</td>
</tr>
<tr>
<td>Others</td>
<td>77</td>
<td>33</td>
</tr>
</tbody>
</table>

Total 19,889 23,408 29,014 5,311 6,334 8,049

SOURCE: Ministry of Commerce and Industry, Addis Ababa
### Table XIII

**IMPORTS OF PRINCIPAL COMMODITIES**

1949 - 1952

<table>
<thead>
<tr>
<th>COMMODITY</th>
<th>UNIT</th>
<th>QUANTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E.C. 1942</td>
<td>E.C. 1943</td>
</tr>
<tr>
<td></td>
<td>('49/50)</td>
<td>('50/51)</td>
</tr>
<tr>
<td>Sugar 9,050</td>
<td>tons</td>
<td>10,268</td>
</tr>
<tr>
<td>Salt 49,444</td>
<td>thou.litres</td>
<td>51,002</td>
</tr>
<tr>
<td>Teas 101</td>
<td>tons</td>
<td>102</td>
</tr>
<tr>
<td>Wines,spirits,beers 439</td>
<td>thou.litres</td>
<td>454</td>
</tr>
<tr>
<td>Cigar,cigarettes, 41</td>
<td>tons</td>
<td>86</td>
</tr>
<tr>
<td>Dairy produce 88</td>
<td>tons</td>
<td>99</td>
</tr>
<tr>
<td>Spices 303</td>
<td>tons</td>
<td>337</td>
</tr>
<tr>
<td>Dates fresh, currants and 236</td>
<td>tons</td>
<td>332</td>
</tr>
<tr>
<td>Cotton raw 727</td>
<td>thou.litres</td>
<td>657</td>
</tr>
<tr>
<td>Coal 7,565</td>
<td>thou.litres</td>
<td>6,138</td>
</tr>
<tr>
<td>Cement 2,085</td>
<td>thou.litres</td>
<td>1,728</td>
</tr>
<tr>
<td>Caustic soda 59</td>
<td>thou.litres</td>
<td>287</td>
</tr>
<tr>
<td>Cotton:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grey sheetings 19,540</td>
<td>thou.sq.m.</td>
<td>15,597</td>
</tr>
<tr>
<td>Drills &amp; Jeans grey 1,419</td>
<td>thou.sq.m.</td>
<td>1,410</td>
</tr>
<tr>
<td>Drills &amp; Jeans, white 4,013</td>
<td>thou.sq.m.</td>
<td>4,831</td>
</tr>
<tr>
<td>or dyed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other piece goods 3,716</td>
<td>thou.sq.m.</td>
<td>3,888</td>
</tr>
<tr>
<td>Yarns 2,818</td>
<td>thou.sq.m.</td>
<td>2,425</td>
</tr>
<tr>
<td>Blankets 410</td>
<td>thou.sq.m.</td>
<td>479</td>
</tr>
<tr>
<td>Woolens:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blankets &amp; rugs 16</td>
<td>thou.sq.m.</td>
<td>98</td>
</tr>
<tr>
<td>Piece goods 26</td>
<td>thou.sq.m.</td>
<td>46</td>
</tr>
<tr>
<td>Yarns 22</td>
<td>thou.sq.m.</td>
<td>25</td>
</tr>
<tr>
<td>Silk:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piece goods 718</td>
<td>thou.sq.m.</td>
<td>1,346</td>
</tr>
<tr>
<td>Yarns 40</td>
<td>thou.sq.m.</td>
<td>61</td>
</tr>
<tr>
<td>Gunny bags 920</td>
<td>thou.sq.m.</td>
<td>904</td>
</tr>
</tbody>
</table>
Table XIII (cont.)

IMPORTS OF PRINCIPAL COMMODITIES

1949 - 1952

<table>
<thead>
<tr>
<th>COMMODITY</th>
<th>UNIT</th>
<th>QUANTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E.C.</td>
<td>E.C.</td>
</tr>
<tr>
<td></td>
<td>1942</td>
<td>1943</td>
</tr>
<tr>
<td></td>
<td>('49/50)</td>
<td>('50/51)</td>
</tr>
<tr>
<td></td>
<td>('51/52)</td>
<td>('52/53)</td>
</tr>
<tr>
<td>Benzine</td>
<td>tons</td>
<td>6,980</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,075</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9,827</td>
</tr>
<tr>
<td>Naphtha</td>
<td>tons</td>
<td>9,549</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12,784</td>
</tr>
<tr>
<td>Kerosene</td>
<td>tons</td>
<td>1,040</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,534</td>
</tr>
<tr>
<td></td>
<td></td>
<td>997</td>
</tr>
<tr>
<td>Lubricating oils and</td>
<td>tons</td>
<td>927</td>
</tr>
<tr>
<td>greases</td>
<td></td>
<td>900</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,682</td>
</tr>
<tr>
<td>Fuel &amp; furnace oils</td>
<td>tons</td>
<td>1,394</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,499</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,680</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>tons</td>
<td>2,185</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,268</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,300</td>
</tr>
<tr>
<td>(Corrugated Iron &amp; Steel sheets &amp; plates):</td>
<td>tons</td>
<td>(1,645)</td>
</tr>
<tr>
<td>Rubber tires &amp; tubes</td>
<td>tons</td>
<td>534</td>
</tr>
<tr>
<td></td>
<td></td>
<td>745</td>
</tr>
<tr>
<td></td>
<td></td>
<td>957</td>
</tr>
<tr>
<td>Napthaline</td>
<td>tons</td>
<td>284</td>
</tr>
<tr>
<td></td>
<td></td>
<td>345</td>
</tr>
<tr>
<td></td>
<td></td>
<td>187</td>
</tr>
<tr>
<td>Soap common</td>
<td>tons</td>
<td>697</td>
</tr>
<tr>
<td></td>
<td></td>
<td>933</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,130</td>
</tr>
<tr>
<td>Footwear</td>
<td>thou. prs.</td>
<td>144</td>
</tr>
<tr>
<td></td>
<td></td>
<td>212</td>
</tr>
<tr>
<td></td>
<td></td>
<td>164</td>
</tr>
<tr>
<td>Films exposed</td>
<td>thou. metres</td>
<td>724</td>
</tr>
<tr>
<td></td>
<td></td>
<td>782</td>
</tr>
<tr>
<td></td>
<td></td>
<td>791</td>
</tr>
<tr>
<td>Matches</td>
<td>thou. gross boxes</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td></td>
<td>51</td>
</tr>
<tr>
<td></td>
<td></td>
<td>46</td>
</tr>
<tr>
<td>Incense</td>
<td>thou. gross boxes</td>
<td>767</td>
</tr>
<tr>
<td></td>
<td></td>
<td>604</td>
</tr>
<tr>
<td></td>
<td></td>
<td>687</td>
</tr>
</tbody>
</table>

SOURCE: Ministry of Commerce and Industry, Addis Ababa
Table XIV

PERCENTAGE DISTRIBUTION OF TRADE BY COUNTRIES

1949 - 1952

<table>
<thead>
<tr>
<th>AREA &amp; COUNTRY</th>
<th>IMPORTS (C.I.F.)</th>
<th>EXPORTS (F.O.R.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1'49/50)</td>
<td>(1'50/51)</td>
</tr>
<tr>
<td>U. S. A.</td>
<td>11.52</td>
<td>12.64</td>
</tr>
<tr>
<td>Aden</td>
<td>2.70</td>
<td>2.84</td>
</tr>
<tr>
<td>India</td>
<td>24.68</td>
<td>29.58</td>
</tr>
<tr>
<td>U. K.</td>
<td>12.94</td>
<td>10.18</td>
</tr>
<tr>
<td>Belgium</td>
<td>2.81</td>
<td>6.22</td>
</tr>
<tr>
<td>Czech.</td>
<td>1.13</td>
<td>1.02</td>
</tr>
<tr>
<td>Germany</td>
<td>1.00</td>
<td>2.53</td>
</tr>
<tr>
<td>Holland</td>
<td>1.38</td>
<td>1.11</td>
</tr>
<tr>
<td>Italy</td>
<td>9.04</td>
<td>6.87</td>
</tr>
<tr>
<td>Norway</td>
<td>0.22</td>
<td>0.29</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.10</td>
<td>0.67</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.57</td>
<td>1.06</td>
</tr>
<tr>
<td>France</td>
<td>1.22</td>
<td>2.51</td>
</tr>
<tr>
<td>Fr. Som.</td>
<td>6.15</td>
<td>3.23</td>
</tr>
<tr>
<td>Madagascar</td>
<td>0.24</td>
<td>0.47</td>
</tr>
<tr>
<td>Egypt</td>
<td>1.37</td>
<td>3.88</td>
</tr>
<tr>
<td>Eritrea</td>
<td>1.97</td>
<td>1.71</td>
</tr>
<tr>
<td>Iran</td>
<td>6.35</td>
<td>2.86</td>
</tr>
<tr>
<td>Sudan</td>
<td>1.43</td>
<td>1.71</td>
</tr>
<tr>
<td>Greece</td>
<td>0.07</td>
<td>0.36</td>
</tr>
<tr>
<td>Arabia</td>
<td>0.02</td>
<td>0.05</td>
</tr>
<tr>
<td>China</td>
<td>0.81</td>
<td>0.31</td>
</tr>
<tr>
<td>Japan</td>
<td>8.16</td>
<td>5.82</td>
</tr>
<tr>
<td>All others</td>
<td>2.94</td>
<td>1.25</td>
</tr>
<tr>
<td>Total, Dollar</td>
<td>11.54</td>
<td>12.66</td>
</tr>
<tr>
<td>Area:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, Sterling</td>
<td>41.09</td>
<td>43.01</td>
</tr>
<tr>
<td>Area:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, European</td>
<td>24.84</td>
<td>27.04</td>
</tr>
<tr>
<td>Countries &amp;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Possessions:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table XIV (cont.)

PERCENTAGE DISTRIBUTION OF TRADE BY COUNTRIES

1949 - 1952

<table>
<thead>
<tr>
<th>AREA &amp; COUNTRY</th>
<th>IMPORTS (C.I.F.)</th>
<th>EXPORTS (F.O.R.) INCL. RE-EXPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>('49/50)</td>
<td>('50/51)</td>
</tr>
<tr>
<td>Total, Near &amp; Middle East &amp; African</td>
<td>12.71</td>
<td>10.90</td>
</tr>
<tr>
<td>countries (exl. sterling &amp; Dollar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>countries)</td>
<td>9.75</td>
<td>6.33</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>0.07</td>
<td>0.06</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

SOURCE: Ministry of Commerce and Industry, Addis Ababa
imports indicates a relative shift away from consumer necessities, such as textiles and sugar, toward transport and metal goods. In the 1951-52 period, 30% of Ethiopia's imports were in the latter group. This percentage tends to increase mainly because of an overall increase in imports and not so much in decreased quantities of any individual item.

Imports into Ethiopia have now (1951-52) increased to an all time high of $111.8 million, and this figure may very soon increase considerably because of expected larger demands for transport items and petroleum and machinery, which will result from the increased rate of development of the country.

3. Ethiopian Trade by Areas

a. Dollar area

In the 1948-52 period, the dollar area contributed an average of 13.9% to Ethiopia's import trade, while taking about 11% of her exports.

The highest level of imports was reached in 1951-52, when the figure of Eth. $20.4 million was attained. Exports in the same year reached Eth. $11.5 million, an all time high.*

Most of the trade with the dollar area was done with the United States, with exports mainly of coffee and goat skins, while imports were varied, with textiles, raw cotton and metal goods being the most important. The former saw a considerable increase during 1951-52, when Ethiopia bought Eth. $3 million more than the previous year. Because of increased textile imports from Japan and larger home potential,

* 30, p.6.
there are indications that such increases will be few in the future.

b. Sterling area

The sterling area has been traditionally the largest supplier as well as the best customer of Ethiopia, because most of the country's textile imports came from India, while large quantities of Ethiopia's exports, such as hides and cereals, went to the U. K. and Aden.

In the 1948-52 period, the sterling area took an average of 38% of Ethiopia's exports, while at the same time it contributed 37% of the imports. In 1951-52 imports from the area amounted to Eth. $36.7 million and exports to $41.7 million. These figures were smaller than the 1950-51 figures of $41.0 million and $48.5 million respectively because of lower textile imports from India and lower hides exports to the U. K.

Exports to the sterling area include almost all the major exportable items of the country. Much of this trade goes to or through Aden.

c. European countries and possessions

In this category are included Italy, Germany, the French Union, Belgium, the Netherlands and a few other European countries. About 28% of Ethiopia's imports came from these countries, while 26% of her exports went there.

In 1951-52 values were respectively Eth. $33.1 million for imports and $34.9 million for exports. This was a substantial increase over the 1950-51 figures of Eth. $25.8 million and $29.2 million, mainly due to the return of Germany as a large scale supplier of a great variety
of goods. In the last few years German metal goods and motorcars have been imported at an increasing pace, and more goods have been imported from Italy, with textiles and metal goods being the most important.

Ethiopian exports to this area were varied. Italy, between 1948-52, took about one quarter of Ethiopia's hide exports and one sixth of her oilseed exports. At the same time large quantities of coffee were imported by French Somaliland. Other goods exported to that area consist of all types of Ethiopian exports. Details may be found in the tables.

d. Near and Middle East and Africa

This area supplied Ethiopia with most of her petroleum products, which comprised 60% of all imports from the area.

Such imports have been quite steady during the 1948-52 period oscillating around $10.5 million a year. The export side of the picture is different with rising purchases of Ethiopian goods by those countries. In 1951-52 exports to the area were Eth. $25.6 million in contrast to $18.9 million in 1949-50.

Since this area included Eritrea, as well as the Sudan, Arabia, etc., there is bound to be less trade in the years to come because of the federation of the first to Ethiopia, which means that imports and exports to and from the two countries will now be part of the internal trade of the latter.

e. Asian countries

This category excludes all sterling and dollar countries. In this group, by far the most important country is Japan, which in 1951-52
sold to Ethiopia Eth. $9.1 million worth out of a total of $10.6 million imported from the whole area.*

Most of the imports from Japan were textiles, with metal goods in the second position. In 1948-49, China exported some cotton cloth to Ethiopia, but at present, trade relations with that country are at a standstill.

We note here a fundamental difference from all the previous areas in that its imports from Ethiopia have been almost nil. Countries in the sterling and dollar areas buy and sell to Ethiopia, while Japan only sells. As Ethiopia is a food-producing area, it is hoped that some of her surplus food will find markets in the food-hungry Far East.

This apparent contradiction is explained by triangular trade between Ethiopia, Japan and various hard currency areas.

f. General conclusions

Ethiopia's trade is shifting gradually away from the sterling area due to increased demand for coffee in the U. S. A. and oilseeds in Europe. This will probably continue, based on the present trend to manufacture more textiles in Ethiopia and to have more of Ethiopia's trade via Assab. The former will mean a further decrease in imports from India and the latter, less exports to Aden.

Japan should figure more in the future as her competitive position improves, but to do so, she will probably need to buy some foodstuffs from Ethiopia.

As time passes and Ethiopia is developed, trade is expected to

* 36, p. 5.
increase still further. Preliminary figures for 1952-53 show that both exports and imports appear to be greater than in 1951-52. As no final figures are available at the time of writing, all statistics stop at Ethiopian calendar year 1944 (September 11, 1951, to September 10, 1952).

4. **Balance of Payments**

The balance of trade is particularly important to Ethiopia because of the relative smallness of the other balance of payment items. Capital movement is small, and loans and foreign investment constitute but a small part of the overall balance of payments. The only other item of importance is the export of gold bullion.

In the period after restoration, U.N.R.R.A. and the British gave a certain amount of help, but as their funds were spent for reconstruction, the writer does not wish to consider them as part of this chapter.

Since restoration, foreign investment has been small, the biggest single venture being the sugar refinery at Wonji, and second, the Sinclair Oil Company. As figures for the amount of capital imported by these and other less important companies are not available, it is impossible to give an accurate figure of their relative importance. One thing certain is that all these ventures combined have contributed but a small part of Ethiopia's earnings of foreign exchange.

Loans by international bodies such as the I.B.D.R. were made for the reconstruction of roads and for development. These loans contributed about U. S. $8.5 million in foreign exchange. Another small source for dollars will be the Point Four contributions by the U. S. A.
Value of exports (F.O.R.) and imports (C.I.F.)

Exports
Imports

Gregorian

Balance of trade

Favorable Balance of Trade
Unfavorable Balance of Trade

# All figures are in million Eth.$ and exclude movements of bullion and currency notes.

Ethiopia's imports and exports by currency and other blocks.

Sterling
Europe and possessions
Dollar
Middle East and Africa

37 % 38 % 28 % 26 % 14 % 11 % 10 % 11 % 25 %
Due to the relative smallness of foreign investment and loans, the favorable balance of trade is by far the greatest source of foreign exchange to Ethiopia.

a. The balance of trade

Before the examination of the figures, a few remarks are necessary. First, imports are valued C.I.F. at the point where customs authorities take charge. This means that the cost is not that of the goods as they cross the border into Ethiopia but C.I.F. Addis Ababa or Dire Dawa, etc. This means that to the original cost of the goods are added the very high charges of internal transportation. Second, exports are valued F.O.R. (freight on railway), which means that the high charges up to the border are not included.

From the above, it can be seen that published figures tend to undervalue exports and overvalue imports. The figures given out by the custom authorities are the only official ones obtainable. But they have to be viewed with caution. Mr. Breaux in his report to the U. S. Ministry of Commerce gives some figures where he tries to separate services from actual goods prices, but his figures are for a Gregorian year and as all official statistics are given by the Ethiopian calendar, it is impossible to compare them.

Bearing in mind these limitations, we shall now examine the Ethiopian balance of trade from 1943 (first year when figures were published) to 1952. Up through 1950 (every year except 1946-47) there was an unfavorable balance of trade. The picture has changed since
1950, when a considerable surplus was attained. Detailed figures are given below in million Eth.  

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Surplus</th>
<th>Bullion (Exports)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943-44</td>
<td>26.05</td>
<td>39.10</td>
<td>-13.05</td>
<td>---</td>
</tr>
<tr>
<td>1944-45</td>
<td>32.25</td>
<td>38.21</td>
<td>-5.96</td>
<td>---</td>
</tr>
<tr>
<td>1945-46</td>
<td>49.70</td>
<td>53.70</td>
<td>-4.00</td>
<td>---</td>
</tr>
<tr>
<td>1946-47</td>
<td>69.05</td>
<td>69.0</td>
<td>---</td>
<td>7.8</td>
</tr>
<tr>
<td>1947-48</td>
<td>85.4</td>
<td>105.0</td>
<td>-19.6</td>
<td>7.1</td>
</tr>
<tr>
<td>1948-49</td>
<td>71.0</td>
<td>90.5</td>
<td>-19.5</td>
<td>2.9</td>
</tr>
<tr>
<td>1949-50</td>
<td>66.5</td>
<td>72.0</td>
<td>-5.5</td>
<td>3.6</td>
</tr>
<tr>
<td>1950-51</td>
<td>110.4</td>
<td>95.3</td>
<td>15.1</td>
<td>1.3</td>
</tr>
<tr>
<td>1951-52</td>
<td>112.7</td>
<td>111.8</td>
<td>0.9</td>
<td>1.1</td>
</tr>
</tbody>
</table>

The deficits incurred in the above period were largely paid for in exports of bullion (gold, silver and platinum).

Because the customs' valuation system is unrealistic, the only safe thing to assume is that there has been a tendency for the balance of trade of the country to become favorable after an earlier period of consistent deficits.

As the country's exports are increased and fewer essentials are imported, it is hoped that increasing surpluses in the balance of trade will enable the country to finance long-term development projects.

b. Gold exports

* 36.p.4.
These were important in the early post-liberation period but have now declined to negligible proportions because present gold stocks are being husbanded for use as currency reserves and to help finance future development projects.

M. The Importance of Eritrea's Federation to Ethiopia

Ethiopia has been a "continental" country for a great part of her history. First, her coastline was occupied by Islamic people, but as the European countries started the race to acquire colonies, one by one the coastal territories were occupied. Eritrea fell to the Italians while Somaliland was split among Italy, England and France. For the latter two, busy conquering most of Africa, the coastal strips on the sea lanes leading to their colonies were enough. But the same did not apply to Italy, which had no good colonies. The desire to become a colonial power led Italy to undertake an unsuccessful invasion of Ethiopia in the 1890's. Despite her defeat, Italy kept both Eritrea and Somaliland, leaving Ethiopia no sea outlet and forcing her to do all her trade through foreign held territories. This situation lasted until 1952 and was only solved by the federation of Eritrea to Ethiopia.

Before 1936 Djibouti and Gambela were the main points through which passed most of Ethiopia's trade, the former being the terminal of the Franco-Ethiopian railway line and the latter the starting point (on Ethiopian soil) of the Nile transport system. Although most of the trade passed through Djibouti, Gambela did handle a fairly large volume. #

# Gambela is in Western Ethiopia on the river Baro, one of the lesser tributaries of the Nile.
After the Italians entered Ethiopia, they tried to orient the country's trade towards the two Eritrean ports of Assab and Massawa primarily by building roads. These roads were substantially damaged by military action and after liberation, trade returned to Djibouti, although high freight charges are tending to divert trade to Assab. This latter port, under British Military control until September, 1952, is now part of Ethiopia. This new development has radically changed Ethiopia's position. At last after so many decades Ethiopia has an outlet to the sea, and is no longer a prisoner of the policies of neighboring countries as far as trade is concerned.

The first result of federation was a noticeable reduction in the freight charges of the Franco-Ethiopian railway line. The company realized that if the rates are not reduced, more trade will shift away from Djibouti to the Eritrean ports. Ethiopia now is in a better bargaining position. She can now import more of her needs and export her surplus products through her own ports.

The above will be easier to achieve when the road reconstruction program is completed, thus lowering transport costs via Assab and Massawa. In order to be completely free from foreign decisions and policies, a railway should be built in the future linking Addis Ababa to Assab.

In addition to the great benefits obtained by Ethiopia in the transport field, the federation of Eritrea will bring many other benefits. Eritrea has a certain number of well-established industries and a relatively well-trained labor force. Ethiopia will therefore be able
to get freely from Eritrea some of the manufactured goods she needs. At the same time Eritrea, which is unable to produce all her food needs, will be able to draw from the surplus Ethiopian production of the latter. So by the federation of the two countries both Ethiopia and Eritrea will benefit as a result of the economic union which has resulted.
III. The Ethiopian Economy in the Future

A. Introduction

In the last chapter of the study, an attempt will be made to show what steps Ethiopia should take in order to become a modern economic state. The goals toward which the country should look and the means to achieve them will be discussed.

Some of the proposals are already being put into effect, and partial judgments are already possible. Others must await available capital and labor.

The writer believes that there is a very bright future ahead for Ethiopia, and there are many indications that the country will one day become economically powerful. For the moment Ethiopia either produces or is capable of producing three of the seven fundamental raw materials necessary to a manufacturing country.* These are wool, cotton and wood. As for the other four, which include coal, petroleum, copper and iron, there are possibilities that Ethiopia might have the first two. As for the other two, they too might show up if Ethiopia is properly surveyed for minerals. Although the limited surveys show that Ethiopia's coal might be of low quality, the hydroelectric power of which Ethiopia has great quantities is an economic substitute.

So, although Ethiopia should, at first, concentrate on the development of her agriculture, the gradual conversion of the country into an industrial power is not beyond expectation. The process will be slow because at the same time the six propensities necessary for

* ib p. 569.
economic growth and fluctuations* will have to be developed. Of these six, the three—propensity to have children, to seek material advance and to consume—exist in Ethiopia. Those that will have to be developed are the propensities to accept innovations, to apply science to economic ends and to develop fundamental science (physical and social). Of these there are definite signs that the first is gaining ground. As for the other two, they will be acquired by education, and this is one of the main reasons why a considerable amount of time is required.

B. Means to an End

1. Exploitation of Natural Resources

a. Fuller use of the electric energy potential

Up to now there has been no proof that Ethiopia's natural resources include commercially exploitable fuels. The Sinclair Oil Company has been prospecting, but without positive results to date. Coal is a possibility, but not a certainty, and even the optimists expect to find poor qualities of brown coal (lignite). At present, the only available fuels in Ethiopia are charcoal and timber. So, regarding fuels, the picture looks quite dark, the only ray of hope being hydroelectric power.

Ethiopia's soil and topography are such that there is no lack of valleys and lakes where water can be stored for the production of electric power. At present only a few plants have been built, mainly on small rivers near the great centers of population. The only exception is the plant in Addis Ababa, where electricity is generated by

* 15b, p.15-16.
water stored in an artificial lake. The greatest present obstacle to effective development of this power, aside from technical shortages is that the best locations for new plants are far away from the potential centers of consumption. Long range transmission, always a luxury, would seem beyond Ethiopia's short run expectations.

Of course, such areas, especially the Lake Tana region, are among the richest parts of Ethiopia with great future potential. But before such development takes place, the necessary capital must be found.

When and if plants are built, in addition to supplying industry and private homes, electrification of the railway will merit consideration.

Initial costs will be great because of the very high cost of building materials, notably cement. Of course, this will require extensive capital which today is unavailable in the country. However, the writer feels that the exploitation of this potential should receive top priority and could be undertaken with the help of foreign loans.

Regarding power development, the writer feels that regional monopolies of a kind should be adopted, due to the very great initial cost. Private companies would be reluctant to come to Ethiopia if, on top of the present technical difficulties, they had to face competition which would reduce still further the low profits of similar enterprises.

The most likely course would be for the Ethiopian Government to set up regional monopolies with the technical help of foreign capital, financed by loans from I.B.R.D. or similar bodies. Owing to
experiences of other countries, it would not seem wise to let a public utility such as electricity be controlled by foreigners. In addition, most private investors are not very enthusiastic about such investment, on an equity basis, because of the low return on the capital invested.

The Ethiopian Government realizes the difficulties of the problem and has been concentrating on available sources of power near the centers of consumption. In the last three years it has constructed two small hydroelectric plants on the Urso and Awash rivers. This is proper at the moment, but later on when more capital is available, the bigger, richer sources should be tapped.

b. Irrigation necessary for proper agricultural development

Ethiopia's rich water supplies are poorly distributed. There are areas like Godjam, in Western Ethiopia, where the water supply is excessive, but some areas in the eastern part of the country have very little water, either on the surface or underground. The regions that are rich in water have a bad seasonal distribution of rain, getting most of the rainfall during the relatively short rainy season. Irrigation is imperative if modern crop agriculture is to realize its potential.

All present irrigation, except at the Wonji plantation, is performed by very primitive methods. The great disadvantage is that most Ethiopian rivers, situated mostly in areas of abundant water supply, flow westward toward the Sudan, leaving only the Awash to serve the eastern part of the country. The latter is of such low capacity that the needs of the Wonji plantation require approximately half of its
water. Should the new plantations in Matahara, between Awash and Dire Dawa, start using modern methods of irrigation, hardly any water would be left in the river. Therefore, the only practical system for the East is that of getting water from wells. The Point Four mission plans various test drillings, but none have been undertaken as yet. Actually irrigation from wells is possible only in about one third of the area. The remaining two thirds has no water available either above or underground, and is generally unoccupied except for nomadic peoples.

Irrigation by canal is possible in some parts of Western Ethiopia, such as Gore, Godjam, and Azelle.

The entire water problem has been inadequately studied, but even so, it is reasonably sure that it will be quite impossible to irrigate much of the eastern area.

c. The development of the Lake Tana* region

When it rains in Ethiopia, the Sudan and Egypt prosper because they get the extra water they need for their crops. This extra water comes mainly from the Blue Nile (Abbai) which originates at Lake Tana, the largest lake in Ethiopia and the greatest natural reservoir in Africa above the equator.

The areas around Lake Tana and the Blue Nile have very rich soil and an abundance of water during the rainy season. At the moment, the area is virgin due to lack of communications and capital as well as for political reasons. The region is attractive to Ethiopia's neighbors because of its supposed importance to the water supply of the Nile.

* 2, entire book.
Egypt, the Sudanese, and, for a time, the British, were very much interested in Lake Tana, for the regulation of the Blue Nile is vital to both Egypt and the Sudan. Many studies were made by British scientists at the beginning of the present century, but all contemplated only such works as would benefit the Sudanese economy. Teams, under Buckley and Grabham, were sent by the British government and made thorough studies.

In 1936, studies by Professor G. DeMarchi indicated that although the Blue Nile is indeed important in the water supply of the Nile, Lake Tana itself contributes but a small percentage of the water carried by the former. By the time the Nile gets to Wadi Halfa on the Sudan-Egyptian border, the water contributed by the lake itself is only about 5% of the total, indicating that Lake Tana could not serve Egypt well as an irrigation reservoir. On the other hand, such a reservoir could be very useful to the Sudanese economy.

If there were not international and humanitarian reasons to be considered, the whole system of the lake and the basin of the Blue Nile could be entirely utilized within the Ethiopian empire. The river, in its arc-like flow towards the Sudan, passes areas that could be easily irrigated. During its 600 mile course within Ethiopia, it has many falls and passes through many parts where hydroelectric plants could be built. Of course, a dam at the beginning of Lake Tana could be very beneficial by raising its level so that great quantities of water would be stored. This would regulate the flow of the Blue Nile and would be very useful to Ethiopia both for irrigation and electric production. As we have said, however, Ethiopia cannot fully use this water. But if
the dam is ever built, the Ethiopians should not make the mistake of giving the control of it to foreign interests who might try to benefit only the economies of Ethiopia's neighbors.

The area around Lake Tana and the Blue Nile is potentially rich, and its development depends on the utilization of the water within Ethiopia. To achieve the above, Ethiopia has to keep its humanitarianism within bounds and try to avoid giving away too large a portion of this wealth. Another point to note is that the construction of the dam would submerge relatively unimportant land less than 300 square kilometers in area, most of it muddy during a good part of the year.

2. **Increased Industrial Potential**

Although Ethiopia should concentrate mostly on the development of her agriculture, she should not neglect establishing industries which will help her in diversifying her economy. The industries to be established should fall into the following categories: First, those which will help the development of the country (building materials, etc.); second, industries for local consumption, including flour mills, textile plants, etc. The third category of industries are those which will be allied mainly to agriculture and mining and will concentrate their efforts on the export market. The latter include smelting of minerals, cleaning of agricultural produce, meat canning plants, saw mills, wood pulp plants, tanneries, etc.

At present new Ethiopian industries are mainly of the second category. Most new plants built are for consumer goods with little
capital going into plants of the third group and none to the first.

Even before 1935 there was a realization that Ethiopia's industrial effort should be based on agriculture. Dr. Kurt Ewert, writing in a German magazine in 1937 emphasized the point.* Of course, at first, very great difficulties will have to be overcome because of high initial costs resulting from training of labor and bad communications. The latter will have to be tackled by the introduction either of tariffs or of direct subsidies. Both methods are very detrimental to free trade, but they are the only methods by which Ethiopia will be able to weather the initial obstacles that her infant industries will have to face. Of the two measures, the second one is preferable because of the less permanent form it has.

At present, the Ethiopian Government is giving new industries tax advantages which are an indirect subsidy, while at the same time customs duties are paid on imports from foreign countries. Now this is ideal for any new industry, but there is a very great weakness in the whole system. Ethiopia is one of the few countries in the world whose revenue depends primarily on export and import duties. Therefore, when the Ethiopian infant industries cease being infants and when transport costs are decreased by better highways and more railways, will the Government cease its duties? If there are no radical changes in the system of collecting revenue, these new industries will most probably never become efficient because they will have a guaranteed internal market which they will probably share among themselves, as in

* 20, p.18.
the case of edible oils. Being protected, these industries will not have any incentive to improve their methods and reduce their prices.

Therefore, great care has to be taken in the way in which any subsidy is given. Its form must be temporary, and in order to derive full benefit from Ethiopia's comparative advantage, the mature Ethiopian industries must have as much competition as possible. All Ethiopian industries will need is an initial subsidy. Subsequent free competition will by itself improve efficiency. Trusts should be avoided because they will hurt the Ethiopian population which will have to pay higher prices.

Some of the industries most likely to be established in Ethiopia in the near future for export are the meat and tanning industries. Owing to the great possibilities of Ethiopia in the field of animal husbandry, it is hoped that such industries will be very profitable in a world hungry for such products. Canned and chilled meat is being considered as one of the future exports of the country. When the meat industry is organized, by-products will be available for processing. Hides and skins, which are one of the oldest of Ethiopia's exports, will also receive better treatment and will therefore get higher prices in world markets.

Industries which will concentrate on the satisfaction of internal demand are those that are getting most attention at present. These include textiles, sugar, etc. It is true that in these products Ethiopia has no comparative advantage over other world producers, but

# See Chapter II part C.
their import has been such a great drain on Ethiopia's foreign currency reserves that establishment even behind protective duties seems fully justified. Only by producing such commodities behind barriers will Ethiopia be able to increase her imports in capital goods. One day when Ethiopia has developed her economy sufficiently, if these industries are still inefficient compared to other countries, Ethiopia will be able to afford the lifting of barriers. The present path looks bad to those who believe in maximum efficiency, but it is the only one by which Ethiopia will be able to cut the terrific drain on her reserves of foreign exchange. This probably represents the best compromise between long-run efficiency and the present desire to conserve exchange. The first category of industries can be built by the use of funds made available from the economies made by the production of basic consumer goods at home and by International loans.

3. Diversification

a. Avoiding one crop economy

In the last few years the Ethiopian economy has been showing a definite trend toward becoming a one crop economy.

Great dependence on external trade means that any rise or fall in the prices of her basic exports or imports tends to have a great effect on the whole economy. Since 1945 the composition of the country's imports has varied but exports have tended to become more and more restricted to a few items of which coffee is the most important. When one looks at the figures of Ethiopian exports, he will see that coffee sold abroad has increased to such an extent as to form, at
present, more than 50% of the country's receipts of foreign exchange. The above trend is very unhealthy, as South American countries can testify.

If a country has a multiple crop economy, it can better withstand price declines, because the injury will be suffered by only part of the economy. But if a country has a "single crop economy" the above can mean disaster because of the great part of the economy being hurt. The fall of one cent in the price of the main export might mean the loss of millions of dollars in foreign exchange. And as these drops in price are usually several cents per pound, the injury is increased further.

In the case of the above happening, Ethiopia, which needs to import many goods and especially capital goods, would be faced by a drastic cut in her imports and a reduction in her rate of development. Of course, this can be cured by the export of gold, but this solution is only a short term one.

First of all, Ethiopia will have to develop her agriculture plus markets for the produce of the latter. There are many commodities with which Ethiopia will have the same comparative advantage as in coffee except for bad communications, which made transportation very expensive for bulky goods with small unit value. To this, coffee was an exception because of its relatively high price per pound.

Now that Ethiopia's communications are being improved and the quality of exports is checked by the Government, there are hopes that exploitation of other commodities will be possible. Markets for meat,
cotton, flax, and the already established oilseeds, cereals, pulses, hides and skins should be developed without at the same time sacrificing coffee.

Ethiopia can and should avoid becoming a one crop economy. In the next section reasons will be given why Ethiopia should try to diversify her economy even more by exploiting her mining resources and by industrializing slowly a part of her economy.

The development of mining and partial industrialization are essential to achieve diversification in its full meaning. Over the years it has been seen that prices of most agricultural products tend to rise and fall simultaneously. To attain, therefore, a state of as much invulnerability as possible from violent price changes, Ethiopia should follow two types of diversification, i.e., within agriculture and outside it.

b. Industrialization slowly and in stages

There are many problems, such as education, capitalization, etc., which a new country has to face in the course of its development. To solve them, there are three alternatives: The first is to develop the existing sources of wealth, which in most cases are agricultural and extractive; second, there is the alternative of quick industrialization, probably at the expense of agriculture; and the third alternative is the middle-of-the-road policy which means industrialization to a certain extent without sacrificing agriculture.

If the first alternative is followed, the country is at the mercy of the chronic, wide price fluctuations which characterize most
raw materials and foodstuffs markets. The second alternative is even worse than the first, because the whole economy of the country is dislocated, large masses of people move into the towns, and in most cases agriculture is neglected to such an extent that some formerly exported foodstuffs and raw materials have to be imported. By following the latter method, industries are usually built behind protective barriers so that their very existence depends on indirect or direct subsidies. This latter has often occurred in new countries, which established industries in a hurry without caring whether they had a comparative advantage and without establishing markets for their products. This sacrificed the other spheres of the economy where they had the former.

Because both of the first two alternatives have many faults, the best solution is to follow the third type, by which the law of comparative advantage is followed up to a point.

Development of secondary fields will give the necessary diversification and enable the country more easily to bear the brunt of an eventual drastic reduction in the prices of the main products of the country.

Ethiopia has tended to follow the middle way. Despite the growing dependence on coffee, the need for a shift towards diversity both in the agricultural field and otherwise is recognized. As Ethiopia develops and trains her labor, she will probably obtain a comparative advantage in some of the established industries, and slowly she might increasingly emphasize the industrial sector of the economy.

But to find out whether Ethiopia should become largely an
industrial country, we will have to simply await developments. No rash and quick actions should be taken, because the country will suffer from the consequences of a dislocated economy.

Successful industrialization does not simply mean the building of modern factories. To say that a country has industrialized successfully, we must show that it is housing its workers well and providing all the facilities for a decent living standard. Just transplanting large groups of people from the country into overcrowded slums without taking care of their new needs does not advance the country as a whole.

Figures might show that the income of such people has gone up; what one has to examine is whether it has gone up enough to cover their new needs. People transplanted into city slums might provide cheap labor for industry, but at the same time might prove detrimental to the country as a whole.

All the above can be avoided by carrying out the necessary industrialization slowly. By not rushing Ethiopia will be able to build the facilities essential for her workers concurrently with her proposed industries. By going slowly and cautiously, the country not only will avoid a decrease in its farm production but will also produce a satisfied and educated worker class which will be a stabilizing factor to the country in contrast with many European and Middle Eastern countries. The above will be accomplished by the successful conclusion of the present education programs and by a slow industrialization, which will draw only surplus labor from the improved agriculture which will be for some time to come the basis of the Ethiopian economy.
c. Higher per capita income and capitalization

To find the per capita income of a nation, one has to have an approximate figure for the national income. In the case of Ethiopia, there is an additional difficulty because not only are there no national income figures, but nobody knows the exact population of the country.

The only available figures are those recently issued by the State Bank of Ethiopia. Per capita income in Ethiopia is given as being U. S. $68 per annum, but it is impossible to give much credence to the above figure for many reasons. First, the figures used were that of the gross national product and a population of 12.5 million. Both these figures have their weaknesses, because the population of the country is unknown, and most estimates put it as being around 15 million. Using this figure, the per capita income falls to U. S. $57 per annum. The figure given for the gross national product is 2,100 million Ethiopian dollars. This figure excludes depreciation and indirect business taxes, which if taken into account would give a very different figure than the one used. Second, in the calculation of the gross national product, the State Bank has used estimated figures for the value of the institutional goods and services. Third, the greatest weakness of the figures given is that it is impossible to find out the market value of domestically produced agricultural output and livestock. The latter two comprise 84% of the final figure, and considering that this figure is but a rough estimate, one can see why the U. S. $68 estimate is completely unreliable. A fourth weakness in the figures exists because Ethiopia is relatively underdeveloped, and very many goods and services are pro-
duced by members of households. Goods such as cloth, bread, etc., are home produced and excluded from the figures. Despite the absence of accurate figures, it is certain that the present per capita income of the country is low, as indicated by the relatively low level of investment, the low industrial production, etc. Despite the recent rise in the standard of living of the Ethiopian farmer, there are still many people who live at a bare subsistence level. It is true that the Ethiopians appear to be better off than most other Africans, but even so, there is room for a very large improvement.

Ethiopia must substantially raise her per capita income if she is to become a modern state. The present figures, even if they represent approximately the present conditions, are very low. But the writer believes that as the Ethiopian economy is developed, the per capita income of the Ethiopian population will rise substantially. More investment of domestic and foreign funds can be expected in the near future. The reason for this optimism is that there are concrete signs not only of active interest in Ethiopia by foreign investors but also a considerable decrease in hoarding. The latter is likely to release funds which might be invested by the Bank, whose deposits are showing a marked increase. Also, increased Government expenditure for education, transport and building is likely to provide additional push towards higher per capita incomes. As production of both industrial and agricultural goods increases, the standard of living will rise and with it the gross national product.
The figures published by the State Bank* show that Ethiopian income is rising faster than that of many African countries. By comparing rough figures for Africa, the report concludes that only the Union of South Africa, Southern Rhodesia, and Egypt have higher per capita gross national products (obtained by dividing gross national products by population) than Ethiopia. The above indicates a great advance from prewar, when Ethiopia was very near the bottom of similar tables.

Ethiopia is a potentially rich country with a very high usable land to population ratio. Ethiopia is also fairly well endowed with labor, although its productivity is relatively low because of a lack of training facilities. The factor which Ethiopia lacks most is capital. Very few machines are used, and although no figures are available, it is safe to assume that capitalization in Ethiopia is low.

In order to raise the standard of living of the people, capital investment in Ethiopia must rise considerably. It is only when more capital is available in the country that economic resources will be developed. As Ethiopia has relatively little trained labor available for the fulfillment of development projects, measures must be taken to make the best possible use of it. To use the available labor in the best manner, Ethiopia will have to invest large sums of capital for the introduction of machinery which will relieve much labor from many of the jobs which now need a lot of labor.

Under today's advanced techniques, to put tools, machinery

* 60, p.3.
and materials at the disposal of the workman and to maintain a flow of production, a heavy investment per worker is necessary. The basis of industrial progress is power supplied to the workman, by machinery, to turn out goods and in the process to produce his wages, the cost of supplies and equipment and the taxes levied by the Government (if any). From the above it can be seen that for a nation to industrialize itself, vast amounts of capital are necessary.*

At the moment there are no available figures of the capital per worker which is invested in Ethiopia, but the writer believes that the figure is not very high. Owing to the above absence, it is not possible to make comparisons with present day industrial countries, but in order to show the magnitude of the task ahead, it is sufficient to look at the present United States figure. At present the capital invested per worker in the United States is U. S. $12,200.* Of course, this is an extreme case, but it should serve as a rough yardstick.

From the above it should be clear that capitalization in Ethiopia has to increase manifold. Many people ask how much time is necessary to achieve such a goal. The writer believes that, although Ethiopia can become an industrial power in the future, it is impossible to give any reasonable estimate of the time needed for this to be achieved. There are many conditions to be met and questions to be answered. A very important one concerns the method to be used. The United States needed about 150 years to reach the present stage, and she started with greater natural resources than Ethiopia. Of course,

* 31c, p.63.
techniques have been improved so much that the time factor will be greatly reduced. The United States industrialized with the aid of foreign investment without sacrificing consumption, whilst the U.S.S.R. followed the opposite system of primarily internal development and took 35 years to reach her present stage. Of course, this system followed by the Soviet Union although harder was much quicker than the American one, due to advances in technique and economic planning. Now when we come to Ethiopia, we have to look at what method is to be followed. From present indications, it appears that Ethiopia is not prepared to sacrifice consumption and is therefore following the slower but surer way.

In addition to the need of increased investment in mechanization, more capital will have to be invested for the construction of roads and public utilities. This capital, which is very scarce in Ethiopia, at present will have to come both from inside and outside the country by means of increased production and investment of savings and also from outside loans and some foreign investment.

4. **Education**

a. Education essential to economic development

For a country to be able to develop its economy, education of the people is essential, not only for the training of specialists but also for ordinary workers who must have at least a basic education to enable them to read and follow instructions. Ethiopia needs education to overcome the old superstitions and suspicions which make modernization unwelcome.
Many countries with old civilizations may be morally superior to those that have modern technical ones, but in today's world a combination of the two is essential. Ethiopia is a predominantly Christian nation with very sound moral principles based on her old civilization, which managed to survive many years of isolation from the rest of the civilized world. If to these moral values present know-how is added, the country will be able to advance along the road of economic development.

At present what Ethiopia needs very badly is the education of a middle class to supply leaders for industry and agriculture as well as for civil service. This can be accomplished by having a complete system of education in Ethiopia itself.

It will be wise if these future leaders can obtain most of their training in Ethiopia. It is not very wise to send young people fresh out of high school to foreign universities. The first objection is that the student will live for a long time in alien surroundings quite dissimilar to Ethiopia. The second objection is that by this method large amounts of foreign exchange are spent needlessly. What should be done is to send abroad only graduate students who, after having had their basic training in their own country and having formed their own interests, will find their stay abroad much more beneficial than had they gone there for their complete tour of studies.

b. Expansion of education facilities essential

Education in Ethiopia is very old indeed, and it dates back to the early days of Christianity. During the dark days of Moslem attacks,
the Christian church was to Ethiopia, as to the peoples conquered by Turkey, the only way by which Ethiopians were taught how to read and write.

The church, despite its fine past record, is unsuitable for developing an educated people capable of competing with other modern nations. This point was well understood by Emperor Menelik, who in 1908 founded the first state school in Addis Ababa. This was followed by the founding of the Tafari Makonnen School in 1928 and several others both in Addis Ababa and in the provincial centers. These were sponsored directly by H. I. Majesty Haile Selassie I, who first as regent and then as the Emperor tried to expand Ethiopia's education on modern lines. Some Ethiopians were also sent abroad for higher studies, but as soon as many of them started returning to Ethiopia, the Italians invaded the country, and by 1937 only a few of them were still living, more than 75% having been murdered by the Italians.*

After the restoration, the Emperor undertook to rebuild and expand the educational system of the country, which had been completely put off balance by the war. In his efforts up to now he has been greatly helped by many of the people whose previous hostile attitudes toward modern education were changed by the bitter experience of the occupation. Great strides have been made since 1941, with great stress having been placed on education. (The Ministry of Education was one of the first to be established after the liberation).** Today there are

# Emperor Menelik reigned from 1889-1911, and in 1890 he unified Eth.

* 12, p.249.
** 29b, p.2.
about 540 primary schools scattered all over Ethiopia,* and a few secondary schools in the towns. At present a University College is also operating in Addis Ababa, and agricultural, teachers training schools, and technical schools operate in many parts of the country.

At present Ethiopia devotes about one tenth of her budget to education. Mass education, which was once considered a reform, is now a part of the ordinary policy of the Government and is accepted by the great majority of the people. Thus, education has been expanded, modernized and in part taken away from the church. All the above is very encouraging, but when one looks at the number of pupils and compares them to the number of Ethiopia's children of school age, it can be seen that the job is only in its first stages. In 1950 there were 61,174 children enrolled in state schools, although this presents a substantial rise over the 1945 figure of 18,323.** It is still low if one considers that there must be at least 4 million children of school age in the country. Of course, owing to the absence of a census, it is impossible to even estimate the child population of the country, and the figure of 4 million was obtained by using the percentage of children in Addis Ababa between 5 and 19 and applying the percentage to the estimated 15 million for the whole country (Eritrea excluded). The figure of 25%*** thus obtained is not accurate when applied to the whole country because of the high percentage of single men who come to the capital without their families.

* 58, p.1.
** 58, p.3.
*** 34, p.12.
It is true that the initial successes of the reform have had the support of those large sections of the population who have been made to understand that if Ethiopia wants to be a strong independent nation she must educate her people. For the program to succeed, it is essential for it to be controlled by the Government, because it is only in that way that the necessary funds will be made available.

Ethiopia has still a long way to go, although there are very few countries in the world today that devote such a high proportion of their budget to education. These sacrifices have helped a lot to start to solve the number one problem of the country. Only when every child in Ethiopia has the opportunity to receive an education no matter in what part of the country he lives, will one be able to say that the problem has been completely solved.

Of course, the establishment of all these schools requires a large amount of capital, but it is hoped that this will be made available by sacrifices in other fields. To the elementary and secondary schools, others such as technical, agricultural, medical and industrial schools will have to be added. Considerable help is expected from the Point Four for the fulfillment of the agricultural training programs.

The expected building of the Addis Ababa University within the next couple of years will greatly help the development of the country by supplying trained Ethiopians to take responsible positions in the future Ethiopian economy.

To the proposed University, which is to be the expanded present University College, such institutions will have to be added later in
other important centers of the country.

The program of University education will have to be supplemented by a continuous flow of Ethiopian students abroad to bring valuable experiences from graduate studies in foreign universities. This program will have to be Government controlled so that promising students will be able to develop their abilities fully without financial handicaps.

5. Improvement of Transport Essential to Economic Development

To develop her economy, Ethiopia must improve and extend her present transport system. Better communications are essential not only to open the country, but also to lower the transport costs for the country's imports and exports. Millions and millions of bushels of wheat and barley could be exported if transportation were available to bring them from the interior to the coast.*

At present the Government is trying a program of improving existing roads, but to achieve maximum success in the development of the country, the following steps are considered by the writer as being the best.

Ethiopia's terrain is one of the most difficult in the world as far as railroad construction is concerned. Steep mountains make construction so costly that highways are cheaper to build. The Italians built many roads in Ethiopia but did not attempt to construct any railways.

This policy of building only highways is sound only on a

* 28, p.5.
short term basis. Ethiopia is a country whose potential exports are very bulky and therefore, in the long run, railways must be constructed if transport is to be kept cheap. It has been estimated that railway transportation of bulky goods can be as much as ten times cheaper than by highway.*

Because of the present lack of capital, Ethiopia should wait before she undertakes an extensive program of railway building. The ideal time to build Ethiopian railways would be when the country's hydro-electric power sources are tapped, making available cheap power to the railways, which should be electrified to be efficient.

The line which should have the greatest priority is the one which would connect the present Addis Ababa-Djibouti line to the Ethiopian port of Assab.

There should be two phases in the opening of Ethiopia, the building of the highways and the building of the railways. As the country develops, the need for cheap railway transport will be felt. But to reach that stage, highways to open the country will have to be built. At present the main arteries of the Ethiopian highway system exist, but are in relatively bad shape. It is to the credit of the Government that great efforts are being made to repair them and to keep them in good condition. Although this latter is essential, little is heard about the building of other highways, which in combination with the present ones could form a network covering most of the country. Of course, at present there is a lack of capital, but it is hoped that in the near

* 13.
future Ethiopia will be able to secure more loans, similar to the U. S.
$5 million from the I.B.R.D., in order to develop her communications,
which come second only to education.

Areas that need new highways are Godjam and Southern Ethiopia,
but when construction of new highways is started, top priority should
be given to the transformation of the present secondary road from Nazar­
eth to Dire Dawa into a first class highway. At present the railway
is the only good link of Eastern Ethiopia to the capital.

Air transport, which has received a great boost since 1946
because of long and costly land transport, is bound to develop still fur­
ther, but its use will be mostly limited to passenger transport owing
to the bulky nature of Ethiopia's exports, and the expected substantial
lowering of fees and the time needed for transport when the land means
are improved. So airways, though important for the future, will see
their cargo use limited largely to light goods with relatively high value.

The Baro, being the only navigable river in Ethiopia, should
be continued to be used for the export of timber, coffee, etc. to Sudan.
Its use will be limited to transport of goods to and from the Sudan and
probably Uganda. The fact that it is only navigable during the rainy
season severely limits its usefulness. This line would run from Assab
to Combolcia (Dessie) and from there would follow the river Auach up to
the town of Auach where it would meet the Djibouti line. Because Djibouti
is French, Ethiopia should keep as much of her trade as possible
from foreign intermediaries. Before 1935 there were propositions to
use Zeila and Berbera as outlets of Eastern Ethiopia,* but the fact that they are both in British Somaliland makes the proposition unattractive.

When large scale construction of railways is started, they should be so built as not to leave any region of the country isolated. The work will be very costly and difficult because of the mountainous nature of the terrain and because of the difficulty in bridging rivers like the Gasc, Setit, Atbara, Rahd, Dinder and others which become torrential during the rainy season.

Because of the very rugged mountains, a North to South railway would be very difficult to build, and therefore, efforts should be concentrated on connecting most of the country with the sea.

The Lake Tana region should get an outlet to the sea by being connected to the already existing Eritrean system, while the Lake district would find an outlet via Addis Ababa. Massawa would serve as an outlet for Asmara, part of Godjam, and the Tigre. Assab would serve the rest of the country, but in this case the harbor facilities would have to be improved in order to avoid uneconomic loading and unloading.

In most Asian and African countries, railways have preceded highways, because when railroads first became practical, road techniques and road transport were not as advanced as at present. Around 1921 there was great enthusiasm for the construction of a Pan African railway, and the Germans, prior to 1914, built many railways in their colonies. But that era has ended, and now roads should precede railways, thus making the construction of the latter cheaper.

* 5.
6. Investment

Ethiopia needs much capital in order to develop her economy. This capital will have to come both from within and from outside the country. Foreign capital will contribute most of the costs in foreign exchange, while local capital will take care of expenses in Ethiopian dollars. By the above, the writer means that the foreign enterprises which come into Ethiopia should have a certain amount of Ethiopian participation.

The raising of local capital has been hindered traditionally by various obstacles of which the most important is hoarding. Foreign capital was slow to come mainly because most investors preferred to put their capital either in their colonies as in the case of France, Great Britain and Holland or in South America and Canada, as was the case of the United States. In the following sections the various types of investment will be examined separately.

a. Local capital and hoarding

In the years before the monetary reform there was large scale silver hoarding in Ethiopia. The latter was accomplished mainly by burying the Maria Theresa dollars, which at the time were legal tender. This practice, which is common in the East, was partially abolished by the monetary reform of 1945.

The roots of hoarding lay deep in the souls of the peasants. The constant wars that preceded the unification of Ethiopia in 1890 had made the people feel insecure with all other types of wealth. Their cattle could be stolen and their houses burnt, but their money was
safely buried at a place only known to themselves. This habit remained with the people up to the recent reform and, as a matter of fact, was intensified by the Italian occupation, during which the Ethiopian population never accepted willingly the paper liras. So practically all of Ethiopia's savings were lying dormant with little chance of investing them. When the monetary reform came in 1945, one of its purposes was to make hoarding as difficult as possible. Introduction of paper currency and the prohibition of the use of silver dollars as legal tender was the means by which this was to be achieved. The above Government regulations coupled with internal political stability have encouraged the farmers to bring out a large part of their savings. Most of the silver dollars were disgorged, and peasants started using banks whose deposits have increased several times since 1945.

But although hoarding has been reduced, it has not disappeared completely. Peasants still have their old habits and at present hoard silver fifty-cent coins. It is expected that with the passage of time these old habits will die slowly.

When the problem of hoarding ceases economic planners can expect their plans to get under way. The present relatively low standard of living of the Ethiopian people means that savings tend to be small, but once people get into the habit of using the banks, this capital will be available for investment. As projects are started, on a small scale at first, the country will feel their benefit by a gradual increase in the standard of living which in turn should bring a higher level of savings. The main problem in Ethiopia, as far as local
investment is concerned, is to make people believe that hoarding has to be abandoned for good. What makes the writer a little skeptical about the lasting effect of the change in attitudes is that it was achieved in a time of relative prosperity for the peasants. If the tables turn one day, will the people avoid the temptation of returning to their old habits?

b. Foreign capital for development

Although local capital is essential for development, Ethiopia cannot do much by herself. Foreign capital and loans must be obtained if Ethiopia is to exploit fully her national resources without serious inflation which would endanger her export trade.* As was explained in the chapter on loans and investments, public utilities will have to be undertaken by the Ethiopian Government with the help of I.B.R.D. loans while other sorts of investment should be given to private concerns in which there should be a certain percentage of local participation.

When, therefore, foreign capital is available, it must be combined with local savings in order to get a maximum result from the available sums. At present the U.S.A. is the only great source of capital in the world, and it is there that Ethiopia will have to turn.

There are ample possibilities for U.S. capital in Ethiopia, and investment abroad would help maintain the present rate of expansion of the U.S. economy. American investors naturally are looking for "safe countries." Ethiopia being a strong and stable independent country is one of the best places for American investment. Although

nationalistic policies in many countries have frightened American investors, in Ethiopia none should be encountered because of the absence of many of the causes that have brought trouble. These latter include many years of colonial rule, presence of large foreign concerns which are trying to get as much out of the country as possible, political instability and many others. Ethiopia on the other hand needs not only capital to develop her resources but also expert people to help do it.

When a private company invests in a place, its regular employees are likely to work more conscientiously than the majority of advisers who come to the country only for a limited time. Since Ethiopia does not yet possess the necessary technicians and administrators to carry out many of her plans, she will have to depend on those supplied by private companies. In public utilities and transport the Ethiopians will have to depend on foreign advisers because of the inadvisability of giving such essential parts of the economy to private foreign companies. Also, the latter are not very anxious to invest in such enterprises because of very low profits.

So Ethiopia has to look for outside investment, which will come mainly from the U.S.A., for the development of industries, such as meat canning, textile manufacture, lumber, etc. For the construction of roads, power plants, etc., the country will have to look to international bodies, which in addition to having no strings attached to them also charge low interest rates.

C. Outlook into the Future

Ethiopia seems to have a very bright future ahead. Her
position, her natural resources, her people and a stable government make one believe that in a few years the country will figure more prominently in the world as an economic and a political power.

Ethiopia is very lucky to be endowed with very rich resources which include an excellent climate and adequate water. If these resources are used properly, there are possibilities that the country will become one of the greatest of the African economic powers.

To achieve the development of the country, the continuation of the educational and communication programs is essential. Local investment must play a leading role in the development of the country and will have to be assisted by the influx of foreign loans and private capital.

Ethiopian technicians will have to be trained in sufficient numbers to undertake the modernization of farming methods. Animal health and selection of seeds have had a promising start, but such plans will have to be continued in the future.

The mineral wealth of the country will have to be explored, and economically workable mines will have to get priority. At the same time the hydroelectric potential of the country will have to be tapped in order to provide cheap motive power for the development of the country's economy. Lastly, industrialization must be carried out slowly in order to avoid serious dislocation of agricultural production, which should form, at least for the near future, the basis of the country's economy.

At present the writer is confident that the right path of
economic development is being followed by Ethiopia's leaders. But Americans are warned that very spectacular results are unlikely for some time. The difficulties encountered are many, and therefore, some time is needed before present and future efforts bear fruit.
Political map of Ethiopia.

Legend.
Towns and cities are not underlined
Underlined words are Ethiopian provinces
and foreign countries.
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