

**Information and Communication Technologies (ICTs) in Trade and
Economic Growth**

Opening Speech by

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Government of the Federal Democratic Republic of Ethiopia

To

The Ethiopian Round Table on ICTs, Trade and Economic Growth

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Ato Debretsion Gebremichael, Director-General, EICTDA

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Distinguished Guests

Ladies and Gentlemen

I am pleased to be invited to this ICT, Trade and Economic Growth Roundtable meeting which will examine the role of ICT in trade. The study whose contents will be presented here goes a long way to provide information that will assist policymakers in developing appropriate development strategies. I understand that the study was carried out in six African countries and I believe the findings and recommendations from the other African countries will be used to enrich the deliberations from this meeting and vice versa.

The Ethiopian Government has made the development of information and communications technology (ICT) one of its strategic priorities. The ICT policy is a demonstration of its commitment to the development of ICT both as an industry and as an enabler of socio-economic transformation. The policy stems from the recognition by the Government of ICT as the key driver and facilitator for transforming Ethiopia's predominantly subsistence-agriculture economy and society into an information- and knowledge-based economy and society, effectively integrated into the global economy. The policy is strategically

focused on the development of priority sectors of the economy and as aid for effective implementation of wide-ranging national development initiatives of the Government.

The advent of new information and communication technologies has redefined the way various activities are carried out at national, regional and global levels. One of these activities is trade. The digital economy is radically changing international trade, affecting business practices and introducing new business intermediaries, leading to an emerging e-trade environment. E-trade calls for the conducting of old business in new ways and the embracing of new business opportunities.

According to studies by the Organisation for Economic Co-operation and Development (OECD), the effective use of ICTs by enterprises can result in greater productivity leading to greater competitiveness and thus sustainable economic growth, a precondition for poverty reduction. ICTs are expanding the possibilities of developing economies to participate in international markets. The Internet is dramatically changing the way goods and services are produced, delivered, sold and purchased. It leads to an ever-growing number of people and businesses connected digitally, ready to participate in and contribute to the global knowledge economy. Small business owners in developing countries are empowered by the information, communication and knowledge they are now

able to access using ICTs such as mobile phones and hand held Personal Digital Assistants (PDAs). Trade in goods and services is expanding as a result of new technologies. In addition, ICTs are enabling trade in other sectors by enhancing market access and broadening the customer base, facilitating customs, transport and logistics. ICTs are playing an economic role by changing production processes within firms.

In the last decade, Ethiopia has worked tirelessly to transform its economy from a closed, highly regulated, centrally planned and dominated public sector to an open, deregulated and market-based economy. The main elements of the Ethiopian development strategy have been: (i) maintenance of macroeconomic stability, (ii) competitive and flexible exchange rates, (iii) liberalization of foreign trade, (iv) promotion of private sector development, decontrol of marketing and privatization of state enterprises, (v) the development of agriculture and food security, and (vi) increased access to basic education and health, and to the road network.

The Ministry of Trade and Industry of the Federal Democratic Republic of Ethiopia is responsible for the formulation of policies and incentive schemes aimed at enterprises in the productive sector. As a result of the liberalization of the restrictive policy in 1991/92, increasing trends have been witnessed in the contribution of the private sector to the over all growth of the economy. The

investment climate has improved in terms of the provision of macroeconomic stability, institutional and legal environment, efficient taxation system as well as maintaining peace in the country. Hence, during the last two years, value added in services grew by about 6.2%, industrial output by 7%, and construction by 8.2%. The establishment of an enabling environment, provision of infrastructure as well as encouraging a balanced and profitable industrial structure are among the major strategies to develop the sector.

As far as ICTs are concerned, the Government has taken major steps with regard to network expansion, including the mobile network. Accordingly, telephone coverage by Ethiopian Telecommunication Cooperation (ETC) has increased from 400,000 lines at the beginning of 2000/01 to over 1 million at the end of 2004/05. Ethiopia has made huge investment in basic multi media infrastructure backbone and is executing a project to lay fiber optic cables. This has facilitated SchoolNet and WoredaNet projects and ICT programmes to take off. Further more, corporate reforms by the ETC to increase efficiency, the partial liberalization of the ETC in terms of letting the private sector to distribute mobile phones, reducing the cost of international calls as well as Internet connection can be cited as a positive move in bringing development to this sector. In order to overcome the challenges in this sector, upgrading and expanding the backbone infrastructure as well as improving the service of

mobile and fixed phones are identified as priority areas in (ETC's) strategic plan.

Despite the achievements, the implementation of power, roads, and telecommunications infrastructure expansion still remains a challenge. This roundtable meeting comes at an opportune time given the rapid initiatives that are evident in the ICT sector in Ethiopia. The Ethiopian government will take on board some of the recommendations of the study and the round table, and looks forward to working with ECA and the Canada Fund for Africa on them.

At this juncture, let me take this opportunity to thank the Government of Canada, the ECA, and the consultants for partnering with the Ethiopian Government in this initiative.

With those few remarks, I now declare this meeting officially open and I wish you fruitful deliberations.

Thank You.