

Industrial Parks promote our competitive advantage

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The cornerstone for the construction of industrial parks in Amhara and Tigray regions was laid in the cities of Bure and Humera respectively. Other constructions will also commence in the near future in Zeway and Sidama. The latter two are expected to process agro-products, pushing the transformation from an agrarian economy to an industrial one a bit further. Access to major markets, infrastructure, cheap skilled labour and incentive packages, a source states, are among the main reasons that determine the competitiveness of industrial parks in the global system.

In a 1999 article entitled “industrial parks: principles and practice,” Caj O. Falcke (Ph.D.) stated that the concept of industrial parks emerged in the industrialized countries some one hundred years ago, primarily as a means to promote and manage industrial development and to provide cost effective infrastructure and communal services. The article states that it took rather longer to really catch on but since the 1970s, there has been a massive increase in the number of parks worldwide, especially in the newly industrializing countries. The article states that there were more than 12,000 industrial parks in the world in 1999.

For instance, China adopted the use of industrial parks from the successful experience of the Asian “tigers.” Similarly, Ethiopia has embarked on the construction of ten industrial parks throughout the country after considering their importance in the industrialization of states. In an analysis of the international competitiveness of these industrial parks, let’s gauge the facts against each of the above stated criteria.

Situated in the horn of Africa, Ethiopia provides an easy access to Africa, the Middle East, Asia and Europe. Therefore, it is ideally located to access the major markets in the world. As a rapidly growing economy, the state of infrastructure in the country is changing tremendously for the better with the industrial parks enjoying the best of electrical, water, telecommunications, roads and other facilities Ethiopia has to offer.

The 2008 bulletin states:

“When China first cracked its “Open Door” in 1980, it lacked virtually all of the basics (not to mention amenities) that modern business enterprises simply take for granted. Absent were such basics as a transparent legal system, the concept of private property, labor markets, banks, foreign exchange markets, and modern infrastructure — including highways, telecommunication facilities, water, waste management, comfortable living quarters, and energy-supply systems. Only the most intrepid foreign enterprises were willing to venture into this uninviting setting.”

With more than a dozen years of rapid development under its belt, it is plausible to think that the present day Ethiopia offers more of some of the amenities stated above than the China of nearly forty years back. Although there have been improvements in infrastructure and work procedures, Ethiopia still needs to keep things rolling to catch up with the demands of today’s businesses. By providing businesses with a fully furnished space to operate from, Ethiopia’s industrial parks compensate for the

shortcomings in infrastructure through their connection with ports and close proximity to airports, railway stations, dry ports and universities.

The other point to consider is the availability of cheap skilled labour force. Set to hit the 100 million mark, the majority of the population of Ethiopia is young. This group constitutes the working section of society. Therefore, there is a large availability of labour in the country. Considering the nearly universal enrollment in primary schools and considerable expansion of education at all levels in the past couple of decades, the labour force is more educated than it used to be. The salary level of Ethiopian workers is also generally low. Therefore, Ethiopia has skilled labour that can be employed for low price.

The other gauge deals with incentive packages. Accordingly, Ethiopia provides manufacturers with:

- Zero tax
- Exempted from income tax up to 8 - 10 years
- Exempted from duties & other taxes on imports of machinery, construction materials, spare parts, raw materials & vehicles
- One-stop-shop for government services
- Land lease term: 60-80 years at zero charge for factories & residential quarters

Developers also enjoy equally beneficial incentives that include:

- Exempted from income tax up to 15 years (outside Addis Ababa)
- Exempted from duties & vehicles
- Provision of essential infrastructure, including dedicated power substations
- Land lease term: 60-80 years at zero charge with sub-lease rights

Considering the fact that industrial parks help Ethiopia promote its competitive advantages stated above, it is important to make sure that it takes full advantage of the benefits these parks bring about. Taking the experiences of other countries and modifying them to fit our own needs would be a constructive endeavor in the right direction.

Industrial parks played vital roles in the industrialization and development of the Asian tigers and the leading manufacturer in the world – China. Considering Ethiopia ticks all the right boxes to host competitive industrial parks at the world stage, the successful completion of the projects would speed up the transformation of the economy to an export-led industrialized one.