A COMPARATIVE STUDY ABOUT CHALLENGES AND POTENTIALS OF DECLARING CITIES AS FREE TRADE ZONE IN ETHIOPIA

LLM THESIS IN COMMERCIAL LAW

BY LIDIYA MULUGETA KINFE

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LIDIYA MULUGETA KINFE

ADVISOR: DANIEL BEHAILU (PHD, ASSOCIATE PROFESSOR)

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This is to certify that the thesis entitled "**A COMPARATIVE STUDY ABOUT CHALLENGES AND POTENTIALS OF DECLARING CITIES AS FREE TRADE ZONE IN ETHIOPIA**" was submitted in partial fulfilment of the requirements for the degree of LLM with specialization in Commercial Law at the Graduate Program of the School of Law, and was carried out by LIDIYA MULUGETA KINFE ID No: GPCLR/0011/15 under my supervision. Therefore, I recommend that the student fulfil the requirements and, hence, submit the thesis to the school of law.

Daniel Behailu (PhD, Assoc. Prof) ________________ ______________

Name of Advisor Signature Date

This LLM thesis title has been submitted for examination with my approval as thesis Advisor.

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SCHOOL OF GRADUATE STUDIES

HAWASSA UNIVERSITY

We, the undersigned, members of the Board of Examiners of the final open defence by LIDIYA MULUGETA have read and evaluated her thesis entitled "A comparative study about Challenges and Potentials of declaring city administrations as free trade zones in Ethiopia" and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfilment of the requirements for the degree.

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Name of Major Advisor Signature Date

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Name of Internal Examiner-II Signature Date

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DECLARATION

I hereby declare that this LLM thesis on “A comparative study about Challenges and Potentials of declaring city administrations as free trade zones in Ethiopia” is my original work and has not been presented for a degree in any other university, and all sources of material used for this thesis have been duly acknowledged.

Name: Lidiya Mulugeta Signature: May, 2024 Date_________

CERTIFICATION OF THE FINAL THESIS

I hereby certify that all the corrections and recommendation suggested by the Board of Examiners are incorporated into the final Thesis entitled – A comparative study about Challenges and Potentials of declaring city administrations as free trade zones in Ethiopia by Lidiya Mulugeta.

Name of the Designate Signature Date

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ACRONYMS AND ABBREVIATIONS

ADLI- AGRICULTURAL DEVELOPMENT LED INDUSTRIALIZATION

AFCFTA-AFRICAN CONTINENTAL FREE TRADE AREA AGREEMENT

AGOA- AFRICAN GROWTH AND OPPORTUNITY ACT

AU-AFRICAN UNION

BCE- BEFORE COMMON ERA

COMESA- COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

DDIP-DIRE DAWA INDUSTRIAL PARK DEVELOPMENT

EBA-EVERY THING BUT ARMS

EEC-EUROPEAN ECONOMIC COMMUNITY

EPRDF-ETHIOPIAN PEOPLE'S REVOLUTIONARY DEMOCRATIC FRONT

EU- EUROPEAN UNION

FDI- FOREIGN DIRECT INVESTMENT

FDRE - FEDERAL DEMORACTIC REPUBLIC OF ETHIOPIA

FTA-FREE TRADE AGREEMENT

FTZ - FREE TRADE ZONE

GATT- GENERAL AGREEMENT ON TARIFFS AND TRADE

GDP - GROSS DOMESTIC PRODUCT

GSP- GENERALIZED SYSTEM OF PREFERENCE

HPR- HOUSE OF PEOPLE'S REPRESENTATIVES

IGAD - INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT

IGADD - INTERGOVERNMENTAL AUTHORITY ON DROUGHT AND DEVELOPMENT

IMF- INTERNATIONAL MONETARY FUND

IRBD - INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ITO - INTERNATIONAL TRADE ORGANIZATION

LDC- LEAST DEVELOPMENT COUNTRIES

NBE-NATIONAL BANK OF ETHIOPIA

OAU- ORGANIZATION OF AFRICAN UNITY

OEEC- ORGANIAZTION FOR EUROPEAN ECONOMIC CO-OPERATION

PTA- PREFERENTIAL TRADE AGREEMENT

RTA-REGIONAL TRADE AGREEMENT

SPFTZ-SHANGHAI PILOT FREE TRADE ZONE

TPLF- TIGRAY PEOPLE’S LIBRATION FRONT

UK- UNITED KINGDOM

UNCTAD- UNITED NATION TRADE AND DEVELOPMENT

UNIDO- UNITED NATION INDUSTRIAL DEVELOPMENT ORGANIZATION

USA- UNITED STATES OF AMERICA

WB- WORLD BANK

WTO- WORLD TRADE ORGANIZATION

Abstract

The role of free trade zone for enhancing the economy of developing countries becomes invaluable these days. Because of that, different countries in the world choose to establish and free trade zone. Ethiopia also declared the city Dire Dawa to be the first pilot free trade zone area since 2022. However the law which allows the establishment of free trade zone and regulates the activities concluded in free trade zone area, is still on its draft stage. Addressing the challenges and opportunities of declaring city administrations as free trade zone areas in Ethiopia especially with regard to law and policy is the major aim of this research. In order to achieve this aim qualitative research methodology implemented. Interview was conducted with some important key informant individuals who are presumed to give a reliable data for this research. In addition to that the experiences of different countries are also provided for comparative purpose. Hence the research is a blend of both doctrinal and non-doctrinal legal research. Based on the finding of the thesis, it is concluded that the free trade zone formation in Ethiopia faced an obstacle because of the absence of regulatory legal frame work enacted mainly to administer those areas in Ethiopia. And also the preparation of the country in general and the city administration particularly seems minimal on especially on free trade zone formation and other related aspects. So it is highly recommended that the draft law which allows the establishment of free trade zone in Ethiopia to be effective as early as possible. And the preparation of the country should be improved on so many grounds.

Keywords- *free trade zone, developing countries, policy*

Contents

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Ethiopia is a landlocked country which had been using ports of neighboring countries, namely Djibouti and Eritrea (prior to the 1998-2000 border conflict). Currently, the government of Ethiopia heavily relies on the port of Djibouti, which is 95% of its international trade concluded by.[1] Different countries around the world exploit the geographical location of cities to formulate free trade zone. Based on this essence, Ethiopia declared Dire Dawa to be the first city in the country as an economic free trade zone. Dire Dawa is one of the cities in Ethiopia located 450 km east from Addis Ababa and 320 km south west from Djibouti, Which is a proximate location from both Berbera and Djbouti ports. The city has a dry port that is located 348 km far from Dijbouti port and 507 from Berbera port. In addition to its proximity, the city is also known by its historical market accessibility and huge cargo potential as well its suitability for multimodal transport and logistics operation. Even though currently Dire Dawa is the only city of Ethiopia declared as a free trade zone, it is highly likely the government will continue to formulate other free trade zones. In addition the process of preparing the guiding proclamations for those economic free trade zones is still going.

There are various types of special economic zones categorized according to the required aim of accommodating a wide range of working conditions, country infrastructure, government oversight and geography.[2] Special economic zones are policy instrument by which governments of different countries of the world used to promote trade and investment.[3] Different definition is given for the term special economic zone. But the most common one is "geographically delimited areas administered by a single body, offering certain incentives (generally duty -free importing, streamlined customs procedures and so on) to businesses which are physically located

[1]L Teigist, 'United Nations Conference on Trade and Development: Ad Hoc Expert Meeting in Preparation for the Mid-Term Review of the Programme of Action for the Least Developed Countries for the Decade 2001-2010' [2006] Case Study on Ethiopia 15.

[2] Coenrad Muller Scheepers, *A Case Study for Special Economic Zones in South Africa as a Means of Attracting Foreign Direct Investment* (University of Pretoria (South Africa) 2013) <https://search.proquest.com/openview/6be48dd459a7be9c9188c4c97cf322f2/1?pq-origsite=gscholar&cbl=2026366&diss=y> accessed 12 March 2024.

[3] ibid 18.

within the zone."[4] Special economic zone is a general nomenclature given for all kinds of zones separately designed for different purposes. Features that shared by all types of special economic zones, is the fact that they are delimited on a certain geographical area separately administered by different regulatory organ from the host state essentially includes manufacturing, logistics and commercial activities.

The most common types of special economic zone includes; free trade zone, industrial development zones, spatial development corridors, industrial parks, high-tech zones, science and technology parks, economic and technology development zones, free port's, single factories, enterprise zones, export processing zone and so on. It is possible to say that special economic zone can be considered a synergy for all other various types of economic zones, containing free trade zones.[5]

Free trade zone is one of the types of special economic zone most commonly characterized as a geographically delimited area in which the tax custom authority doesn't interfere to the activities conducted on that specific area.[6] Grubel defined Free trade zones as "areas separated from the surrounding host country's territory by fences or other barriers into which goods from abroad can be brought without quota restrictions or the payment of tariffs and excise taxes without being subjected to exchange controls to the majority of statistical reporting requirements and regulations aimed at the protection of consumers."[7]

Congressman Emmanuel Celler of New York defined FTZ as "a neutral, stockade area where a shipper can put down his load, catch his breath, and decide what to do next."[8] Free trade zone is a place where different goods landed and manufactured without the interference of the local area government tax authority.

Pilot free trade zone has also shares a similar idea with the general definition of free trade zone except that when a certain space is considered as a pilot free trade zone, it is more of a trail run in order to assess the success of that specific zone.[9]

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[4] Susan Teifenbrun, 'U.S. Foreign Trade Zones and Chinese Free Trade Zones: A Comparative Analysis' (2015) 14 200.

[5] Masami Ishida, 'Special Economic Zones and Economic Corridors' 10.

[6] Teifenbrun (n 4).

[7] Herbert G Grubel, 'Towards a Theory of Free Economic Zones' (1982) 118 Weltwirtschaftliches Archiv 39, 20.

[8] Teifenbrun (n 4) 192.

[9] Daqing Yao and John Whalley, 'The China (Shanghai) Pilot Free Trade Zone: Background, Developments and Preliminary Assessment of Initial Impacts' (2016) 39 The World Economy 2, 2.

Recently the role of free trade zone for foreign direct investment has become invaluable. Studies indicate that FTZs can be used as a catalyst for economic development of a given country.[10] Different developing countries shows an increasing interest for the idea of increasing the number of their FTZs.[11] Free trade is a system by which a government prohibited from discriminate against imports or interfere with exports by applying tariffs to imports from foreign countries or subsidies for domestic investors to export to other countries.[12]

Even though it is highly believed that Greece and Romans are the early states to start the system of free trade zone[13], Ireland was known to be the first state to introduce the modern system of free trade zone for the rest of the world. Shannon Airport faced serious decline of income at that time due to advances in aviation technology so the government of Ireland transformed the airport to free trade zone. Later on this decision becomes fruitful and successful on so many grounds.[14]Since then United States and China, as well as more than one hundred thirty-five countries in the world, operate free trade zones.[15]

Lately Ethiopia accepts and prepared to formulate different economic free trade zone cities in the country. Even though the idea of free trade zone is a recent phenomenon in Ethiopia yet the country already becomes familiar with the concept of investment around 1930, which is the time of ruler emperor Haile Selassie I. Recently especially after the political reformation experienced by Ethiopian government in 2018-2019, various changes had been observed on the area of investment with the aim to improve the countries stand on FDI. The policy of the country is also changed to homegrown economic reform in order to bring economic development in the

[10]Martha Belete, 'Ethiopia and Investment Provisions in AfCFTA: Issues and Challenges' 5 <http://cdn-odi-production.s3.amazonaws.com/media/documents/Ethiopia_AfCFTA_Investment_Report.pdf> accessed 7 December 2023.

[11]Susan Tiefenbrun, 'U.S. Foreign Trade Zones of the United States, Free-Trade Zones of the World, and Their Impact on the Economy' (2014) 12 27.

[12]'Britannica, The Editors of Encyclopaedia. "Free Trade". Encyclopedia Britannica, 22 Dec. 2021, Https://Www.Britannica.Com/Topic/Free-Trade. Accessed 15 January 2023.'

[13]Walter Scheidel, Ian Morris and Richard P Saller, *The Cambridge Economic History of the Greco-Roman World* (Cambridge University Press Cambridge 2007) 497 <https://www.academia.edu/download/73772921/Early_Rome_and_Italy_dans_The_Cambridge_Economic_History..._.pdf> accessed 8 February 2024.

[14]Heidi Hamed, 'A Comparative Analysis of Free Trade Zones' <http://rgdoi.net/10.13140/RG.2.1.4524.5287> accessed 14 January 2023. page 20

[15]Teifenbrun (n 4) 1.

country.[16] One of the major changes on the area of investment is the declaration of cities as economic free trade zones.

This case study is conducted by comparatively studying the experience other countries such as China, which becomes successful to enhance their economy on the basis of economic free trade zones. The main reason for choosing China specifically for this study is because of the fact that the economical capacity of China started from an extremely low position to remarkably increasing mainly due to foreign direct investment.[17] In addition to that China can be taken as a perfect model for others by obtaining the national security of the country.

With regard to other countries provided under this research such as Uruguay, Iran, USA and South Africa, are selected mainly on the basis of their policies towards free trade zone by using parameters such as incentives granted for foreigners participated on zones which includes relief from customs procures, non-discriminatory access to use the free zone area, simplified license procedure to start up business on that specific free trade zone, deregulation of different sectors like (labour, environment, tax) and financial incentives such as free flow of capitals including currency repatriation of currency and so on.

1.2 Statement of the Problem

Foreign direct investment deliberated as an essential plank of strategy to promote manufactured exports and achieve long term economic growth[18] and one of the advantages of free trade zone expansion is its potential to attract FDI in a certain country.[19] Different countries around the world used free trade zone as a tools to enhance foreign direct investment. This is mainly because investors can easily get a benefit of custom free service on a given free trade zone area. On august 13/2022, Minister of Council has already passed the draft bill that allows the establishment of national special economic free trade zones in Ethiopia to the house of people's representatives for

[16] Habtamu Girma Demiessie, 'ETHIOPIA'S HOMEGROWN ECONOMIC REFORM AGENDA (2020-2022)–OBJECTIVES AND ROLE FOR MACROEOCNOMIC STABILITY' 5 <https://www.academia.edu/download/106814275/ETHIOPIA_S_HOMEGROWN_ECONOMIC_REFORM_AGENDA_OF_ETHIOPIA_A_CRITICAL_EVALUATION_PRELIMINARY_PAGES.pdf> accessed 13 December 2023.

[17] Marc Fetscherin, Hinrich Voss and Philippe Gugler, '30 Years of Foreign Direct Investment to China: An Interdisciplinary Literature Review' (2010) 19 International business review 235, 2.

[18] Hassan Hakimian, 'Iran's Free Trade Zones: Challenges and Opportunities' <http://eprints.soas.ac.uk/8297/1/FreeZonesinIran_HH_USCSept2009.pdf> accessed 28 November 2023.

[19] Francesca Trampus, 'Challenges, Threats and New Opportunities for the World's Free Zones' <https://www.openstarts.units.it/handle/10077/5595> accessed 23 April 2024.

approval.[20] The next day the country officially declares Dire Dawa to be the first free trade zone area in Ethiopia.[21] Even if the legal material that allows free trade zone establishment is submitted for parliament on the year 2022, it is not still enacted. Here the problem connected with our country's scenario is the fact that the decision of the government to declare cities as a free trade zones without having a prior regulatory legal framework, seems absurd. Regulatory legal framework and policy consideration of countries with regard to free trade zone is an essential subject. On this regard the previous experience of the country China is different from Ethiopia. The time of the declaration Shanghaies free trade zone and the time of approval of the governing laws to regulate free trade zone in China, is almost the same. Daqing Yao and John Whalley studied about the China (Shanghai) pilot free trade zone and conduct a preliminary assessment about its initial impacts.[22] China (Shanghai) pilot free trade zone was officially declared on September 29, 2013,[23] and the regulations on the conduct of business in Shanghai pilot free trade zone (SPFTZ) were published on September 27, 2013 by the state council of China.[24] Clearly, the regulation comes to effect even formerly by two day's from the declaration of the free trade zone. But our countries experience seems contrary to this. The declaration of cities as a zone proceeded from the law which allows the formation of cities as a free trade zones. It has been almost two years lapsed since the country Ethiopia declares the city Dire Dawa as a free trade zone but to this day the regulatory law is still on process to be effective.

Susan Teifenbrun conducted a research on Chinese free trade zones and come to analysis that the main problem of Chinese free trade zone is policy formulation and administration inconvenience.[25] The issue of bureaucracy and corruption is also stated as an obstacle for Chinese free trade zone.[26] The government of China has had a very strong regulatory system of administration of the zones and even in China the issue of bureaucracy is stated as a challenge.

[20] 'The Council of Ministers Passed the Draft Bill That Allows Establishment of National Special Economic Zones to the House of People's Representatives (HPR) for Approval on August 13/2022' (*ENA English*) <https://www.ena.et/web/eng/w/en_37778> accessed 8 May 2024.

[21] Metasebia Teshome, 'Ethiopia Inaugurates First Free Trade Zone in Dire Dawa' (*Capital Newspaper*, 14 August 2022) <https://www.capitalethiopia.com/2022/08/14/ethiopia-inaugurates-first-free-trade-zone-in-dire-dawa/> accessed 15 May 2024.

[22] Daqing Yao and John Whalley, 'The China (Shanghai) Pilot Free Trade Zone: Background, Developments and Preliminary Assessment of Initial Impacts'.

[23] ibid.

[24] Niamh Moloney, Eilís Ferran and Jennifer Payne (eds), *The Oxford Handbook of Financial Regulation* (Oxford University Press 2015).

[25] Teifenbrun (n 4).

[26] ibid 37.

Our country is one of the least developing countries around the world so it is highly predictable that the country is still struggling with poverty and inadequate infrastructure.[27] That by itself, will leads to an excessive bureaucracy. If the system of a certain country filled with excessive bureaucracy, it is known that doing business becomes very difficult in such situation. All in all based on the previous stated research conducted by Susan Teifenbrun it is indicted that China faced the challenge of bureaucracy and corruption in free trade zone advancement.

Ethiopia, as one of the least developing countries is also expected to be exposed for such cumbersome. And this paper is also concerned about the issue since it needs an extensive study on that specific area. The preparation of the country and the city administration of Dire Dawa to prevent the expected challenges are also assessed by taking direct data from the spot.

The other interesting point indicated by Susan is, at the initial time Chinese free trade zone administration regulation puts a very long negative list of sectors which bans foreigners to take part.[28] But from time to time the list goes down gradually. This is the systematic approach designed by Chinese to make balance of creating an enabling environment for business and at the same time avoiding the risk of losing the sovereignty of the country. The stand of the coming draft law of Ethiopia on this regard is also one of the major points of this research.

There is also another literature on challenges and opportunities of FTZ in Iran.[29] Based on this study Iran has pursued a largely isolationist course in the international economic arena which has proven inimical to foreign direct investment. This eradicates the potential economic benefits that the country could possibly gain from free trade zone. In addition, the problem of lack of adequate legal framework for free trade zones, economic policies in the mainland is raised as challenge of Iran free trade zone. All those previous literatures raised a point that having a transparent and reliable legal and regulatory framework is very important in order to promote both domestic and

[27] 'UN List of Least Developed Countries | UNCTAD' <https://unctad.org/topic/least-developed-countries/list> accessed 15 May 2024.

[28] Teifenbrun (n 4).

[29] Hakimian (n 18).

foreign investment.[30] Unpredictable laws of countries may erodes investors' confidence and create an inconvenience to do business in the country.[31]

In Ethiopia there is a previous related literature on the issue of free trade zone conducted by Matthew Amalitinga with a title "special economic zones and local economic activities in Ethiopia."[32] The paper starts by indicating how the governments of developing countries continues to aggressively use their policy to increase their participation in global value chains and improve the economic conditions of the local economy. The finding of the paper states that the policies towards special economic zone have some negative impact on the domestic local economic activities of the host state. However this paper is conducted from the perspective of the economics only and the scope is limited to the effect of special economic zones in domestic business of the country. Compared to the research at hand, this paper has a gap of showing the challenges faced by the host country Ethiopia mainly because of lack of adequate legal frameworks to govern free trade zone.

Accordingly, this research gives emphasis for policies of the country Ethiopia towards free trade zones. The effect of lack of pre-established and well-defined legal frameworks, policies and regulation is the concern of this paper. Besides to that this paper explores the advantage of choosing Dire Dawa as a first free trade zone.

1.3 Objectives of the Study

The study includes both general and specific objectives, which can be summarized as follows.

1.3.1 General Objective

The primary aim of this paper is to examine the challenges associated with establishment of free trade zone and potentials of declaring city administrations as a free trade zone in Ethiopia, particularly in case of Dire Dawa city administration.

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[30] Demeke Atlaw, Dereje Teklemariam and Han Dong-Geun, 'Determinants of Foreign Direct Investment: Reflections from Ethiopia' (2014) 2 Social and Basic Sciences Research Review 85, 88.

[31] Alemayehu Geda and Guta Legesse, 'Ethiopia and Investment Provisions in the AfCFTA: Issues and Challenges' [2022] ODI Investment Brief, UK 16 <https://odi.org/documents/8399/Policy_brief_Ethiopia_AfCFTA_Investment_Protocol.pdf> accessed 30 November 2023.

[32] Matthew Amalitinga Abagna, 'Special Economic Zones and Local Economic Activities in Ethiopia' <https://researchrepository.ucd.ie/items/dde00970-2500-4fcc-83e9-38bcc4929d00> accessed 15 May 2024.

1.3.2 Specific Objectives

- To assess the predictable legal, regulatory and administrative difficulties or hindrances those are directly related with the declaration of cities as a free trade zone in Ethiopia.
- To comparatively study the experience of other nations such as China on the issue of free trade zone.
- To explore the legal frameworks and enabling conditions for free trade zone formation in Ethiopia.

1.4 Research Questions

1- What are the legal, regulatory and administrative hindrances associated with declaration of cities as a free trade zone in Ethiopia?

2- What can we learn from the experiences of other nations such as China, about how they regulate their free trade zones?

3- What are the existing legal bases and other enabling conditions for free trade zone formation in Ethiopia?

1.5 Methodology

1.5.1 Research Approach

The central theme of this study concerns itself to explore the opportunities and the challenges of declaring cities as a free trade zone in Ethiopia. Hence the best chosen research approach for this study is qualitative research approach, and the type of the study is exploratory case study. Exploratory case study type is conducted when a study has an objective to explore an area where little is known or to investigate the possibilities of undertaking a particular research study.[33] It can also be used "when a group, process, activity, or situation has received little or no systematic empirical scrutiny"[34] Since the idea of free trade is a novel experience for the country Ethiopia, it is presumed that previous adequate research hadn't been taken on this specific subject matter so exploratory case study is the best chosen research method for this thesis.

The research is a blend of both doctrinal and non-doctrinal legal research. Both primary and secondary data is collected, consulted and comparatively analyzed. In order to study the legal and policy bases of free trade zone formation and the experience of other countries on the issue, comparative method is employed.

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[33] Ranjit Kumar, *Research Methodology: A Step-by-Step Guide for Beginners* (3. ed., reprinted, Sage Publ 2012) 30.

[34] Lisa M Given (ed), *The Sage* Encyclopedia *of Qualitative Research Methods* (Sage Publications 2008) 357.

As it is already submitted this research is a case study type so with regard to assessing the legal, regulatory and administrative difficulties or hindrances which are particularly related with Dire Dawa city administration, needs an empirical data directly from the spot. Data's taken from the spot included challenges which have a connection with free trade zone formation and expansion in Ethiopia. And also identifying the potential benefits that the country expected to gain from declaring Dire Dawa city administration as a free trade zone. Case study research most of the time includes methods such as surveys, interviews, observations; research in archives etc. as a tool to gather data.[35] From those sub mechanisms, this research used interview as qualitative data gathering mechanism.

1.5.2 Interview

Purposive sampling technique is chosen to gather data through interview for this research. Purposive sampling is one of the most common sampling strategies in which individuals or group participants nominated according to preselected criteria relevant to a particular research question.[36] Hence, the researcher selected key informants from Dire Dawa trade industry and investment office, Dire Dawa Industrial park development office and from Ministry of Trade and Regional Integration branch office in Dire Dawa according to their high attachment with the matter. Since the purpose of this research is to explore more about the potentials and challenges of declaring city admiration in Ethiopia as a free trade zone, it is better to listen more about the issue from the experts working at the place. The best chosen for mechanism for the data gathering through interview is semi structure (semi standardize) information gathering.

Additionally, comparative analysis method is applied on this research in order to get some insights from other countries experience on the issue of free trade zone administration. Central strategies used by countries to achieve the aim of free trade zone formation by some selected countries is identified and discussed by using comparative study approach. Special emphasis is given for the nation China.

1.5.3 Methods of Data Analysis and triangulations

The raw data gained from both primary and secondary sources is analyzed and interpreted on the bases of the research objectives and research questions. Based on primary empirical data gained

[35] Şebnem Susam-Sarajeva, 'The Case Study Research Method in Translation Studies' (2009) 3 The Interpreter and Translator Trainer 37.

[36] 'Qualitative Research Methods:A Data Collector's Field Guide'. Page 5

from the interview, cases analyzed in order to show the practical problems that are directly related with the declaration of the city administration of Dire Dawa as a free trade zone and the opportunities gained from it. With regard to the data collected through secondary sources, comparative and analytical approaches employed.

1.6 Significance of the study

The study focuses on the hindrances faced prominently because of policies, administrative irregularities and the recommended solutions. Hence, it may hopefully contribute much for the forthcoming draft bill on the emergence of economic free trade zones in Ethiopia. The study can also serve as a basis and may call the attention of those who want to conduct further research on free trade zone area. Finally, it may serve as a reference material in the academic sphere.

1.7 Scope of the Study

The scope of this research is limited to the opportunities and the challenges of free trade zone in Dire Dawa city administration. Consequently, the whole study is concerned with and limited to the concept of free trade zone. However, though not in detail, the study is also includes the general concept of free trade and investment since the concept of free trade zone has an attachment with those. In addition, the nature and characteristics of free trade zone in China and other selected nations is dealt for the purpose of comparison. As far as geographical limitation of the study is concerned, Dire Dawa city administration is the area covered under this thesis.

1.8 Limitations of the study

The concept of free trade zone is a novel trend for our country Ethiopia. Since the concept is a recent phenomenon for us, it was difficult to get a solid understanding about the issue in our country context, difficult to obtain information on policy frameworks and it was also difficult to access a comprehensive documents related to the issue at hand.

1.9 Ethical considerations

In this research all the guiding principles set for the preparation of research is considered and protected. The researcher strictly takes a due care to follow the rules of citation based on research guidelines provided by Hawassa University School of law. During data collection the researcher properly asked the permission of individuals or authority relevant to the research. Furthermore, the identity of almost all respondents is concealed based on the principle of confidentiality on data analysis part. The collected data and the findings were analyzed honestly without data shifting.

1.10 Organization of the Paper

The paper is organized into five chapters, which in turn divided into sections and sub-sections. Accordingly, the first chapter includes the general background of the study, statement of the problem, research questions, objectives of the study (both general and specific objectives), methodology, significance, scope of the study, limitations of the study, ethical considerations and organization of the study.

The second chapter deals about theoretical as well as conceptual framework. Different arguments raised by scholars and the conferences which becomes a reason for the birth of free trade zone, is also discussed under this chapter.

Chapter 3 is devoted to international, regional and domestic legal framework of free trade zone. Under domestic legal frame work part, historical background of free trade zone and investment in Ethiopia covered in bird's eye view. An attempt to discuss the overview of policies towards free trade zone in Ethiopia is also concluded. The draft law of Ethiopia about the establishment of free trade zone is also roughly discussed. The experience of other countries is also provided for the purpose of comparison under the final part of this chapter.

Chapter four is concerned with the main theme of the paper. The data gathered from the interview with the concerned key informant persons in related with the data gained experience of other countries, is discussed and analyzed under this chapter. The discussion and analysis under this part is associated mainly about the major challenges and opportunities of free trade zones in Ethiopia. Thus, the necessary available data gathered from both primary and secondary source is dealt in the chapter.

Finally chapter five ended up the study with concluding remarks of the thesis and suggests some recommended points based on the findings of the paper.

CHAPTER TWO: CONCEPTUAL AND THEORETICAL UNDERPINNINGS

2.1 Introduction

This chapter mainly deals about the theoretical and conceptual framework of free trade zone. The issue of free trade zone is the blend of both economic and legal concept. Hence the theoretical framework is originated from the 15th and 18th centuries of major international trade theories of economics. The major argument that becomes a reason for the birth of free trade zone establishment was the importance of liberalization of trade. Some economic theoreticians argue that the concept of liberal trade will bring economic efficiency while others oppose it. Starting from those arguments until todays modern free trade zone history is provided in chronological and sequential order under this chapter.

2.2 Mercantilism, neo mercantilism and liberalism theories

The concept and theories regarding to free trade zone is mainly originated from economic theories. Principally the classical economic theories of international trade, becomes the root for the coming concepts of free trade zone. History indicates that the classical form of international trade theory goes back to the period between the 15th and 18th centuries.[37] The theory and practice of mercantilist system was dominant economic system that ruled western world.[38] The main essence of this mercantilism theory is that compelling states to engage in trade with other states will increase export and decrease import. This theory has a similar concept with latest theory of international trade which is known as neo mercantilism. Both have a similar stand with regard to their view for international relations as a zero sum game.[39] Meaning, there is no mutual benefit when transaction of trade concluded between two states. The result is always one is a winner while the other party necessitated the loss.

Soon after the emergence of the theory mercantilism, Adam Smith came up with the new theory of international trade known as 'economic liberalism theory'.[40] He also criticized mercantilism mainly because the theory demands a strong central domestic government. In order to have a

[37] Hülya DERYA, 'The State Understanding of Friedman and Schumpeter' Yerelden Globale Stratejik Araştirmalar I 27, 90.

[38] Ahmed Samir Mahdi, 'Saudi Neomercantilism in the Oil Price War' (2019) 5 Review of Economics and Political Science 2, 4.

[39] ibid.

[40] DERYA (n 37) 27.

strong central government, states start to expand and engage in trade war, fought each other.[41] Smith analyzed that these idea of mercantilist theory is a faulty understanding of wealth creation. Based on his assessment, the wealth of a nation should not be determined by the accumulation of gold and silver[42] rather it should be by "exchangeable value of the annual production of the land and labour of the country".[43]

Even if the practice and theory of mercantilism continued after the publication of Adam Smith's "wealth of nations"[44] historians tends to classify the era before Adam smith as classical mercantilism and the era after, neo mercantilism. This kind of classifications seems to blend the liberal economic theory with neo mercantilism theory. The truth is smith theory of international trade is very different from the concept of neo mercantilism.[45] The stand of neo mercantilism with regard to international trade is zero sum game where as Smith's theory of economic liberalism theory saw trade as a positive-sum game.[46] This means international trade benefits both involved state parties, even if the involved nations may not necessarily benefit equally. However it doesn't necessarily means there is no similarity between the concepts of smith's liberal economic theory and neo mercantilism theories of international trade. Both agree with the idea that power flows from productive capacity.[47] While theoreticians of neo mercantilism theory simply agreed by the productive capacity, smith explore more about the issue and come up with the theory of absolute advantage.

2.3 Absolute advantage theory

The issue of an absolute advantage between nations occurs when there is a difference in an ability to produce goods. Based on this theory, international trade benefits both involved state parties. But it does not necessarily mean that it benefits both states equally.[48] To further explain this statement smith set production cost as a basic element to determine the difference of benefit between two nations producing the same product but get a different final outcome. Based on his

[41] ibid 90.
[42] Mahdi (n 38) 4.
[43] Reinhard Schumacher, 'Adam Smith's Theory of Absolute Advantage and the Use of Doxography in the History of Economics' (2012) 5 Erasmus Journal for Philosophy and Economics 54, 59.
[44] 'SmithA_WealthNations_p.Pdf' <https://www.ibiblio.org/ml/libri/s/SmithA_WealthNations_p.pdf> accessed 23 February 2024.
[45] Mahdi (n 38) 5.
[46] ibid.
[47] ibid.
[48] Schumacher (n 43) 61.

argument, the absolute advantage to access market for two different states and the cost of transport might be different according to the distance of the country from the destined market area.[49] In addition to that, production cost of state over a given product may be affected by the trade pattern of that state on international market.[50] All in all the idea of absolute advantage theory is that, the division of labor leads to economic advancement and national wealth.[51] Smith connects this theory of international trade with his idea of division of labor.[52] The central point of the theory is "There is a direct mutual relationship between international market and domestic economic development".[53]

At the moment the contribution of Adam smith for international trade was underrated. The works of smith was often criticized as very remote theory from the modern free trade.[54] But later on scholars like Reinhard Schumacher highly argued that it laid the foundation for the followed theories on international trade such as comparative, Heckscher-Ohlin (H-O) model and others. In addition to being a cornerstone for the coming economic theories, smith work was highly used to promote free trade among nations. He predicts that international trade will used to transfer knowledge and technology between different nations. Especially for a big nation like China, adoption of new production technology will enhance economic welfare of the country rather than widening the market. And the way for that as he pointed out is opining policies of nations for international trade.

2.4 Comparative theory, H.O model and Stolper-Samuelson theorem

Based on absolute advantage theory of smith, David Ricardo proposed a theory called comparative theory. This theory developed mainly to give a solution for a scenario when a certain state has an absolute advantage over the other in the production of more than one goods and services. As it is inferred from this theory, when countries found in a state of absolute advantage over the other country in the production of all goods and services, there is still a possibility of free trade through specialization. Comparative advantage advises countries to

[49] ibid 63.
[50] ibid.
[51] ibid 58.
[52] ibid 59.
[53] ibid 63.
[54] 'Mehmet, Ozay. 1999. Westernizing the Third World - Google Scholar' <https://scholar.google.com/scholar?hl=en&as_sdt=0%2C5&q=Mehmet%2C+Ozay.+1999.+Westernizing+the+third+world&btnG=> accessed 25 February 2024.

"import certain products even though it could produce them more efficiently than the country of origin if the importing country has a comparatively greater advantage in producing some other specialty."[55]

A country has a comparative advantage of a good if it has a lower opportunity costs to produce the good than the other country. This comparative theory can be considered as "bedrock on which all subsequent developments in the theory of international trade have rested"[56] However as a drawback it is mentioned that, this theory give emphasis only about explaining the benefits of international trade.[57] The theory skipped the fact that minority number of peoples gets some damage through the process of international commercial transaction.[58] In simple term this and the previous theories of Adam smith deals with the pros of international trade there is a gap with regard to its cons.

In order to give some insight about this issue the theory of Heckscher-Ohlin theorem was developed by Eli Heckscher and Bertil Ohlin.[59] It is also known as H.O model. The idea of this theory is that "a capital-abundant country will export the capital-intensive good, while the labor-abundant country will export the labor-intensive good. The critical assumption is that the two countries are identical, except for the difference in resource endowments, therefore the relative abundance in capital will cause the capital-abundant country to produce the capital-intensive good cheaper than the labor abundant-country, and vice-versa."[60]

On the basis of this theory, another theory was also initiated by Stolper-Samuelson which predicts that the final outcomes on world international trade will highly benefit the one with abundant resources[61] and logically nations choose or reject international commercial transaction on the basis of their benefit. So it will lead to a conclusion that if a certain nation is the one with an abundant resource then it is expected that that nation will go for international trade or commercial transaction but if a given nation is the one with scarce resources then that sate will

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[55] E Stebek, 'WTO Accession in the Ethiopian Context: A Bittersweet Paradox' (2007) 1 Mizan law review 90.
[56] Schumacher (n 43) 64.
[57] MD Litonjua, 'International Free Trade, the WTO, and the Third World/Global South' (2010) 27 Journal of Third World Studies 45, 6.
[58] ibid 6.
[59] ibid 7.
[60] ibid.
[61] Edward E Leamer, *The Heckscher-Ohlin Model in Theory and Practice* (International Finance Section, Department of Economics, Princeton University 1995) 6.

probably choose protectionism approach.[62] The theory was named after the theoretician Stopler Samuelson and it is famous for being "a framework that provides insight into the politics of global trade: who draws the long straw, which gets the short one, how the political fallout affects the fate of nations." [63]

2.5 The welfare economy theories and arguments

Late in 18th and early in 19th century the idea of the concept of welfare economy started to emerge. This welfare economy theory laid a ground for the theory of free trade zone. The original idea of the custom union theory was taken from Adam Smith's "The Wealth of Nations."[64] Although the primary focus of smith at that time was on market mechanisms and efficiency; it also discussed issues related to social welfare. After the book "wealth of nations", other economics theoreticians such as David Ricardo, Jeremy Bentham, John Maynard Keynes and Jacob Viner were highly influenced and had a strong argument on the issue of welfare economy. The next part of this chapter deals mainly about those arguments in detail.

From its inception by John Maynard Keynes's general theory of employment, interest, and money, Keynesian macroeconomics held a leading position.[65] Keynes came up with the idea that the role of government intervention on market should not be minimal. His theory highly demands for active fiscal and monetary policy of the government unlike to the previous classical economic theories.[66] The reason for Keynes to come up with this theory is the event of the great depression at that time. In his defense the key to regulate economic depression should not depend on market rather an active governmental policy regulation is necessary.[67]

After Keynes, a famous Canadian-American economist, Jacob Viner, came up with different international trade theory. On his book "The Customs Union Issue", Viner highly opposed the

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[62] Litonjua (n 57).

[63] William J Bernstein, *A Splendid Exchange: How Trade Shaped the World* (Grove/Atlantic, Inc 2009) 342 <https://books.google.com/books?hl=en&lr=&id=fvs_46NkiMwC&oi=fnd&pg=PT12&dq=Bernstein,+William+J.+2008.+A+Splendid+Exchange:+How+Trade+Shaped+the+World.+New+York:&ots=H3Ca9bX1_B&sig=MaD4TUwxUjWmk178n6EcUxFhBg8> accessed 18 April 2024.

[64] 'SmithA_WealthNations_p.Pdf' (n 44).

[65] Alan S Blinder, 'Keynesian Economics' (2008) 2 The concise encyclopedia of economics 7 <https://studynotesunisa.co.za/wp-content/uploads/2018/12/Scanned-notes-6.pdf> accessed 18 February 2024.

[66] Blinder (n 65).

[67] ibid.

Keynesian theory and strongly supports the idea of neo classical theory.[68] He argues that market should be free and able to control itself so the role of the government should be minimal. Moreover Jacob Viner has made a significant contribution for international trade and investment. Many of the today's ideas of free economic zones and even the term custom union have got a clear meaning in a clear language by the published article of Viner in 1924 and 1931.[69] Viner was highly proponent of free trade and liberal order. This is highly observed from his previous works on trade policy and tariff. He was highly influenced by the works of Adam smith.[70]

The difference between Keynesian's and neo classical school of thought proponents such as Jacob Viner is not only limited to the role of the government in market, it also extends to other related economic issues. With regard to cash flows of a given country, Keynesian's argued that the current cash flows highly matters for the aggregate income of that state.[71] They also suggest that the government should take necessary measures to control the current cash flows. Whereas the proponent of the neo classical economics highly argues that emphasis should be given for the expected future economic condition of the country.[72] The difference in idea about whether the current or the future economic condition of the country matters; have a huge impact on consumption and investment. Based on those opponent views with regard to macro economy of countries and investment it is possible to conclude that Keynesian theory have an evil eye for investment since investment is all about giving away an asset currently in order to earn more in the future.

Also there is a major ideological difference between Keynesian and neo classical economic theoreticians with regard to the issue of tax cuts.[73] While the proponents of Keynes agreed that tax cuts and tax reduction will enhance the economy of the country through consumption, neo classical economy proponents argue that people may not consume more even if there is tax cut.[74]

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[68] Jacob Viner, *The Customs Union Issue* (Oxford University Press, USA 2014) <https://books.google.com/books?hl=en&lr=&id=eHlCAgAAQBAJ&oi=fnd&pg=PP1&dq=Viner,+J.+The+Customs+Union+Issue.+New+York:+Carnegie+Endowment+for+International+Peace,++1950)&ots=O-kc5wG71F&sig=orgMjiRLChd6Nr76x7G0JV4G7RI> accessed 18 February 2024.
[69] ibid.
[70] ibid.
[71] Blinder (n 65) 9.
[72] ibid.
[73] ibid.
[74] ibid.

Many people opted to save instead of buying, as they argue. More over consumers may spend their tax cut on imported goods rather than domestic ones as neo classic theory inferred.[75]

All the above theories concepts ideas and arguments of different scholars have a tremendous contribution for free (liberal) trade. However the ideas of those individuals set on the table and open for discussion by representatives of different states for the first time at Bretton Wood conference.[76] At the conference, there was a huge debate between western developed nation and developing countries with regard to the necessity of free trade. While the developed support the idea of free trade and all activity it involves, the developing countries were highly argued that argued free trade is not a fair trade.[77] The argument of the developed was that trade should be free in another word the reciprocal market access should be available with no discrimination. And also barriers such as tariff and quotas should be reduced. The argument raised from developing countries was that the developed countries should give emphasis for their special situation. This argument was well known as an "infant industry argument".[78] Meaning the industries found at developing countries are not well-developed. Even those small and the less developed local industries would be swallowed by advancing foreign industries if the idea of free trade applied equally for all nations. So the developing countries opted to develop the idea of protectionism. Protectionism is all about protecting the domestic industries of the developing countries from the negative impact of free trade. "Liberalization without preparation entails the great risk" was the main slogan of the developing country during the Bretton Wood conference.[79]

2.6 Theories towards free trade zone

After the debate at the conference of Bretton Wood, different theories and concepts with regard to free trade zone started to emerge. In 1974, the book titled "An economic analysis of the duty-free zone" was published by Hamada.[80] The aim of the book was in order to provide an economic explanation about duty free zones. The analysis of Hamada in this book is mainly based on the previous international trade model theory called "the standard two-factor, two-

[75] ibid.
[76] BRETTON Woods and NEW HAMPSHIRE, 'Monetary and Financial Conference' <https://citeseerx.ist.psu.edu/document?repid=rep1&type=pdf&doi=834ee0b4765a30ec3840fd5582393a343fe1f537> accessed 28 March 2024.
[77] ibid.
[78] ibid.
[79] ibid.
[80] Koichi Hamada, 'An Economic Analysis of the Duty-Free Zone' (1974) 4 Journal of international Economics 225.

commodity trade model."[81] Based on this model he analyzed that each country is assumed to have different factor endowments and production technologies, leading to differences in their comparative advantages in producing the two goods. The model helps to explain why countries engage in trade and how they can benefit from specialization and exchange. Overall, the main idea of this theory is that duty free zone has the capacity to enhance the economy of the host state if there is a balance involvement of foreign investment. Especially for those areas which are mostly capital-intensive. The intuition of the theory is that an increase in foreign capital in the FTZ attracts labor from the domestic zone, which will lead to a decrease in national welfare if the importable sector is relatively capital-intensive.[82] Hamada also defines the term duty free zone as a designated area where goods can be imported, stored, handled, and re-exported without being subject to customs duties or taxes. It also has a huge role in promoting international trade and fostering economic growth.[83]

In 1984 Grubel come up with a theory towards economic free trade zone.[84] He connected the needs for the protection with the principle of consumer protection. States have a responsibility to protect consumers whether they like or not. And the main purpose of international free trade in general and formulation of free trade zone in particular is in order to minimize these protectionist approaches of the host state and by doing so maximizing the welfare of the society through trade and specialization.[85] However as Grubel inferred there should be a preliminary requirement before the application of selective deregulation which is considered as a parameter to apply selective deregulation or not.

The first parameter is that there should be a necessity for it and second it must be technically feasible to a separation of the regulated market area from deregulated.[86] If those conditions are met the probability of being benefited from free economic zones is very high. Based on the analysis of Grubel, having an economic free trade zone, can give rise to capital flows which have potentially important welfare implications for all states in general and developing countries in

[81] Litonjua (n 57) 7.
[82] Kaz F Miyagiwa, 'A Reconsideration of the Welfare Economics of a Free-Trade Zone' (1986) 21 Journal of International Economics 337, 236.
[83] Hamada (n 80).
[84] Grubel (n 7).
[85] ibid 11.
[86] ibid 8.

particular.[87] In addition to that it is analyzed in this book that even though the zones are free from any kind of custom, taxes, Profits and wages earned in the zones are usually taxed at regular rates. In addition to that most of the time the trend towards free trade administration shows that, when goods are brought into the zones of host country, they are subject to the normal import quotas, duties and excise taxes. This will highly benefited the local government jurisdiction of the host state in which the free trade zone located.[88]

In 1986, Miyagiwa wrote the book titled “a reconsideration of the welfare economics of a free trade zone”. In his book he pointed out that the establishment of free trade enhances the welfare of a nation regardless of the relative factor intensity.[89] Miyagiwa pointed out that free trade zones are often established by the government subsidy mainly for the sake of promoting non-traditional exports. However as Miyagiwa analyzed that even if the establishment of free trade zone has an invaluable role for foreign direct investment and economic growth, the relative factor intensities should be taken in an earnest manner, since they play a crucial role to determine its success.[90] The formation of free trade zone will bring changes such as technology transfer, introduction of advanced technology especially for the developing countries.[91]

2.7 Historical background and evolvement of free trade zone in the world

The initial time in which the idea of free trade zone comes in to practice is said to be at the time of Alexander the great.[92] During 4th century BCE, Alexander the great (the Macedonian king) led siege against the Phoenician island fortress of Tyre which was situated on an island off the coast of present-day Lebanon. During the siege he granted protection for merchants in order to attract trade from the rest of the world.[93] However special economic zones started to be established in the most advanced and modern way approximately around 50 years ago by Puerto Rico and Ireland.[94] Especially the Shannon airport in Ireland is highly known for its contribution for the modern free trade zone formation.

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[87] ibid 15.
[88] ibid 18.
[89] Miyagiwa (n 82) 3.
[90] Miyagiwa (n 82).
[91] ibid.
[92] ibid 1.
[93] ibid.
[94] Scheepers (n 2) 19.

The foundations of the world economic pilot zone like structure emerged in 1947 in Puerto Rico who at the time was under the colonial power of United States of America. Before 1947, the government owned factories mainly built to replace imports. The production at that time was mainly focused on the production of shoes, cement, glass bottles and sugar mill.[95] But after the formation of the simulation of free economic trade zone in Puerto Rico, the government's plan changed from import substitution to export oriented approach.[96]

After that Greece and Romans are known to start the system of free trade zone.[97] However the system of zone establishment is started in a well formed manner in Ireland. In 1959,[98] Shannon airline faced a serious of decline of income at that time due to advances in aviation technology so the government of Irish transformed the airport to free trade zone. Later on this decision becomes fruitful and successful on so many grounds.[99] This becomes a good point not for just Ireland, but for other states as well in order to establish economic free zone and be benefited from it. And also Ireland was known as a city, introduced the system of free trade zones for the first time. After these successful achievements of Ireland government different organization like UNIDO starts to support developing countries while they formulate free trade zones.[100]

[95] Patrick Neveling, 'Export Processing Zones, Special Economic Zones and the Long March of Capitalist Development Policies during the Cold War' 8 <http://eprints.bournemouth.ac.uk/38588/1/Neveling%20P%202015a_EPZ_ColdWar.pdf> accessed 21 April 2024.
[96] ibid 69.
[97] Scheidel, Morris and Saller (n 13) 497.
[98] Dechun Huang and others, 'Shanghai Pilot Free Trade Zone and Its Effect on Economic Growth: A Counter-Factual Approach' (2017) 5 Open Journal of Social Sciences 73.
[99] Hamed (n 14). page 20
[100] ibid. Page 20

CHAPTER THREE: LEGAL FRAMEWORK RELEVANT TO FREE TRADE ZONE

3.1 Introduction

Under this chapter the legal frameworks which becomes the foundation for the free trade zone formation is discussed in detail. This chapter is divided into four main sub sections. The first section deals about international legal framework. Starting from the Bretton wood conference on having a general international agreement of free trade, up to the formulation of different international organization such as GATT and WTO is provided in detail under this part. The second subsection is reserved for different regional agreements of free trade in Africa and the preferential treatment granted for the least developing countries such as Ethiopia, is discussed. The third sub section is about the historical development for the concept of free trade zone establishment in Ethiopia. The discussion of this chapter started from investment this helps to trace the point that instates the countries interest towards the establishment of free trade zone. In addition to that different domestic legal frameworks which become a basis for the formation of free trade zone formation in Ethiopia, is also provided and examined under this subsection of the chapter. Finally, the fourth subsection deals about the experience of different countries and their respective previous practice on free trade formation and administration. The country China, Uruguay, Iran and USA are selected for the comparison purpose. Special emphasis is given for the country China because of mainly its famous reputation of being the most influential country around the world especially when it comes to commercial activity. In addition to that the country China has the most successful record history on free trade zone administration.

3.2 International legal frame work

The movement towards having an international legal frame work for free trade was initiated during the time of World War II. The conference was held in 1944 from July 1 up to 22, at Mount Washington hotel in Bretton woods, New Hampshire, United States.[101] The main purpose of the Bretton Wood conference was in order to regulate the economy and financial order of the world after the Second World War. The conference was able to create three international agencies such as international bank for reconstruction and development (IRBD), World Bank

[101] Woods and HAMPSHIRE (n 76) 1129.

(WB) and the international monetary fund (IMF).[102] In addition to the formation of those international organizations, there was an agreement concluded at that conference on the necessity of having an international trade organization. However for some reason the formulation ITO did not finalized at the moment. The draft of ITO delayed mainly because of Anglo-American disagreement. While UK emphasize on reconstruction and development of its own industries, USA emphasize free trade and new financial order.[103] In 1947, United State produced a draft of ITO and 23 countries of the world sent their representatives to Geneva in order to review the draft. Different issues were discussed at the moment but the core concern of the discussion was recovering from the war and managing the post war global community. Economic development was not the agenda of Geneva assembly. At the same time, there was a parallel negotiation among 22 developed states to reduce tariff and protection.[104]

Later on different consecutive meetings were held in Havana starting from starting from November 1947 to March 1948 having economic development as the main agenda.[105] At that moment fifty-six nations took a part in the meeting through their representatives, and developing countries constituted a vocal majority. During this meeting, there was an argument raised by representatives of Chile and Colombia about the difference of the status between developed and developing states.[106] They raise a point that the difference should be taken into consideration. In another word "One size did not fit all"[107]this idea was also supported by many developing countries. They demanded that economically advanced states should take all the responsibility to encourage economic development of the developing countries.[108] Additionally the tendency of developing countries towards free trade agreement was highly protectionist approach than liberal approach.[109] This policy of protectionist has encountered an obstacle from the proponent of the concept of free trade. It had been subject of debate and controversy.[110] However because of the

[102] Litonjua (n 57) 18.
[103] Francine McKenzie, 'Free Trade and Freedom to Trade: The Development Challenge to GATT, 1947–1968' in Marc Frey, Sönke Kunkel and Corinna R Unger (eds), *International Organizations and Development, 1945–1990* (Palgrave Macmillan UK 2014) <http://link.springer.com/10.1057/9781137437549_7> accessed 15 March 2024.
[104] '291.Pdf' <https://docs.wto.org/gattdocs/q/GG/GATT/291.PDF> accessed 29 March 2024.
[105] McKenzie (n 103) 151.
[106] ibid.
[107] ibid.
[108] ibid.
[109] Stebek (n 55) 92.
[110] ibid.

refusal of USA to ratify the Havana charter, the idea of the formation of ITO becomes a failure at that time.[111]

The major outcome of this Havana charter was that the concept of forming free trade area introduced for the first time so it is possible to consider Havana as a birth place for the idea of having free trade area at an international level. Yet the members of Havana charter gave main concern for the formation of custom union rather than free trade area at that moment. The idea of custom union is somehow related with the concept of free trade area establishment. But it doesn't means that those two are the same and used interchangeably. Even though the major purpose of having free trade agreement and custom union is to create a free trade relation between member states and avoids any kinds of barriers of tax, but by its external commercial policy the idea of custom union differ from free trade. While free trade agreement leaves the members at liberty to conduct their own external trading relation, custom union usually bound member states to have a common ground of external commercial policy.[112] Even at the time of Havana convection the members were divided into two groups while the majority agree to be bound by the formation of Customs Unions, but some countries who took part in the Havana negotiations and notably the French and the British felt that for them a Custom Union might be very difficult and they consequently thought up the idea of a free trade area".[113]

Soon after the conference of Havana, six countries come together at Rome and signed a treaty known as "Treaty of Rome" on March 25, 1957. The treaty had the main aim of creating European Union and establishment of a common market among its member states. This treaty was commenced and established by European Economic Community (EEC). After the formation of European community, the process of incorporating regional integration has got its wide acceptance after 1960's.[114] The treaty of Rome can be considered as taking one step to have a common legal ground on the establishment of free trade agreement but lack some elements to be considered as a free trade agreement. It was more of an agreement on custom.

[111] McKenzie (n 103) 152.
[112] JF Cahan, 'Ireland's Role in a Free Trade Area' (1958) 47 Studies: An Irish Quarterly Review 121, 121.
[113] ibid.
[114] Ali I Abdi and Edris H Seid, 'Assessment of Economic Integration in IGAD' 3 <https://www.africaportal.org/publications/assessment-of-economic-integration-in-igad/> accessed 12 January 2024.

The pervious roman treaty on custom union becomes a solid ground for the later initiation of ratified agreement on having a free trade area at Paris in April 1948. The convention for the formulation an organization for European economic co-operation (OEEC) was signed. On July 1956 British come forward with the idea that the initiation of the formation of free trade agreement should be started.[115] For the sake of this almost thirty articles of the previous Rome treaty which deals about free trade area, was directly taken.[116] Then after, different kinds of laws started to emerge and adopted by EU. Among the European Community legal framework of free zones and free ware houses are to be mentioned under:[117]

- Council Directive (EEC) No.69/75 of 4 March 1969 on the harmonization of legal, regulatory and administrative dispositions for the Free Zone regime.
- Council Directive (EEC) No.71/235 of 21 June 1971 on the harmonization of the provisions laid down by law, regulation or administrative action relating to the usual forms of handling which may be carried out in customs warehouses and in free zones.
- Council Regulation (EEC) No.2504/88 of 25 July 1988 on Free Zones and Free Warehouses.
- Commission Regulation (EEC) No.2562/90 of 30 July 1990 laying down provisions for the implementation of Council Regulation (EEC) No.2504/88 on Free Zones and Free Warehouses.
- Council Regulation (EEC) No. 2913/92 of 12 October 1992 establishing the Community Customs Code.
- Commission Regulation (EEC) No. 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code.
- Commission Regulation (EC) No.3665/93 of 21 December 1993.
- Amending Commission Regulation (EEC) No 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community customs code.

[115] Scheepers (n 2) 122.
[116] Cahan (n 112) 123.
[117] Trampus (n 19) 66.

- Council Regulation (EC) No.122/96 of 22 January 1996 establishing favorable tariff treatment for imports of certain goods into the free zones of Madeira and the Azores by reason of their end use.
- Commission Regulation (EC) No.1482/97 of 28 July 1997 laying down provisions for the free zone of Madeira for the implementation of Council Regulation (EC) No.122/96 establishing favorable tariff treatment for imports of certain goods into the free zones of Madeira and the Azores by reason of their end-use.
- Regulation (EC) No.2700/2000 of the European Parliament and of the Council of 16 November 2000 amending Council Regulation (EEC) No.2913/92 establishing the Community Customs Code.
- Commission Regulation (EC) No. 2454/93 of 4 May 2001 laying down provisions for the implementation of Council Regulation (EEC) No.2913/92 establishing the Community Customs Code.

All those legal regulations were enacted by European Union in order to have a common ground for the definition of goods, how to operate, re-export, regulate, control, destruction, and abandonment of goods.[118]

Whenever the issue of international trade rose, it is impossible not to mention general agreement on trade and tariff or in short term GATT. The role of GATT is invaluable for the development of international trade and also for the formation of the late coming world trade organization (WTO). Previous arguments concluded in Havana, Geneva and other European countries, with regard to trade and custom union becomes a reason for the establishment of general agreement on trade and tariff GATT. In 1947, the establishment of GATT was started to initiate. On January 1, 1948 GATT comes to be effective. In fact at the time of its initiation GATT was planned only to have a supplementary role for ITO, its role was limited only to the extent of guiding tariff negotiations.[119] Later on when the ITO failed to function, GATT ran world trade for the next 45 years.[120] Members of GATT have the responsibility to reduce tariff and through it they eased their way towards free trade.[121] One of the great consequences of GATT is that in 1963, the platform "standstill provision" comes to be effective. The program is all about

[118] ibid.
[119] Thomas W Zeiler, *Free Trade, Free World: The Advent of GATT* (University of North Carolina Press 1999) 2.
[120] McKenzie (n 103) 152.
[121] ibid 153.

avoiding any kinds of barriers (either tariff or non-tariff) putted in the way of developing countries within the next one year.[122] GATT was established as an interim measure for that purpose it was expected to be used for provisional period.[123] However it served until 1994 in which WTO was established. The major criticism raised against GATT was that it gives a privilege for those industrially advanced and prosperous member states.[124] On the year 1994, 123 countries of the world come together at morocco and signed the agreement of WTO on April 15th.[125] It was also known as Marrakesh agreement. Compared to the system of GATT, WTO is more advanced and extraordinary.[126] The fourth WTO conference at Doha had expressed its concern for least developed countries to participate in November 2001.[127] Since then the least developing countries started the process of accession and WTO system ought to be facilitated.[128] The process of accession to be member of WTO by the country Ethiopia was initiated in 2021 and it is still on process.[129]

3.3 Regional legal frame works

After the coming of EU and WTO agreements, different other regional agreements also started to emerge. Those regional agreements especially for the least developed countries are classified into two. There are some preferential trade agreements granted by already developed countries for the least developed countries (LDC) like Africa and there are also domestic regional agreements concluded by African countries by themselves to foster economic development. The difference between those two is that in case of preferential treatment the grantee doesn't have any contractual liability of reciprocal the preference of tariff reduction for the granter it is only unilateral liability,[130] Where as in case of regional agreements between fellow African countries, all the signatories have the reciprocal obligation to reduce tariff. Developed countries designed a program for the least developing countries to get an access for market.

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[122] ibid 160.
[123] ibid 152.
[124] ibid 154.
[125] Scheepers (n 2) 122.
[126] Mary E Footer, 'Role of Concensus in GATT/WTO Decision-Making' (1996) 17 Nw. J. Int'l L. & Bus. 653, 654.
[127] Stebek (n 55) 102.
[128] ibid.
[129] Stebek (n 55).
[130] Addisalem Zenebe, Kassu Wamisho and E Wesley F Peterson, 'The Impact of the African Growth and Opportunity Act (AGOA): An Empirical Analysis of Sub-Saharan African Agricultural Exports to the United States' (2013) 9 Journal of International Agricultural Trade and Development 165.

3.3.1 African growth opportunity act

On May 2000, United States provided the preferential trade program for African and Caribbean countries called African growth opportunity act (AGOA).[131] This agreement was aimed mainly in order to facilitate investment flows between the United States and eligible sub Saharan African countries including Ethiopia.[132] It also has a purpose of integrating African economy with the world economy.[133] To do so the selected developing countries get free market access at USA However, it is not granted for all African countries only the selected countries are benefited from it.[134]

3.3.2 Every But Arms

There is also another preferential treatment granted by European Union in which all imports of the EU from the least developed countries are duty free and quota free with exception of arms and ammunitions.[135] The first move towards this EBA was started following EC's commitment to fulfill the United Nations conference on trade and development (UNCTAD) resolution to increase the participation of developing countries in international trade. On the basis of this, in 1968 generalized system of preference (GSP) was introduced.[136] On the 24th day of February 2017 the permission that allows developing countries to pay less or no duties on their exports to the EU was granted by GSP. The GSP thus "gives them vital access to EU markets and contributes to their economic growth".[137] Again on March 5th 2001, the GSP updated and introduced EBA arrangement. The EBA is a special arrangement made under the GSP exceptionally for least developed countries to facilitate their economic integration in the world economy. All goods originated from LDCs have a full free market access of EU common market. The most beneficiary regions from this agreement are Sub Saharan regions of Africa. This EBA, unlike the previous preferential agreements of GSP, gives a full access of market for all goods exported from selected least developed countries except arms and ammunitions.[138]

[131] ibid 169.
[132] ibid.
[133] Zenebe, Wamisho and Peterson (n 130).
[134] Souleymane Coulibaly, 'Differentiated Impact of AGOA and EBA on West African Countries'.
[135] Edmund Okraku Ofei, 'Impact of PTA on Trade Margins of LDCs in Sub-Saharan Africa: Evidence from the EBA' 4 <https://mpra.ub.uni-muenchen.de/id/eprint/86976> accessed 26 April 2024.
[136] Ofei (n 135).
[137] ibid 4.
[138] Ofei (n 135).

3.3.3 AFCFTA

African countries have also signed different agreements among themselves in order to boost the economy of the continent and to foster internal economic development of each through cooperation. The common goal of all regional agreements of Africa is economic growth by moving the natural resource based economies of the regions to manufacturing based.[139] Most of the countries of Africa, including Ethiopia had gained their economic income mainly from agriculture. Recently the region is working to shift this and started to relay more on industrial based economy.[140] And those regional and preferential trade agreements used as an instrument to achieve the shifting plan, it also facilitate trade relation between African countries. African free continental trade agreement (AFCFTA) is one of the most huge continental regional trade agreements in Africa. The formation of WTO has contributed an invaluable role for the emergence of regional free trade agreements such as AFCFTA. The agreement establishing the AFCFTA was opened for signature on 21 March 2018, by adding two other continental initiatives called the protocol on free movement of persons and the single African air transport market. The AFCFTA was launched during the 12th extraordinary session of the in Niger on 7th July 2019.[141] 54 out of the 55 AU member States had signed the agreement and 30 had ratified it. Trading under the AFCFTA officially began on 1 January 2021.[142] Since the formation of WTO, AFCFTA is the largest world free trade area ever concluded in terms of number of participant countries it covers a market of 1.2 billion people across fifty-five member states of the African union.[143] The main objective of this AFCFTA is fostering the economic development in different sectors of member states through avoiding barriers of trade and reduction of tariff and quota.[144]

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139 Vincent Angwenyi, 'Competition Law and Regional Integration: The Common Market for Eastern and Southern Africa (COMESA)' [2013] MIPLC Master Thesis Series (2012/2013) 2 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2406825> accessed 12 January 2024.

140 ibid.

141 Vellah Kedogo Kigwiru, 'The Cooperation on Competition Policy under the African Continental Free Trade Area' (2020) 17 Manchester J. Int'l Econ. L. 98.

142 ibid 2.

143 Collins C Ajibo, 'African Continental Free Trade Area Agreement: The Euphoria, Pitfalls and Prospects' (2019) 53 Journal of World Trade 2 <https://kluwerlawonline.com/journalarticle/Journal+of+World+Trade/53.5/TRAD2019035> accessed 9 January 2024.

144 ibid 12.

3.3.4 COMESA

Within the framework of the organization of African unity (OAU), common market for eastern and southern Africa in short (COMESA) was initially established in 1981. It was provided as a preferential treatment granted by OAU.[145] Later on it gradually transformed from preferential treatment into common market regional agreement on the year 1994.[146] The FTA was formed in October 2000 and launched a customs union in June 2009.[147] COMESA is a treaty established to formulate a common market for eastern and southern regions of Africa comprised from 21 African member states.[148] The main objective of COMESA is in order to play a supplementary role for African economic community.[149] It also aims for creating a suitable environment for domestic and cross border foreign investment with in the region.[150]

3.3.5 IGAD

The inter-governmental authority on development (IGAD) is one of the regional integration arrangements in eastern Africa "which came in to existence in 1996 replacing the intergovernmental authority on drought and development (IGADD) which was founded in 1986 with the aim of establishing a regional cooperation arrangement and enhancing the economic and social development of the region" as Abdi and Seid specified.[151] IGAD is designed mainly to work in harmony with COMESA.[152] The slow implementation of agreements and protocols, political instability and conflicts between member states, intra and inter-state conflicts is stated as a major challenge for IGAD.[153] To this day, the horn of African countries is found in state of tension and quarrel. Ethiopia is one of the founding members and the influential country of IGAD relatively better from all other member states. As an influential founding member of the

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[145] Wumi Olayiwola, 'Governing the Interface between the African Continental Free Trade Area and Regional Economic Communities Free Trade Areas: Issues, Opportunities and Challenges' [2020] Opportunities and Challenges 13 <https://archive.uneca.org/sites/default/files/uploaded-documents/RITD/2020/governing_interface_between_afcfta_and_recs_afcfta_issues_opportunities_and_challenges_revised_final_version_as_at_nov._2_2020.pdf> accessed 27 April 2024.

[146] ibid.

[147] ibid.

[148] Gomolemo Kekesi, *A Practitioner's Critique: The One-Stop Shop Regime of the COMESA Competition Commission* (University of Pretoria (South Africa) 2018) 6 <https://search.proquest.com/openview/da0cfd222195162e2a77e69ac0486724/1?pq-origsite=gscholar&cbl=2026366&diss=y> accessed 15 April 2024.

[149] Olayiwola (n 145) 13.

[150] Angwenyi (n 139) 1.

[151] Abdi and Seid (n 114).

[152] ibid 2.

[153] ibid 19.

agreement, the role of the country Ethiopia is very crucial for the peace and security of the all east African countries.

3.4 Domestic legal frame works

Historical background of investment in general and free trade zone

In order to know about the legal framework and historical back ground of free trade zone in Ethiopia, it is better to start from investment. The reason for starting the discussion from investment is mainly because the concept of free trade zone formation is a recent novel phenomenon for the country. So under the next part of this chapter the historical background of investment in Ethiopia, different laws enacted to govern the issue of investment in Ethiopia will be discussed and examined in order to trace the point that instates the countries interest towards the establishment of free trade zone.

The historical background of investment in Ethiopia, bring us back to the time of imperial era. From 1930 up to 1974 which is the time of ruler emperor Haile Selassie I. At that time, the country was at stage of modernization. The emperor was well-known by his measure towards modernizing the country and promoting its interests on the world stage.[154] During those periods, the countries policy towards economy was described as a mixed economy. Which means the policy put no restriction on private sectors to invest in parallel with the public sector. Different policies and proclamations were enacted in order to escalate the role of private investment. Proclamation No. 242/1966, 60/1944 and 107/1949 can be taken as an evidence.

In 1974 the military administrative council which is known as Dergue seized power. Nationalization was the major policy at that time. Hence, private investment highly restricted. The previous actively working private investment entities were taken through the process of nationalization and then EPRDF (Ethiopian People's Revolutionary Democratic Front) comes to power in 1991. The policy of the country had also been changed from nationalization to market led economic system. For that purpose different kinds of strategies introduced by the government in order to stimulate the investment arena ADLI can be taken as a best example.[155] The law has

[154] Serawit B Debele, 'MARRIAGE AND EMPIRE: CONSOLIDATION IN POST-LIBERATION ETHIOPIA (1941–74)' (2020) 61 The Journal of African History 201.
[155] Arkebe Oqubay, 'African Industrial Hubs and Industrialisation: Diversity, Unevenness, and Strategic Approach'.

also liberalized different sectors of the economy to pave the way for increasing private investment and diminishing the government's role.[156]

Particularly after 2002 Ethiopia has practiced active industrial policies to accelerate industrialization.[157] Around 13 places were selected and prepared to be declared as industrial parks at the moment in order to achieve the government's plan towards massive manufacturing movement.[158] For that purpose the regulation to govern those industrial parks enacted and endorsed in April 2015, which is known as industrial park proclamation (No. 886/2015). The first industrial park inaugurated in Ethiopia was Bole Lemi I industrial park.[159]

Afterwards the current ruling party prosperity comes to power after the occurrence of political reformation in 2018-2019. Various reformations have also been observed on the area of investment which aims to improve the countries stand with regard to FDI. One of the major changes on the area of investment is that decision of the government to declare and develop free trade zone in cities. Even if currently Dire Dawa is the only city in Ethiopia declared officially as a free trade zone, it is highly likely the government will continue to formulate other free trade zones. In addition to that the process of preparing the guiding regulation for those economic free trade zones is on progress.

Examination of different domestic laws that have connection with free trade zone formation in Ethiopia so far

Constitution

The constitution of Ethiopia is considered as a pillar for all other domestic laws of the country. This is also reflected on the preamble of 1995 Federal Democratic Republic of Ethiopia constitution (herein after FDRE constitution).[160] In the constitution it is clearly indicated that the government have the responsibility to grant protection for its subjects and also ensures to enact different laws and regulation for the development of the citizens. It is also the responsibility of the government to formulate different laws and regulation to improve the life of the citizens. For that purpose the 1995 FDRE constitution of Ethiopia gives the mandate to formulate and implement economic, social and development policies and strategies for the Council of

[156] ibid.
[157] ibid 27.
[158] ibid 26.
[159] ibid.
[160] PROCLAMATION NO. 1/1995 Constitution of the Federal Democratic Republic of Ethiopia 1995.

Minister.[161] As it is prescribed earlier free trade zone formation is useful to improve the living standard of the people of the host state by providing better job opportunities, technology transfer and so on. So as per article 77, the government of Ethiopia have the responsibility to formulate a legal framework that mainly enacted to regulate the issue of free trade zone administration in Ethiopia since it is necessary to improve the living standard of the peoples of Ethiopia.

Article 43 the Right to Development

2. Nationals have the right to participate in national development and, in particular, to be consulted with respect to policies and projects affecting their community.

4. The basic aim of development activities shall be to enhance the capacity of citizens for development and to meet their basic needs.

The constitution not only gives the right for the public for development but also laid a duty for the government to ensure all Ethiopians get equal opportunity to improve their economic conditions and to promote equitable distribution of wealth among them.[162] As it is provided on 1995 FDRE constitution, it clearly allows and ensures the rights of the peoples of Ethiopia to earn property.[163]

In addition to that the constitution also declares that all international agreement which will bring sustainable development for the country Ethiopia should be protected.[164] In another word, if a certain international and regional law presumed to bring sustainable development for the country Ethiopia, it should be integrated as a law of the country. So all other regional and international agreements of free trade in which Ethiopia becomes a party, should also be included and recognized based FDRE constitution.

The other related point which is specified under the FDRE constitution is that the equality principle. All persons are equal before the law and are entitled without any discrimination to the equal protection of the law without any kinds of discrimination based on race, nation, nationality, or other social origin, colour, sex, language, religion, political or other opinion, property, birth or

[161] ibid Article 77 sub 6.
[162] ibid Article 89.
[163] ibid Article 40.
[164] ibid Article 43 sub 3.

other status.[165] This article 25 of the constitution has a clear meaning that everyone is equal before the law. This principle is also works on business communities found at different business area. The constitution grants the right to own property and gives the protection for each and every individual citizen of Ethiopia without any kind of discrimination. The law treats every business communities equally disregard of their nationality, social origin, colour and so on. On the basis of this article foreigners also come and invest in the country Ethiopia without any fear of inequality treatment. One of the main purposes of free trade zone formation is that avoiding any kind of subsidy and special favor for the domestic investors found at free trade zone area. The special deregulatory policy will govern all business communities at the zone without any kinds of discrimination. Since the law stipulated that everyone is equal before the law, they are also guaranteed to be treated equally in the eyes of the law.

In general the major point raised on the previous consecutive paragraphs is that the formation of free trade zone, have a constitutional framework in Ethiopia. The 1995 FDRE constitution, gives an insight that if a certain international or regional agreement is assumed to bring economic development for the country Ethiopia, it will be ratified and integrated as an internal (domestic) law of the country. Especially in recent years the government of Ethiopia seems to turn its face towards the formation of free trade zone since it is assumed to bring an economic development. Different domestic rules and regulations are on a stage of preparation for that purpose and also other international treaties and agreements which presumed to access the establishment of free trade zone also accelerated. And as per the constitution itself once a given international agreement or treaty ratified by the country, it will be considered as an internal law of the country Ethiopia. So the previous ratified agreements such as ACFCFTA, COMESA, IGAD and also other international agreements which expects soon to be ratified such WTO, can be taken as an internal legal ground for free trade in Ethiopia and also the establishment of free trade zone in different cities.

Moreover, the establishment of free trade zone in Ethiopia is expected to bring economic development for the country in so many respects. First it has a power to attract foreign direct investment. This expects to bring a foreign currency enhancement that helps to stabilize the country’s monetary system. And also the formation of free trade zone is expected to bring job

[165] ibid Article 25.

opportunity for so many peoples of the country. As it is also inferred the constitution itself economic development is undeniable rights of the citizens of Ethiopia.

Industrial Park Proclamation No. 886-2015

This industrial park development regulation was enacted in the year 2015 mainly in order to manage and govern issues at different industrial parks in Ethiopia. The scope of this proclamation is only limited to govern issues within the jurisdiction of industrial parks only as it is stipulated on article 3 of this proclamation. Basically the idea of free trade zone is different from the idea of industrial park (it is provided under the introduction part of this paper in chapter 1).[166] But as per article 2 of Proclamation No.886/2015, the term industrial park includes special economic zones, technology parks, export processing zones, agro-processing zone, free trade zones and the like designated by the investment board.[167] The proclamation also specified under article 29 sub 4, that any kinds of extension on parks shall be concluded by the mandates of ministry of investment.[168] The ministry regulates such kinds of alteration or extension concluded on the parks through the board established for park operation and administration. So the board is a responsible organ to oversee the administration and supervision of industrial parks and also for any kinds of alteration, extension on the area of parks as per article 29 sub 1 of the proclamation.[169] Having this in mind, Dire Dawa industrial park is expected to be transformed to free trade zone area soon. At it is already discussed the law gives the power to make any decision with regard to alteration of parks principally for investment board. On article 32 of the proclamation it is stated that the chairperson of the investment board is the prime minister of Ethiopia.[170] As it is submitted already Prime Minister Dr. Abiy Ahmed Ali declared Dire Dawa to be the first free trade zone in Ethiopia on the year 2021. So based on proclamation number 886/2015 the decision of the board to transform the industrial park of Dire Dawa to transformed to be the first free trade zone in Ethiopia, is acceptable and applicable. This idea is also reflected on the preamble part of the new draft law on special economic zone in Ethiopia, it is also provided in detail on the next section.

[166] 'One Can Refer Page 1 of This Research for Further Information'.
[167] 'Industrial Park Proclamation No. 886-2015' (*iportal*) <https://investin.et/product/ethiopian-industrial-park-proclamation-no-886-2015/> accessed 5 May 2024.
[168] ibid.
[169] ibid.
[170] ibid.

The draft law on economic free trade zone establishment in Ethiopia

The law which allows free trade zone formation in Ethiopia is still on process to be ratified by HPR and becomes effective yet. It is still going through the process of ratification. However on August 13/2022, the draft bill that allows the establishment of free trade zone in Ethiopia is already passed.[171] So under the next part of this chapter, different aspects of the coming draft bill on special economic zone establishment, the definition it gives for the term free trade zone and other significant point is discussed in detail.

The draft law defined the term free trade zone as "a special economic zone designated under this Proclamation in which goods and services may be imported, stored, transformed, handled, manufactured, reconfigured and/or re-exported suspensive of customs duties and taxes."[172] As an objective the draft law is set in order establish a framework that guides and enables the designation, development, operation, and regulation of special economic zones, and the activities, rights and obligations of special economic zone end-users.

On the preamble of the coming draft law with regard to economic free trade zone formulation in Ethiopia specified that one of the functions of establishing different economic free trade zone is in order to serve as a vital tools for ease of doing business in the country and also it used to show the commitment of the country to fulfill the obligations specified under different international treaties and regional agreements in which Ethiopia becomes a part.[173] It is also mentioned under the preamble the fact that the country Ethiopia is on the way to get into international market is considered as a pushing factor for the necessity of having free trade zone formation throughout the country.[174] As it is already submitted earlier under this research, the country Ethiopia is on the process of accession to WTO.[175] The preamble of the draft seems to refer one of the objectives of the formation of free trade zone in Ethiopia, is in order to fulfill the objective of world trade organization.

[171] Teshome (n 21).
[172] Draft Law for the Establishment of Special Economic Zones in Ethiopia.
[173] ibid.
[174] ibid.
[175] 'One Can Refer Page 28 of This Paper for Further Information'.

Similar with the experience of China, the drafter tried to articulate that the board will published the bulletin which specifies the negative lists that are closed for foreign investors. This indicates the preparation of the country to protect the sovereignty of the Ethiopia at some point.

Examination of different domestic laws

Since the concept of having a specific free trade zone in the country is a recent phenomenon in Ethiopia, there is no sufficient domestic legal instrument on the issue. However on August 13/2022, Minister of Council has already passed the draft bill that allows the establishment of national special economic zones in the country to the House of People's Representatives (HPR) for approval, which is still on progress to be effective.[176] Hence, Laws enacted by the country starting from the imperial era up to now and have direct and indirect influences for free trade formation, will be dealt and examined under the next part of this paper.

The first two investment proclamations to pave the way for foreign direct investment were, Proclamation No 60/1944 and 107/1949. Both were enacted to promote foreign investment in Ethiopia. They provided incentives such as income tax exemptions, import-export privileges, and even land ownership rights for foreign investors for the purpose of investment.

After that, in 1956, income tax decree promulgated aimed for income tax emption to encourage investment. This decree was replaced by income tax proclamation of 1963, the first proper law to regulate income tax in Ethiopia. It was enacted during the Imperial era, and it gives incentives of income tax exemptions and holidays for private investors in order to promote investment in the country. Three years later in 1966, investment proclamation no. 242/1966 was enacted. So the era of Emperor Haile Selassie, somehow shows an open policy towards private investment and foreign direct investment. This was reflected on those proclamations enacted at that time which granted the right for investors to invest in all areas of the economy with no restriction. Investment incentives such as import export income tax exemptions, income tax holidays, and ownership of land by foreign investors for investment purpose was also included.

During the time of Dergue, private investment was highly prohibited hence there is no point for this paper dealing about the legal system at that time since it contributes none either for free trade zone establishment or investment in general. In September 17, 2012 which is at the time of

[176] Teshome (n 21).

EPRDF, Proclamation No. 769/2012 was enacted. The purpose of this proclamation was to govern specific issues of investment in the country. It also provided for a legal framework for transparent and efficient administration of investment in Ethiopia. Issues covered under this proclamation were forms of investment, minimum capital requirement, investment incentives, ownership of immovable property and investment guarantees and protection. The proclamation applies and governed almost all investment sectors until it was amended by proclamation No. 849/2014.

And then Proclamation No. 849/2014, repealed by investment Proclamation No. 1180/2020. This proclamation allows foreign investors to participate in sectors such as banking, insurance, logistics, and media. There is also a regulation 474/2020 enacted to regulate the issue of investment currently.

In addition the country had enacted proclamation 1124/2019 which was signed by Ethiopia on March 21, 2018 and becomes effective on 5th April 2019 and deals about the ratification of the AfCFTA agreement. The main purpose of this AfCFTA agreement is to create a single market for goods and services, and facilitate the movement of persons and capital, among 54 African countries. The fact that the country Ethiopia established a free trade zone area and prepared for it shows the commitment of the country for the achievement of the aim of this agreement.
So the ratified proclamation 1124/2019 can be used as a legal ground for the formation of economic free trade zone in Ethiopia currently. [177]
The fact that Ethiopia has been in the process of joining the World Trade Organization (WTO) since 2003 is also worth of consideration here. In addition to that Ethiopia is a signatory of 29 bilateral investment treaties and 6 multilateral investment agreements, according to Ethiopian investment commission recent report.[178]

3.5 Experience of different countries with regard to free trade zone regulation

Under this sub section the experience of different countries with regard to their regulation and administration of free trade zone is delivered in detail. There is no pre-established uniform

[177] Geda and Legesse (n 31).
[178] 'Ethiopian Investment Commission Recent Report .' (*Bing*) <https://www.bing.com/search?q=Ethiopian+investment+commission+recent+report+.&qs=n&form=QBRE&sp=-1&lq=0&pq=ethiopian+investment+commission+recent+report+.&sc=0-47&sk=&cvid=70F846DAAC4F4202AC5097E6E966F2E1&ghsh=0&ghacc=0&ghpl=> accessed 2 May 2024.

international standard which specified to determine the standards of the acts of nations for an administration of free trade zone or the requirement used by a given nation is just or not.[179] However, based on the common understanding free trade zones mainly granted an incentive of free quota and custom tax. Having this common consensus, countries may extend or contract incentives on their own free will. Those incentives includes relief from customs procures, non-discriminatory access to use the free zone area, simplified license procedure to start up business on that specific free trade zone, deregulation of different sectors like (labour, environment, tax) and financial incentives such as free flow of capitals including currency repatriation of currency etc. based on the above stated parameters it is possible to shape the laws, policies, regulation of a given state with regard to free trade zone. And also those parameters are used to assess the experience of selected countries (China, Uruguay, Iran, USA and South Africa) about their free trade zone administration.

China

The country China started from an extremely low position to the point of controlling the world economy all because of foreign direct investment.[180] It is possible to say that China abled to set the bar high with regard to using free zones as a tool for sustainable development. And that is the main reason for choosing China as a model for comparative study of this research and for granting much emphasis. In addition to its success to control the commerce of the world, China has had a lot of edges that makes it similar with the country Ethiopia. For instance both countries are rich in labour. The population size of Ethiopia has shown growing steadily. China is already world's most populous country. And from the experience of China, huge number of population has had the power to expand industrial development. Within the previous 30 years, the country China is able to have a huge impact on international trade. The ground for that is assumed to be the establishment of different special economic zones.[181] In China the trend of foreign direct investment started from early 1970.[182] Before that no foreign national is allowed to take part in Chinese investment besides this was considered as something to be proud of by Chinese

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[179] Trampus (n 19) 65.

[180] Jin Wang, 'The Economic Impact of Special Economic Zones: Evidence from Chinese Municipalities' (2013) 101 Journal of development economics 133.

[181] ibid.

[182] Fetscherin, Voss and Gugler (n 17) 14.

governors. Deng Xiaoping is the first Chinese leader to introduce a huge economic reform called "open door policy" in 1979.[183]

On September 23, 2013 general regulation which regulates special economic zone was enacted in China.[184] Six days after that, the Shanghai government issued the negative list which prohibits the foreign nationals to be the part of that investment.[185] On the same day which is September 29, 2013, the pilot free trade zone of Shanghai was officially declared by Chinese government.[186] The idea of this negative list was that if a given sector is not stated on the list then the foreign investor is at liberty to be part of it. This negative list approach is believed to be commenced by Chinese government for the first time as a strategy to protect the domestic interest of the country.[187] During its initial time the list covers 1069 businesses in 89 divisions within 18 main categories[188] any sector not on the list are open to foreign investors however the list deducted from time to time[189] which shows that Chinese become more liberal for FDI lately. For instance, if we compare the list of the year 2015 with 2018 the industrial category decreased from 15 items to 14, and the industrial subcategory of items decreased from 50 items to 45.[190] Not only the list goes down but also from time to time but also the regulatory for supervision SPFTZ in China shows improvement. One need not even to apply for the confirmation from Chinese government, unless it involves the negative list.[191] This indirectly has had a huge positive impact of enhancing foreign investment and also on the general GDP of the country China.[192] All in all the establishment of FTZ in China and the strategy applied by the government of Chinese to administer those free trade zones was successful in every way.

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[183] Shang-Jin Wei, 'Foreign Direct Investment in China: Sources and Consequences', *Financial deregulation and integration in East Asia* (University of Chicago Press 1996) 78 <https://www.nber.org/system/files/chapters/c8559/c8559.pdf> accessed 14 November 2023.
[184] Teifenbrun (n 4) 30.
[185] ibid.
[186] Yao and Whalley (n 9).
[187] Guangwen Meng and Douglas Zhihua Zeng, 'Structural Transformation through Free Trade Zones: The Case of Shanghai' (2019) 26 Transnational Corporations Journal 109 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3623044> accessed 6 April 2024.
[188] Yao and Whalley (n 9) 17.
[189] Meng and Zeng (n 187) 109.
[190] ibid 104.
[191] Yao and Whalley (n 9).
[192] Meng and Zeng (n 187) 104.

In Chinese context the package of special economic free trade zone includes land usage, property rights protection, tax breaks and a preferential land policy for foreign investors.[193] Because of this now a day's China becomes the main destination for foreign direct investment.[194] Also the life of many Chinese is changed dramatically mainly through the formation of free trade zone almost 300 million and more people is able to enter China's new middle class.[195] With all its successes the Chinese free trade zones had also been faced some difficulties. The consultant of Shanghai zone stated that the progress of Chinese free trade zone was very slow and had faced the difficulties of bureaucracy, the battle between different regulatory organs of the zone and corruption, especially with in the first year after its establishment.[196]

The Chinese regulation with regard to FDI becomes more open and welcoming for foreign investors. As an incentive to support foreign direct investment, Chinese government reduced the rate corporate income tax within the range of 15 up to 24% which is almost zero custom duties.[197] Besides for >15 years investment free land use fee; or " five years free, five years half" with a tip of 20% off in electricity, water bill, & exemption from local levies.[198]

WTO accession by the country China in 2001 is also stated as a factor for enhancement of FDI in China.[199] It also advanced the role of the country China on international trade.[200] The experience of China can be taken as evidence to show that special economic zones are able to bring more advanced FDI without crowding the domestic investment and capital stock.

Uruguay

Before the isolation of Uruguay, the Latin America free trade zone association includes state of Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay created by Treaty of Montevideo in 1960.[201] In Latin America the formation of economic zones becomes preponderant and it

[193] Wang (n 180).
[194] Yao and Whalley (n 9) 6.
[195] Teifenbrun (n 4) 29.
[196] ibid 37.
[197] Wang (n 180).
[198] ibid.
[199] Fetscherin, Voss and Gugler (n 17) 11.
[200] Teifenbrun (n 4) 39.
[201] Scheepers (n 2) 26.

shifted the economy by creating 1.4 million jobs.[202] In 1987, Uruguayan free trade zone that is isolated from the rest of the national territory was established.[203]

In Uruguay, there is a clear demarcation between the law of the national territory and the law enacted to regulate FTZ. In 1987, the government of Uruguay passed the law which mainly enacted for FTZ administration. The general law of the host state does not applied on economic activities of companies that are located within the zone. The task of controlling all the activities of companies at the zone is relied on zone administration.[204] Especially with activities such as circulation of currency and payments or collection of funds generated by purchases or sales in the FTZ area, are governed by special law of the zone administration.[205] Uruguayan economic authorities, has no business to interfere with such kinds of activities in the zone. The legislation enacted to govern free trade zone gives mainly an incentives of exemption from custom and tax for the investors found at the zone.[206] But this exemption is only for the good with in the zone it excludes imported and exported goods. So whenever the transaction of import or export is concluded, the importer or exporter has a duty to pay all the necessary taxes of import and export.[207] Under the free trade zone regulation of Uruguay, it is specified that foreigners have the benefit of repatriation of capital with free interest.[208] Such kinds of incentives are very important in order to attract foreign direct investment. As the legislation gives benefit for companies at FTZ area, it also puts an obligation to employ minimum of 75% Uruguayan employees.[209] The rational of this regulation seems to protect the national interest of the country with regard to attaining job opportunities of the citizens.

Iran

The free trade formation initiation was started in Iran during the time 1970's when the potential development of Kish Island as a flagship free trade zone in the Persian Gulf was first advocated. However it was devolved in a comprehensive way in 1980's at the end of Iran and Iraq war.[210]

[202] Hakimian (n 18) 3.
[203] Scheepers (n 2) 26.
[204] Hakimian (n 18).
[205] Scheepers (n 2) 27.
[206] ibid.
[207] ibid.
[208] ibid.
[209] ibid.
[210] Hakimian (n 18).

Now a day's in Iran there is around 15 free trade zones. During the time right after the end of the war, Iran take the first step for development by setting "The five year development plan", and use FTZ as a tool to achieve the objectives of the plan. Three free trade zones were established in the first phase, two gulf islands of Kish and Qeshm in the south, with a third one in Chahbahar (also in the south but on the littoral of sea of Oman). Those three were selected principally because of their proximate location to Iran's international waters in the south, hence seen as gateways for and potential links to the wider international economy.[211]

The new trend that one can clearly see from Iran's free trade zone administration is that it mainly gives emphasis for import goods that come in to the country's territory. Even the general customs and excise regulation was designed as an import platform. This practice was however, contrary to the spirit of setting up FTZs as export platforms. So for the next second phase Iran's government was subsequently abandoned this trend in 2003 and established another three new zones with the new strategy, shifted from import substitution to export oriented approach.[212] The strategic location of the entire six free trade zone in Iran and land transportation routes at the local, regional, and international levels puts them close to regional markets in which facilities for raw material easily accessed. It also used to easily provide manufactured goods to other neighboring markets.[213]

With regard to the law of administration of FTZ in Iran, it is possible to say that deregulation strategy is highly applied in Iran FTZ administration. The domestic law of the country especially with regard to labor and employment does not applied in FTZ. Different regulation is enacted to govern zones with the issue of employer and employee relation. This regulation has special and more flexible work arrangements based on individual labor contracts. But less generous entitlements, such as annual leave, overtime bonuses, or welfare benefits in the zones compared to the mainland law on the issue.[214] Foreigners are allowed to join as an employee in all free trade zones in Iran.[215] As expected from all FTZ regulation in the world customarily, in Iran there is an exemption of custom duties when goods are exported to the main land. In addition to that there is also a special incentive offered by Iran FTZ administration on this regard, which is

[211] ibid 9.
[212] ibid.
[213] ibid 12.
[214] ibid 15.
[215] ibid.

all the goods in transit are also exempted from custom duties. Complete freedom of entry and exit for capital is also allowed.[216] This freedom includes foreign exchange. In the free trade zones of Iran, foreigners have the right to lease land where as Iranians can buy and/or lease.[217] The challenge of Iran's free trade zone is related significantly with lack of focus and clarity of objectives. As it is submitted specially with those first phase free trade zones, emphasis was given mainly for income substitution rather than export. This seems to oppose against the main purpose of formulating special zones. Even Kish Island which is probably the most successful of Iran's FTZs, has strayed away from its original objectives of export promotion and jobs expansion.[218] It has been analyzed that attracting FDI and jobs creation on a significant scale no doubt remain the major challenges for all Iranian zones.[219]

USA

In USA free trade zones areas are considered as areas outside the territory of the US custom authority. Congressman Emmanuel Celler of New York defined FTZ as "a neutral, stockade area where a shipper can put down his load, catch his breath, and decide what to do next."[220] For certain types of merchandise free importation of goods are allowed or in simple terms the activities conducted on that specific free trade zone area conducted without passing through the formal procedure of tax.[221] The preferential treatment provided of those companies engaged in the zone is extended to other provisions. The payment imposed on companies is minimal even for banks, insurance and other services.[222]

South Africa

South Africa is one of the most economically advanced countries of African countries. The study conducted in 2024 on GDP's of all African countries putted the country South Africa number one from all fifty four countries of Africa.[223] The main reason for selecting South Africa for this study is mainly because of the success of the country with regard to economic development and

[216] ibid.
[217] ibid.
[218] ibid 24.
[219] ibid 2.
[220] Teifenbrun (n 4) 192.
[221] Trampus (n 19) 63.
[222] ibid.
[223] 'List of African Countries by GDP (Nominal)', , *Wikipedia* (2024) <https://en.wikipedia.org/w/index.php?title=List_of_African_countries_by_GDP_(nominal)&oldid=1229205653> accessed 17 June 2024.

also since South Africa is one of African countries it is better to have an insight from fellow African counties about the administration of free trade zone and special economic zone in general.

On this regard Coenrad Muller Scheepers conducted a research on South African special economic zones on the title of “A CASE STUDY FOR SPECIAL ECONOMIC ZONES IN SOUTH AFRICA AS A MEANS OF ATTRACTING FOREIGN DIRECT INVESTMENT”. Under this research it has been emphasized that the previous South African industrial development zone programme was to a large extent a disappointment.[224] Based on the finding of this research The reasons for this failure is mainly because of the absence of preparation on side of the government especially with regard to conducting a thorough cost-benefit analysis before implementation of special zone development programs. In order to correct this situation it has been stated that the country South Africa should prepare a policy aligned with all existing policies in order to create a clear and decisive investment environment. Besides it is highly indicated that the government of South Africa should seek for an African solution that would relate to Africa’s unique developmental challenges. And the final major point of the finding of this research is that the role of private investment is invaluable for the successes of special economic zones, SEZs should not be limited to state ownership.

[224] Scheepers (n 2) 81.

CHAPTER FOUR: ANALYSIS OF DATA

4.1 Introduction

This chapter is dedicated for the data collected from the spot (Dire Dawa free trade zone area), analysis of the data collected through interview with the concerned individuals and also analysis of the data gained from the experience of different countries discussed under the last part of the previous chapter.

This chapter has two sections. The first section deals about the data collected from the interview with Dire Dawa industrial park, Dire Dawa trade and investment office and also data collected from the branch office of minister of trade and regional integration office at Dire Dawa in order to obtain the necessary information used for the reliability of this research. Those individual's from those given office are considered as a key person to express practical bottlenecks that becomes hindrances for the effectiveness of free trade zone establishment in Ethiopia especially with regard to policy and implementation of the laws regulating the issue. This section is ended with the analysis of the raw data gained from the interview. The second section is about the analysis of the data gained from the experience of other countries on the issue of free zone administration as a comparative analysis.

4.2 Practical insight about free trade zone in Ethiopia

Mr. Alemu Bekele is a senior expert at Dire Dawa industrial park investor follower and monitor department. He is also one of the selected key informant individuals for this research. He started the discussion by indicating the establishment of free trade zone in Ethiopia is a good start for economic development enhancement of the country. As per Mr. Alemu the definition of free trade zone is "a bonded area which is free from any kind of host state bureaucracy with regard to tax and custom authority. Any kinds of goods or raw materials which enter into the territory of the country through multi or Uni-modal form of transportation can be stored at the free trade zone area without any kind interference from the custom authority of the host country (in this case Ethiopia) when the free trade zone start functioning officially."[225] This privilege will sustain until the investor decided to move on to the next level. It might be taking out the product from that bonded area to sell it or to re-export the good by adding some value on it. Until such time

[225] 'Data Gathered from Interview with Mr. Alemu at Dire Dawa Industrial Park'.

the place is considered as a place out of the domestic area. For instance if a given company from Djibouti imported some raw materials at the free zone area of Dire Dawa, the law of Ethiopia especially with regard to custom and tax will no longer applied on that company. The law gives protection for the investor not to be bounded by the rule of the domestic custom authority. Currently in Ethiopia there are around 13 industrial parks. From all those industrial parks Dire Dawa is chosen to be pilot free trade zone area mainly because of its location and its suitability for multi modal transportation. In addition to that Dire Dawa is relatively found in a proximate location from Djibouti port and other neighbor countries. With regard to the exact location of the Dire Dawa free trade zone area, Mr. Alemu responded that the whole area of Dire Dawa industrial park is planned to be transformed to free trade zone area. Dire Dawa industrial park is currently relied on neat 150 hectare area which cultivated. Another 227 hectare area is on the process of cultivation and 4200 hectares of land is planned to be soon be inaugurated soon from the total outskirt of the city. The map that shows the physical location and design of the area in which the current industrial park, and soon expected to be transformed as free trade zone area is attached under the final part of this paper.(ANNEX 2)

Mr. Alemu highly emphasized that the opportunity of declaring the city Dire Dawa early before it start working has an importance of buying time for Dire Dawa industrial park development office, Dire Dawa city administration and the country as a whole to be prepared for what comes next. However because of lack of regulation for free trade zone establishment in the country, the previous activity of Dire Dawa industrial park still continued without a single change. As Mr. Alemu inferred, by now there should have been some kind of activity and preparation taking place in Dire Dawa industrial park since it is declared as a free trade zone area. But because of lack of legal ground that allows the zone establishment, they (Dire Dawa industrial park development staffs) are highly tempted not to do anything about it. The issue of free trade zone implementation is laid on the hands of FDRE house of people’s representatives. And as Mr. Alemu explained a number of people from HPR come and visit the area of Dire Dawa industrial park, choose a standing committee for that purpose. Now all the industrial park administrator waits for is the command, decision and instruction of HPR on the issue. So there is no much to say about it, to assess the tangible change that it brought for the country and the success it will bring. This will be determined in the future after the zone start working fully. But for now since it is considered as pilot study, it needs further research and focus from different perspective to save it from any kind of failure.

Another question forwarded for Mr. Alemu is about the difference between the park and the zone since both are planned to be found in the same area, how can they be differentiated? He replied that the service given at the industrial park is only limited to a certain extent. For instance Dire Dawa industrial park is mainly known by its engagement on manufacturing industry. There are 15 shades build for that purpose and foreign investors may come and manufacture products to provide it for external market. Whereas, in case of free trade it is more of an open space which contains different other activities such as manufacturing, assembling and ware house to store the goods. Free trade zone is all about giving an open space for investors the else is depend up on the decision of the investors what to do with that open space. It may be to build a ware house, to stack manufacturing shed or whatever but in case of industrial park the shades are already designed by the host state so the foreigner can only rent the place and conclude its business. With regarding to the concerned organ to administer the free trade zone in Ethiopia Mr. Alemu stated that since the regulation still not become effective, there is no much to say about it.

Mr. Alemu did also share his personal expectation from the formation of the free trade zone in Ethiopia, during the time of the interview for the researcher. He said that the formation of free trade zone will improve the economic development of the country as expected since it allows the storage of different kinds of goods in the area without any extra taxation expenses. Bulky of products is expected to be found at the zone. And this will minimize the transportation expense of the investor to import products from other countries such as Dubai. The idea of "one stop shop" comes here. The main concept of one stop shop is pinpointed as a system in which "transactions no longer need to be notified in two or more jurisdictions."[226] This will enhance investor's confidence to come and invest in Ethiopia. In simple term the formation of free trade zone will create the environment for ease of doing business. In addition to that as Mr. Alemu referred it used to increase job opportunity, foreign currency enhancement which helps to enhance economic development of the country. However in order to gain all the above stated advantages, first there should be a domestic law established mainly for the purpose of regulating the activities at free trade zone. As he mentioned, it has been almost 2 years since the idea of

[226] Kekesi (n 148) 7.

establishing free trade zone in Ethiopia initiated. But up to this day the regulation is still on its draft stage. And this by itself becomes an obstacle for the free trade zone area not to start working officially.

The final point raised by the senior expert is about the foreign investors who have been engaged at Dire Dawa industrial park. The companies of the country Italy, Saudi Arabia and China, are taking parts at the manufacturing industries of Dire Dawa industrial park. And from regional neighbor countries Djibouti and Kenya are stated. So it is highly possible that those countries will continue to take part if the free trade zone starts fully functioning officially as per Mr. Alemu.

Interview with experts of Dire Dawa Trade Industry and Investment Office

Mr. Ahemed Abdella Hassen from trade and investment office in Dire Dawa is one of the chosen key informant person's for this research. He is an expert on investor registration and permission granter department, works as a case team coordinator. Mr. Ahemed mentioned that the income the country gained from investment is very high. Especially for developing countries like Ethiopia the role of investment sector is invaluable for economic development.

Even though the federal investment commission has a full data with regard to number of foreign investors which have taken part in Ethiopia, as Dire Dawa city administration office investment permission granter expert, Mr. Ahemed also confirmed that the number of foreign investment increases from time to time. The office also had been cooperative for this research by giving the report of the past 3 years, attached on the final part of this paper (ANNEX 3) which shows the escalation of number of investors in Dire Dawa. The data includes the report of 2013, 2014 and 2015. From the data it is possible to see that the number of investors to ask permission from investment office increases from year to year. It should be noted here that those reports all taken after the industrial park of Dire Dawa inaugurated. The expert also confirmed that the establishment of industrial park has an influence to increase the number of investors.

The next discussion the researcher concluded with Mr. Ahemed was about the challenges that the investors participated in Dire Dawa city administration faced and also the foreign investors participated in the country's investment so far. He starts by indicating the difference between the tasks of federal investment commission and Dire Dawa investment permission and registration office. The tasks of granting permission for foreigners is solely given for federal investment commission but since there is a chain or a communication between federal investment commission and Dire Dawa city administration investment permission office, it is possible to predict the general challenges of the investors engaged in countries investment. Although, the challenge faced by DDIP used as an indicator for the challenges faced by foreign investors participated in the country in general. as per Mr. Ahemed the main challenge raised by the investors engaged at DDIP is that, first the issue of shortage of basic equipment provisions such as electricity, the issue of deficiency of an easy access for foreign currency exchange in Ethiopia and the issue of bureaucracy is stated.

Especially with regard to bureaucracy foreign investors highly complained about the system in Ethiopia since the infrastructure is not similar with that of the place where they are coming from. The investors highly complained that the usage of digital technology for the purpose of facilitating investment seems to be very backward in Ethiopia. The expert highly emphasized that investors are highly sensitive about time management since they are highly engaged with import export business, a single second wasted might brought a lot of devastation on their income. So the issue of bureaucracy has been raised as an obstacle by foreign investors so far.

In order to avoid all those challenges the expert suggested that well preparation by the concerned organ will minimize all those obstacles. As per Mr. Ahmed, the facilitation of one stop shop service helps a lot.[227] If the establishment of free trade zone formation accomplished, different organs of government will open their branch at the zone and facilitation of service will expected to be enhanced.

As Mr. Ahemed also emphasized that when the free trade zone starts to fully functioned, it is highly likely that different kinds of concerned governing organ will give service right on the spot. And also the raw material for production will be founded there so it will save the time and energy of the investors since all kinds of provision of goods and service can be founded easily at that bonded area. He expressed the necessity of the place of free trade zone area exactly as “a place where the seller and buyer will meet”. Additionally as Mr. Ahemed mentioned and appreciate the effort of Ethiopian government for accession of WTO agreement. It will also have

[227] ‘One Can Refer Page 48 of This Paper for Further Information’.

its own blessing for free trade zone achievement. When a given investor concluded all the works needed to produce a product the next step in which he is craving for would be market access to sell his product. The accession of WTO is expected to bring better market access opportunities for the country Ethiopia and helps the country to be more competent.

Additionally Mr. Aminu Teha, a higher official of Dire Dawa trade office, specified that the country Ethiopia has had a good trade relationship with regional and other foreign countries. For the interview enquiry forwarded to him about the foreign countries, who has a best record of having trade connection with Ethiopia so far, Mr Aminu responded that from regional Djibouti and Somalia are the countries that have a close trade relation with Ethiopia. Besides those regional neighbor countries, Ethiopia has also had a good trade relation with giant and influential countries of the world such as China and USA. Mr. Aminu also gives his personal opinion that the formation of free trade zone will have a positive result to bring the regional neighbor states all together and to initiates the commercial transaction between those neighbor states although the fact that the process of accession to join WTO by the country Ethiopia, is also expected to have a positive impact for the trade relation between Ethiopia and the world outside.

Interview with experts of ministry of trade and regional integration branch office in Dire Dawa

Online trade registration and License expert Mr. Yonas Terefe and Mr. Oreon Alemu post license inspection expert from minister of trade and regional integration office, are the other two key informant individual’s chosen for the interview of this paper. They started the discussion by giving an explanation about the name of the office trade and regional integration office. As they mentioned previously before the current ruling party prosperity comes to power, the office was named as trade and investment office. But after Prime Minister Dr. Abiy Ahmed takes over the power to govern the country, the name of the office is changed to minister of trade and regional integration office. As the two key informants infers, the reason for the name changing is mainly to establish a link between Ethiopia and other neighboring states, to eradicate the previous quarrel between Ethiopia and Eritrea by creating a connection of trade and investment. They further explained that the peace and stability of the country is a key in order to create a suitable environment for integration between Ethiopia and other regional neighbor states.

Especially Mr. Oreon emphasized that the current peace and security status of the country seems resembled to be difficult for trade integration with other regional neighbor countries. This will also be taken as a cumbersome situation for the formation of free trade zone. As he inquired, who wills to come and invest in Ethiopia if the peace and stability of the country becomes highly dangerous even for the citizens, let alone for other foreign nationals?

The main task of the office is highly connected to granting and taking away trade license for domestic traders. During the interview the staffs of the office was highly cooperative to give the report of the office starting from the year 2013-2016. It is attached on ANNEX 4 of this research. Based on the report prepared by the office, in 2013, the total number of peoples who demands to get service from the office is 3029. From those total persons 194 are the newly registered traders. In 2014 because of the internal war between the ruling governments of Ethiopia with Tigray liberation front (TPLF), the number of people who came to the office to get service is decreased to 382. The number of new traders also decreased to 15. In 2015, the total number of services demanders' was 3665 and the number of new traders is 136. In 2016, for the last 9 months, the number of service given for individuals by the office was 5395. The number of new traders registered to get license from the office becomes 170.

This report of the office trade and integration can be taken as a reliable data to confirm what the experts told the researcher at the time of the interview. Which is the trade and investment connection is always dependent on the peace and security of the given state. It should bear in mind that all the above number of people specified on the report are domestic traders. But when the free trade zone established and starts functioning officially, the foreign investors are also expected to take part on the investment area. If the peace and security of the country highly matters to increase and decrease the number of participant even for the nationals of Ethiopia, it is easy to predict how much influence it could be to determine the number of foreign investors taking part in Ethiopia.

4.3 Analysis of the data on practical insight about free trade zone in Ethiopia

All in all the general purpose of the interview was in order to gain a comprehensive data from the spot. Since the predestined place to start free trade zone in Ethiopia is Dire Dawa, realizing the current situation of the place, the preparation of a given concerned organ is presumed to be necessary for this research. For that purpose some interview questions was prepared and forwarded (it is attached on the final part of this paper or on ANNEX 1) for some key informant individuals. In general from the response of those key informants individual persons it becomes clear that the declaration of cities as a free trade zone is not and will not be enough to bring the expected economic development for the country. The city as well the country should be in a good shape to bear the consequences that may come up with free trade zone formations. This can be expressed in two ways. First from the perspective of legal ground, the regulation which allows free trade formation in Ethiopia should be actively effective by now. It has been almost two years since the declaration and the law is still on process to be effective. This put some hindrances on the process of free trade zone formation in Ethiopia. The other is highly related with some substantive issues. As the researcher try to observe from the spot and standing from the interview with Mr. Alemu, it is possible to say that the city administration of Dire Dawa and also administration office of industrial park of Dire Dawa have not done a single alteration on the place. There is only a general understanding about the place DDIP will soon be changed to free trade zone area. The previous day to day activity of Dire Dawa is still progressed even after the declaration of free trade zone. At it is also confirmed by Mr. Alemu, the only phenomenon happened at the place of Dire Dawa industrial park during the past two years is only the visitation concluded by some selected individuals from FDRE house of people's representatives, nothing else.

Having a transparent and reliable legal and regulatory framework is also a very important issue in order to promote both domestic and foreign investment in the country.[228] As it is indicated on the previous parts of this paper, the policy of a given country has a great power to determine both expansion and eradication of investment. Study shows that the unpredictable laws of the country especially with regard to foreign currency, erodes investors' confidence and create an inconvenience to do business in the country.[229] Currently given the shortage of foreign currency in the country, the amount of foreign currency to be surrendered to the NBE from export earnings generated has reached almost 70%.[230] So in this regard the country should enact a special law for those investors who are willing to take part on free trade zone area. Otherwise if the general law of the country with regard to foreign currency exchange becomes applicable even

[228] Atlaw, Teklemariam and Dong-Geun (n 30) 88.
[229] Geda and Legesse (n 31) 16.
[230] ibid.

for free trade zones; it will be difficult for foreigners. Since the percentage that the NBE specified is changed according to the circumstance of the country, it may lack the reliability for foreign investors at some point.

Furthermore an efficient and effective legal system is an impediment to enforce laws that used to sustain the political, social and economic stability of the host state. In simple term policies and regulation of the country should strictly be able to protect the national interest of the country Ethiopia. However this doesn’t necessarily means that the laws should be closed for foreign investors. If anything, the laws and policies of the least developed countries with a little market power such as Ethiopia should follow open trade policy. The solution for this might be using policies as a tool to attract foreign direct investment and at the same time using policies as a tool to protect the national interest of the country. This is provided in detail under next part of this chapter by comparatively taking the experience from other countries on how could they sustained making the balance of those two conflicting interests.

The other practical issue that needs concern with regard to free trade formation is the provision of facilities and infrastructure. Specially based on the data gathered from the interview with Mr. Ahemed, it is possible to predict that lack of infrastructure service in Ethiopia will continued to be a cumbersome for all investors who will take part in free trade zone area of Ethiopia. So some ground work should be concluded specially on faculties and infrastructures provision of the country.

Besides the declaration of free trade zones, there are also other different kinds of measures that a given country is expected to take in to consideration for attracting foreign direct investment. Essentially, the peace and security of the country matters the most. All investors around the world want to do business in a country which is stable. The report data taken from ministry of trade and regional integration can be taken as a witness for this. During the time of internal war the number of domestic traders was highly reduced. No one is willing to take the risk of losing their entire asset because of violence and other human made disasters. But the current situation of the country Ethiopia seems to be tensed even for the local community let alone for foreigners. There is an internal instability in the country and also some kind of quarrel is observed between

Ethiopia and other neighbor countries externally.[231] This should be reduced as much as possible so that investors from other regional neighbor countries and also from any other countries of the world to come and invest in Ethiopia.

Previous studies shows that before countries declare cities as free trade zone, different successive researches should be conducted. The geographical location of a city alone is not enough to determine it as free trade zone. After the city becomes a FTZ things might get changed spontaneously even the laws and policies will not be the same. The issue of deregulation is followed after inauguration of cities as a free trade zone. Specially issues related with governing labour (employment law), laws on levying and collecting tax (tax law) and the law governing foreign currency exchange is expected to be different from the general law of the host state. So the concerned organ should take into consideration all those related issues. Deregulation is used to minimize the challenge of bureaucracy by reducing the number of regulations and administrative procedures that individuals and companies have to navigate. If each and every issue do not considered critically the challenge the country face will be way more than the blessing received from free trade zone formation.

4.4 Analysis of the data taken from experience of different countries with regard to free trade zone administration

Under the last part of the previous chapter it is already submitted the experiences of different countries of the world with regard to free trade zone administration. As a comparison for the sake of this paper experience of the country China, Uruguay, Iran, USA and South Africa are selected. From overall notions of the experience of those countries, it is possible to say that keeping the balance of taking all the economic advantage of free trade zone and protecting the interest of the host state is a key to have a successful free trade zone administration especially for developing countries like Ethiopia. This balance can be kept mainly through well prepared policy and strong regulation. In the next consecutive paragraphs the major issues in which the coming regulation which allows free trade zone establishment in Ethiopia, is expected to contain in order to keep the balance, is explained in detail.

[231] Faisal Ali, 'Ethiopia and Somaliland Reach Agreement over Access to Ports' *The Guardian* (1 January 2024) <https://www.theguardian.com/world/2024/jan/01/ethiopia-and-somaliland-reach-historic-agreement-over-access-to-red-sea-ports> accessed 8 February 2024.

As it is already discovered there are two conflicting interests with regard to the issue of free trade zone controlling mechanism especially with policies and regulations. Since there is no universal standard in the world which is already framed to guide administration of free trade zone particularly, states structured their regulatory system by choosing one from the two extreme. On the other hand investors most of the time ought to go and invest in a certain host country, in which the law or the policy of that state gives a special treatment for them. Based on this understanding, countries adjust their laws and policies in a way that attracts foreign investors. Especially when a country plans to have a special economic zone, the domestic law of the country is expected to be more lenient on that specific area and becomes more open and attractive for investors to be able to invest their assets at liberty. However developing countries in general and least developing countries particularly are highly concerned about their internal economic interest and security of their people. The role of policies to keep the balance on this regard is very crucial.

As it is inferred on the previous parts of this paper and the experience of other countries on the issue, free trade zone can be both success and failure as it is taken. For instance China, world's most successful country in the world on free trade zone administration, was able to succeed to generate high income based on free trade zone formation, mainly because of the country's systematic and scientific approach employed on those free trade zones. China becomes a great model for other countries in the world on how to enhance economic income from free trade zone formation, mainly because the country's ability to make balance between attracting foreign investors and protecting the national interest of the nation. Adam smith highly suggested that protectionist approach is useful for developing countries such as China.[232] Apparently the country Ethiopia has had common things to share with the nation China. For instance both countries are labour-rich countries. Taking the advantage from the establishment of free trade zone to create job opportunity for the abundant labour force in the country, is one of the things that the country Ethiopia should take from the experience of the country China on the issue of free trade zone. In addition to that from the previous experience of the country China it should be bear in mind that pre-established and well formulated governing policy plays an important role for the success of free trade zone administration. The country China prepared regulatory frame

[232] Schumacher (n 43) 60.

work for free trade zone formation and prepared a suitable environment for it way early before the declaration of cities as a free trade zone. Where as in case of our country for the past two whole years the mere name (declaration) of free trade zone is already there but the law to regulate the issue is still on progress and the preparation for it doesn't even seems to begin yet. If the country Ethiopia planned to be benefited from free trade zone, then some actions should be taken already.

Iran gives emphasis for giving more incentives for companies in free trade zone in order to attract the attention of investors. Other than giving a privilege of using the free trade area free from custom, the package includes to use land on lease, free currency movement etc. even for foreign investors. So from the experience of the country Iran it should be renowned that the law should be relatively lenient at some point for investors to be more motivated to come and invest in Ethiopia. Even though it is impossible to apply the incentives given by Iran directly but giving some incentives can bring a huge influence of attracting foreign direct investment in the country Ethiopia.

Uruguay set a pre requirement of employers at the zone should be 75% from Uruguayan's. This highly seems to protect the national interest of the country Uruguay. From the experience of Uruguay regulation on free trade zone, it is possible to say that one of the main importance's of formation of free trade zone is that it reduced the number of unemployment in a certain state by providing job opportunities. So having a legal frame work that mandates companies to give job opportunities for citizens of the host country better than other nationals, is one of the advantages that the host state is expected to be taken as mechanism to control the domestic interest of its people. The other important point that should be taken from Uruguay experience is that the law which is enacted to govern free trade zone is very different from the general law of the country Uruguay. Especially with regard to issues such as environment, employment and foreign currency exchange. So Uruguay can be taken as a sample to show that the system of deregulation is very vital on free trade zone administration.

The experience of South Africa shows the country Ethiopia should be well prepared before the establishment of free trade zone in the country. And also if any kind of contradiction happened in the future on the area of free trade zone, the country should have an open legal system that seeks African solution for African problem primarily.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Introduction

Under this chapter the major concepts of the whole chapters of the paper and findings are provided as a conclusion followed by some recommendation remarks. Most important issues of each chapter is raised under the conclusion part of this chapter and based on those major findings the suggested points is reflected on the recommendation part.

5.2 CONCLUSION

The general idea of this paper emphasized that the establishment of free trade zone in Ethiopia will have an invaluable role for the economic development of the country. However there must be some consideration especially with regard to policy and regulation arena. The general finding of this paper implied that whenever countries started a movement towards free trade zone, there are mainly two outcomes expected to follow. First the country will be able to succeed gaining an economic advantage from it and escalate its own economic development by using policy as an instrument to protect the interest of the country. Or else the country could lose its sovereignty and the free trade zone formation will also become a failure. Those two outcomes will be mainly depending up on the regulatory policy framed by that certain country. This was also one of the major arguments raised by different scholars even during the initial time of the concept of free trade and mercantilism. And even later at the time of Bretton Wood conference, the major argument between the developing and developed was the difference in outcomes of international trade for the developed and developing.

When it comes to our country Ethiopia, the steps taken to establish different trade zone area in the country can be taken as a good progress for the enhancement of economic development. But with regard to the issue of making the balance between protecting the interest of the country Ethiopia and using free trade zone as an advantage for economic development, should be taken into consideration by the concerned law making organ. In addition to that it has been almost two years since the city Dire Dawa declared as a free trade zone in Ethiopia. But till the time of the preparation of this paper, the regulation which allows establishment of free trade zone in Ethiopia is on process stage to be effective. This lack of regulatory policy becomes a hindrance for Dire Dawa industrial park not to fully transform to free trade zone area and start running the tasks of free trade zone activities yet.

Based on the experience taken from other countries it is possible to conclude the success and failure of a given free trade zone area is highly depend upon the policy framed by the host state. As much as possible the laws that govern free trade zone area should be different from the general law of the country on some issues. And also it is better to follow an open trade policy in order to attract foreign investors to free trade zone areas in Ethiopia by protecting the national interest of the country at the same time.

In addition to that there are some issues that should be taken before the formulation of free trade zone area in the country. The issue of bureaucracy is one of those issues. Bureaucracy has a huge impact to attract and repulse investment. The other important issue on this regard is the peace and security of the country. Currently the internal peace and security of the country Ethiopia seems to be difficult for the formation of free trade zone. The country Ethiopia is one of the strong members of IGAD. As an influential member of the IGAD the country is expected to protect the internal and also the regional peace and security of the horn of Africa. This will also enhance the number of foreign investor that takes part in free trade zone area of Ethiopia.

5.3 RECOMMENDATIONS

- Based on the findings of the paper it is highly recommended that the draft law on the establishment of different free trade zone in the country is better to be enacted as soon as possible. So that the industrial park of Dire Dawa transformed to free trade zone area and start functioning fully to generate income for the country in general.
- It is highly recommended that the current political instability and insecurity issue of the country should be reduced as much as possible so that investors' confidence enhanced to come and invest in Ethiopia.
- The country and the city as well, should start preparation for the coming free trade zone activity. Especially with regard to other related legal issues of employment law, tax law, foreign currency and others.
- It is also suggested that the country should laid some ground works for adequate provision of infrastructure, minimizing bureaucracy and granting some incentives for the investors who are willing to participate in free trade zone area of Ethiopia.

- For the least developing country like Ethiopia it is highly recommended that the country should follow an open trade policy. So that the law of the country becomes lenient for concluding business.
- Since the free trade zone of Dire Dawa is considered as a pilot zone in Ethiopia, successive researches from different perspective should be employed on that specific area.

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'One Can Refer Page 1 of This Research for Further Information'

'One Can Refer Page 28 of This Paper for Further Information'

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‘Data Gathered from Interview with Mr. Alemu at Dire Dawa Industrial Park’

Draft Law for the Establishment of Special Economic Zones in Ethiopia

PROCLAMATION NO. 1/1995 Constitution of the Federal Democratic Republic of Ethiopia 1995

APPENDIXES

ANNEX 1: INTERVIEW GUIDE QUESTIONS

Interview questions for Dire Dawa industrial park development office

Thank you for your interest to collaborate

1- What is your name? And your status?
2- What is free trade zone?
3- What do you think is the possible reason that the government of Ethiopia chooses Dire Dawa to be the first free trade zone in Ethiopia?
4- Is there a special clear geographical demarcation of free trade zone in Dire Dawa? Or the whole part of the city is taken as a free trade zone?
5- Is it possible to say that the free trade zone is actively working currently? If your answer is positive when did it start? If negative when do you think it will be ready to start?
6- Is there any connection between the industrial park of Dire Dawa and free trade zone? Which government organ is responsible for them?
7- What are the possible outcomes that the country Ethiopia is expected to gain from free trade zone?
8- What are the practical challenges (if any) did the country faced until now main with regard to the formation process of free trade zone?
9- Are there any difficulties that have been faced specially because of lack of or inadequacy of the policy and regulation of the country?
10- What do you think is the possible solution to make correct the problem (if any) raised earlier? Or what is your suggestion?
11- What are the opportunities that the country is expected to gain from free trade zone?
12- What do you expect from the coming draft bill on free trade zone?
13- From which country do we have trade connection so far?

If there is anything relevant you want to add specially related with the issue you are very welcome

Thank you!!!

Interview questions for Dire Dawa trade industry and investment office

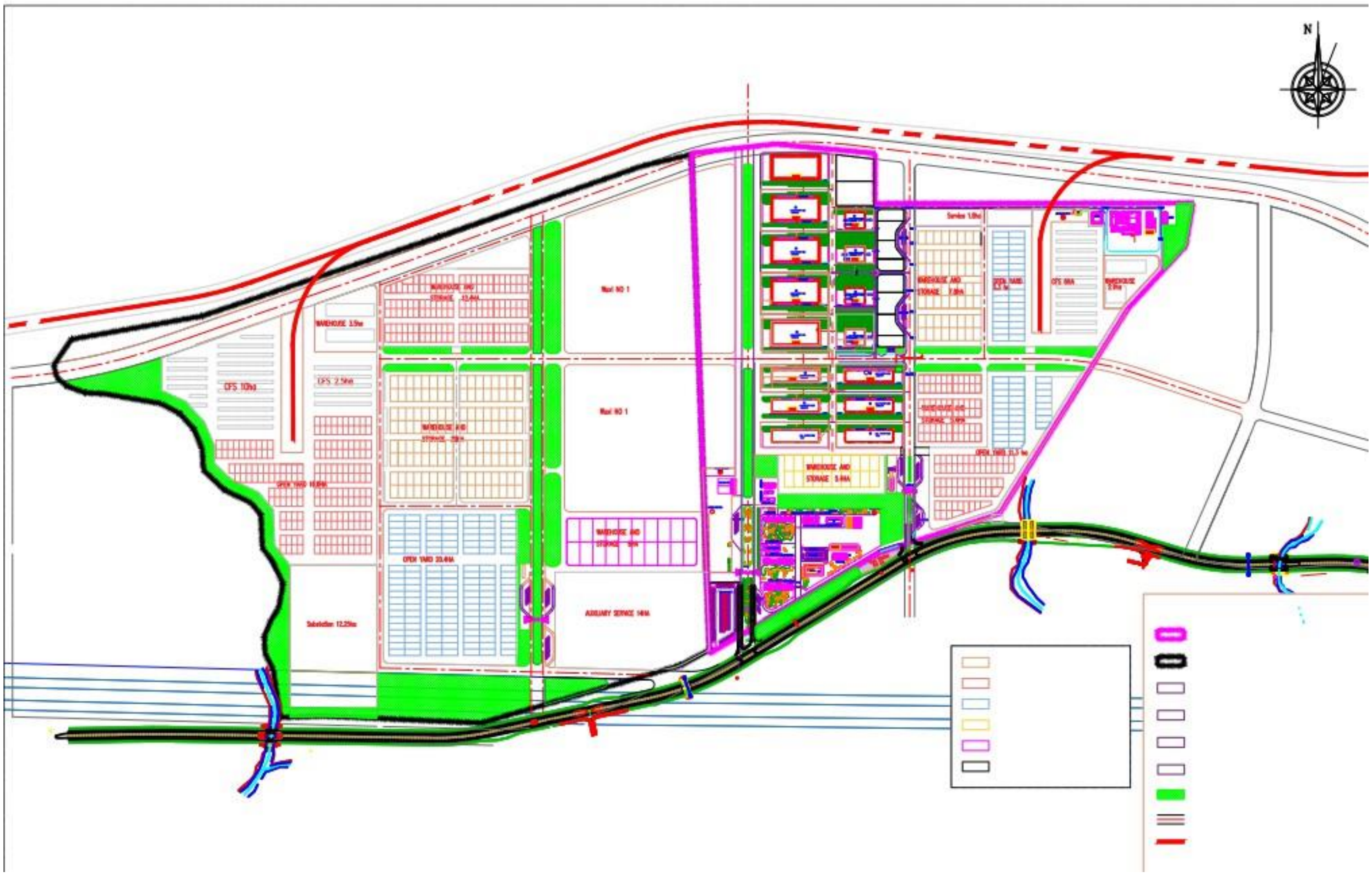
Thank you for your interest to collaborate

14- What is your name? And your status?
15- How much income does the country Ethiopia and the city administration of dire dawa gain yearly from trade and investment?
16- Do you think that the establishment of free trade zone will have a huge impact on trade and investment arena?
17- If the process of accession for WTO becomes successful, do you think the country will improve its capacity to attract foreign direct investment? How?
18- Does the number of foreign investors increase or decrease from time to time in Ethiopia? What are the factors for that?
19- What are the challenges raised by foreign investors found at dire dawa industrial park currently? Especially if there is any kind of challenge related with foreign currency exchange or administrative inconveniences please tell me?
20- From which country do we have trade connection so far?

If there is anything relevant you want to add specially related with the issue you are very welcome

Thank you!!!

ANNEX 2: The plan design of Dire Dawa free trade zone



ANNEX 3: Reports prepared by Dire Dawa trade industry and investment office in Dire Dawa from 2013-2015

በ2013 ዓ.ም

በ2013 ዓ.ም የኢንቨስትመንት ፍሰትን በተመለከተ

- በ2013 በጀት ዓመት ዉስጥ ለ360 ባለሃብቶች ፈቃድ ለመስጠት ታቅዶ 490 ባለሃብቶች ፈቃድ ወስደዋል፡፡ አፈፃፀሙም 136.11% ነዉ፡፡

ባጠቃላይ በዚህ በ2013 በጀት ዓመት የስራ ክንውን 490 ባለሀብቶች ፍቃድ የወሰዱ ሲሆን ከእነዚህም 371 ወንድ፣ 82 ሴት እና 37 የግል ማህበር ናቸው፡፡ ያስመዘገቡት ካፒታል 25,808,899,413 ሲሆን ስራ በሚጀምሩበት ወቅት ለ23,133 ቋሚና ለ11,448 ጊዜያዊ በድምሩ ለ34,581 ሰዎች የስራ ዕድል ይፈጥራሉ ተብሎ ይጠበቃል፡፡

በዓመቱ፡ ፈቃድ፣ ምትክና እድሳት ያደረጉ ባለሃብቶች

ተ.ቁ.	ዝርዝር ስራዎች	የ2013 ዓ.ም ዕቅድ	የ2013 ዓ.ም የተከናወነ	ክንውን በ%	የተሰበሰበ ገቢ (በብር)
1	አዲስ የኢንቨስትመንት ፍቃድ መስጠት	360	490	136.11%	295,800
2	ለውጥ/ምትክ የኢንቨስትመንት ፍቃድ መስጠት	48	31	64.58%	3,100
3	የኢንቨስትመንት ፍቃድ እድሳት	120	146	121.67%	29,200
	ድምር				328,100

በ2013 ዓ.ም ፈቃድ የወሰዱ ባለሃብቶች በየዘርፉ ሲታዩ

ተ.ቁ.	የስራ ዘርፍ	ብዛት	ያስመዘገቡት ካፒታል
1	በማምረቻ/ኢንዱስትሪ	148	7,867,263,280
2	በአገልግሎት	202	14,901,406,188
3	በኮንስትራክሽን	102	1,269,817,014
4	በግብርና	38	1,770,412,931
	ድምር	490	25,808,899,413

በ2014 ዓ.ም

በ2014 ዓ.ም የኢንቨስትመንት ፍሰትን በተመለከተ

- በ2014 ዓ.ም ዉስጥ ለ380 ባለሃብቶች ፈቃድ ለመስጠት ታቅዶ 425 ባለሃብቶች ፈቃድ ወስደዋል፡፡ አፈፃፀሙም 111.84% ነዉ፡፡
- ባጠቃላይ በዚህ በ2014 ዓ.ም የስራ ክንውን 425 ባለሀብቶች ፍቃድ የወሰዱ ሲሆን ከእነዚህም 314 ወንድ፣ 57 ሴት እና 54 የግል ማህበር ናቸው፡፡ ያስመዘገቡት ካፒታል 21,979,213,576 ሲሆን ስራ በሚጀምሩበት ወቅት ለ13,591 ቋሚና ለ8,849 ጊዛዊ በድምሩ ለ22,440 ሰዎች የስራ ዕድል ይፈጥራሉ ተብሎ ይጠበቃል፡፡

በ2014 ዓ.ም ፈቃድ፣ ምትክና እድሳት ያደረጉ ባለሃብቶች

ተ.ቁ.	ዝርዝር ስራዎች	የ2014 ዓ.ም እቅድ	በ2014 ዓ.ም የተከናወኑ	ክንውን በ%	የተሰበሰበ ገቢ (በብር)
1	አዲስ የኢንቨስትመንት ፍቃድ መስጠት	380	425	111.84%	255,000
2	ለውጥ/ምትክ የኢንቨስትመንት ፍቃድ መስጠት	52	38	73.1%	3,800
3	የኢንቨስትመንት ፍቃድ እድሳት	140	147	105%	29,400
	ድምር				**288,200**

ተ.ቁ.	የስራ ዘርፍ	ብዛት	ያስመዘገቡት ካፒታል
1	በማምረቻ/ኢንዱስትሪ	132	7,627,625,187
2	በአገልግሎት	181	12,009,187,165
3	በኮንስትራክሽን	84	1,332,597,366
4	በግብርና	28	1,009,803,858
	ድምር	**425**	**21,979,213,576**

በ2015 ዓ.ም

በ2013 ዓ.ም የኢንቨስትመንት ፍሰትን በተመለከተ

- በ2015 ዓ.ም ዉስጥ ለ450 ባለሃብቶች ፈቃድ ለመስጠት ታቅዶ 347 ባለሃብቶች ፈቃድ ወስደዋል፡፡ አፈፃፀሙም 77.11% ነዉ፡፡

❖ ባጠቃላይ በዚህ ዓመት የስራ ክንውን 347 ባለሀብቶች ፍቃድ የወሰዱ ሲሆን ከእነዚህም 254 ወንድ፣ 61 ሴት እና 32 የግል ማህበር ናቸው፡፡ ያስመዘገቡት ካፒታል 34,117,530,340 ሲሆን ስራ በሚጀምሩበት ወቅት ለ8214 ቋሚና ለ12935 ጊዜያዊ በድምሩ ለ21149 ሰዎች የስራ ዕድል ይፈጥራሉ ተብሎ ይጠበቃል፡፡

በ2015ዓ.ም ፈቃድ፣ ምትክና እድሳት ያደረጉ ባለሃብቶች

ተ.ቁ.	ዝርዝር ስራዎች	የዓመቱ እቅድ	በዓመቱ የተከናወኑ	ክንውን በ%
1	አዲስ የኢንቨስትመንት ፍቃድ መስጠት	450	347	77.1%
2	ለውጥ/ምትክ የኢንቨስትመንት ፍቃድ መስጠት	44	14	31.81%
3	የኢንቨስትመንት ፍቃድ እድሳት	80	66	82.5%
	ድምር			

ተ.ቁ	የስራ ዘርፍ	ብዛት	ያስመዘገቡት ካፒታል
1	በማምረቻ/ኢንዱስትሪ	104	9,783,742,915
2	በአገልግሎት	206	23,495,650,942
3	በኮንስትራክሽን	22	242,083,055
4	በግብርና	15	596,053,428
	ድምር	347	34,117,530,340

ANNEX 4: Reports prepared by the branch office of ministry of trade and integration office in Dire Dawa from 2013-2016

በንግድና ኢንዱስትሪ ሚ/ር ድሬደዋ ቅ/ጽ/ቤት የ2013 በጀት አመት የንግድ ምዝገባና ፈቃድ የአገልግሎቶች ማጠቃለያ ሪፖርት

የአገልግሎት ቀን ከ: 01/11/2012 እስከ 30/10/2013

ተ.ቁ	የአገልግሎት አይነት	2013		
		እቅድ	ክንውን	%
1	አዲስ ንግድ ምዝገባ	338	194	57
2	አዲስ ንግድ ፈቃድ	873	1,353	155
3	የንግድ ፈቃድ እድሳት	2,081	1,817	87
4	ምዝገባ/ፈቃድ ማሻሻያ/ምትክ			
4.1	የንግድ ምዝገባ ማሻሻያ	139	274	197
4.2	የንግድ ፈቃድ ማሻሻያ	35	174	497
5	የንግድ ስም ማጣራትና ምዝገባ	67	46	69
6	ሌሎች የንግድ ምዝገባና ፈቃድ አገልግሎት			
6.1	የንግድ ምዝገባ ስረዛ	32	9	28
6.2	የንግድ ፈቃድ ስረዛ	97	50	51
6.3	የንግድ ስም ስረዛ	8	2	26
	ድምር፡	**3,671**	**3,919**	**107**

ማስታወሻ

የንግድ ምዝገባና ፈቃድ አሰጣጥን በተሟላ መልኩ ለመስጠት ያሉ ዋና ዋና ችግሮች፡-

1. ከሚኒስቴር መ/ቤታችን በልዩ ልዩ ምክንያት ደረሰኝ (በኦን ላይን ለመቁረጥ) ያልተላከልን በመሆኑ የክፍያ ስርአቱ ማንዋል ነው (ማለትም ገንዘብ ተቀባዩዋ በደረሰኝ እየቆረጠች ነው የምናስተናግደው)፡፡
2. አዲስ ለተጀመረው የኦንላይን ምዝገባና ፈቃድ አገልግሎት ለመስጠት ግብአት የሚሆኑ የስካነር ማሽኖች ያልተሟሉ በመሆናቸው አገልግሎቱን አልጀመርንም፡፡ ስካነር እንዲላክልን በተደጋጋሚ ለሚኒስትር ደኤታ ጽ/ቤት ጭምር ጠይቀናል፣ በተጨማሪም ከዋናው መ/ቤታችን ከንብረት ክፍል ለመጡ ባለሙያዎች አስረድተናቸው እስካሁን አልተላከልንም፡፡

3. የንግድ ምዝገባና ፈቃድ ካርዶች እንዲላኩልን በተደጋጋሚ ጥያቄ ብናቀርብም ምላሽ ያላገኘን በመሆኑ ስራው በግብአት ዕጥረት ምክንያት ከመቆሙ በፊት መፍትሄ ቢሰጠው በሚል አሳውቀን ምልሽ አላገኘንም፡፡ ከዋናው መ/ቤት በተደጋጋሚ የሚሰጠን ምላሽ ሕትመት አልተደረገም የሚል ነው፡፡

ተ.ቁ	የአገልግሎት አይነት	የሰኔ ወር 2014		
		እቅድ	ክንውን	%
1	አዲስ ንግድ ምዝገባ	9	15	167
2	አዲስ ንግድ ፈቃድ	19	95	508
3	የንግድ ፈቃድ እድሳት	7	11	147
4	ምዝገባ/ፈቃድ ማሻሻያ/ምትክ			
4.1	የንግድ ምዝገባ ማሻሻያ	3		0
4.2	የንግድ ፈቃድ ማሻሻያ	2	15	735
5	የንግድ ስም ማጣራትና ምዝገባ	3		0
6	ሌሎች የንግድ ምዝገባና ፈቃድ አገልግሎት			
6.1	የንግድ ምዝገባ ስረዛ	1	1	73
6.2	የንግድ ፈቃድ ስረዛ/እገዳ	7	9	132
6.3	የንግድ ስም ስረዛ	1		0
	ሌሎች		56	
	ድምር፡	**53**	**202**	**382**

ተ.ቁ	የአገልግሎት አይነት	2015 ማጠቃለያ		
		እቅድ	ክንውን	%
1	አዲስ ንግድ ምዝገባ	372	136	37
2	አዲስ ንግድ ፈቃድ	963	1,030	107
3	የንግድ ፈቃድ እድሳት	2,295	1,976	86
4	ምዝገባ/ፈቃድ ማሻሻያ/ምትክ			
4.1	የንግድ ምዝገባ ማሻሻያ	154	189	123
4.2	የንግድ ፈቃድ ማሻሻያ	39	202	524
5	የንግድ ስም ማጣራትና ምዝገባ	74	53	72
6	ሌሎች የንግድ ምዝገባና ፈቃድ አገልግሎት			
6.1	የንግድ ምዝገባ ስረዛ	36	7	20
6.2	የንግድ ፈቃድ ስረዛ/እገዳ	107	72	67
6.3	የንግድ ስም ስረዛ	9	0	0
	ድምር፡	**4,047**	**3,665**	**91**

በንግድና ቀጠናዊ ትስስር ሚ/ር ድሬደዋ ቅ/ጽ/ቤት የ2016 በጀት ዓመት የዘጠኝ ወር የንግድ ምዝገባና ፈቃድ የአገልግሎቶች ሪፖርት

የአገልግሎት ቀን ከ: 1/11/2015 እስከ 22/7/2016

ተ.ቁ	የአገልግሎት አይነት	የዘጠኝ ወር 2016		
		እቅድ	ክንውን	%
1	አዲስ ንግድ ምዝገባ	379	170	45
2	አዲስ ንግድ ፈቃድ	977	1384	142
3	የንግድ ፈቃድ እድሳት	2,472	3257	132
4	ምዝገባ/ፈቃድ ማሻሻያ/ምትክ			
4.1	የንግድ ምዝገባ ማሻሻያ	153	3	2
4.2	የንግድ ፈቃድ ማሻሻያ	35	428	1210
5	የንግድ ስም ማጣራትና ምዝገባ	69	31	45
6	ሌሎች የንግድ ምዝገባና ፈቃድ አገልግሎት			
6.1	የንግድ ምዝገባ ስረዛ	33	1	3
6.2	የንግድ ፈቃድ ስረዛ/እገዳ	94	120	127
6.3	የንግድ ስም ስረዛ	7	1	14
	ድምር፡	**4,220**	**5,395**	**128**