

# Openness to world trade

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The Republic of Djibouti is open to international trade, which the government uses as a platform to enhance economic growth and improve the well-being of its people. Our trade policy focuses on the country's active participation in international markets and on attracting foreign direct investment.

Djibouti is at the crossroads of major sea routes for trading oil and other goods, and aims to become a hub for commercial, logistical and financial services for the Gulf of Aden countries. The government has launched a US\$4.3 billion investment programme, and in 2012 funding was obtained to build new port facilities for salt and potassium exports. These investments, along with FDI, which had been held up since the start of the 2008 financial crisis, will play a major role in providing long-term, sustained economic growth.

Already playing a central role in international trade, with 80 per cent of the world's oil trade and one third of all international trade passing through the region, Djibouti has the largest container terminal in east Africa, with one million containers being processed there each year, and also has the most extensive fibre-optic cable network in Africa, making it vital to continental progress in telecommunications.

The economy is dominated by the tertiary sector: transport, communications, commerce and tourism, all of which account for 73 per cent of GDP and employs most of the working population. The smaller secondary sector is growing, and the primary sector remains insignificant.

Transport and related logistical services remain the backbone of the economy. Port activity has revived, though transshipment operations remain small. The government launched a programme to develop the sector in 2012 by raising money to build two ports as well as road corridors. A port in Tadjourah, to handle potassium exports from Ethiopia is expected to be ready by the end of 2014. A road from Tadjourah to Bahlo via Randa was completed in 2012 to carry 8 million tonnes a year of ore to the new terminal that will boost the country's port activity by 15-20 per cent. A bulk-carrier port at Goubet for salt from Lake Assal opened last year.

Djibouti does not have a customs tariff in the strictest sense, but the internal consumption tax (TIC) serves a

similar purpose, as domestically produced goods are generally not subjected to this tax.

Over the last five years, the Ministry of Commerce, SMEs and Tourism has worked hard to improve the trade environment through important legal reforms to protect industrial and commercial property.

To promote its integration into the world economy, the country has removed trade barriers and strengthened its relations with major trading partners.

The country's openness to trade has facilitated membership of the WTO and COMESA, the Common Market for Eastern and Southern Africa. Djibouti is a major entry point for goods into this market of almost half a billion consumers.

At the regional level, the country has been able to leverage its political and financial stability to lead the process of economic integration. With this in mind, Djibouti has invested in upgrading its infrastructure, supported by regional legal instruments facilitating trade.

Many measures to facilitate trade and lower costs incurred for business have been adopted. Among the most important measures are harmonisation of traffic costs with COMESA member states; harmonisation of the limits of axle load on the corridor; a carrier license and registration of common transit with COMESA countries plates; a yellow card auto insurance system. These factors explain why in recent years, the external sector has been one of the most important engines of the national economy.

## Trade facilitation

The Republic of Djibouti maintains an open and liberal business environment and continues to pursue policies aimed at improving the competitiveness of its economy to boost exports and increase its market share in an increasingly globalised world.

The country is fast becoming a business and logistics hub, and its strategy of regional integration, trade facilitation systems are being strengthened by a national effort to achieve this goal. Reforms have been undertaken in the form of a new, simpler and transparent customs code aimed at increasing the efficiency of customs clearance of goods. An electronic tracking system for cargo trucks and containers called E-Tracking has been implemented with the assistance of COMESA along the Djibouti-Ethiopia corridor.

### Promotion of the private sector

As part of the strategy to help businesses take advantage of the huge range of opportunities that are opening up with economic expansion, the government has implemented a system of attractive incentives to promote the development of private investment. Investors in the Republic of Djibouti can not only access the COMESA market, but also European and US markets through various schemes of preferential access under the Everything But Arms (EBA) and the US AGOA regime.

Priority sectors are agriculture, fisheries, manufacturing and processing, tourism, mining, financial services, energy, port facilities, air transport and water.

Djibouti has established the appropriate legal and regulatory frameworks for private sector growth, while reducing the regulatory burden on businesses and companies.

The government has implemented reforms to make the environment more competitive for business, while strengthening the relationship between the public sector and the private sector to increase trade and investment.

Recognition of the important role of the private sector in economic development is reflected in the establishment of the Higher National Committee of Public-Private Partnership.

### Djibouti Free Zone: a platform for regional distribution

Free zones offer immense possibilities for development activities with high added value and that are export-oriented, such as the assembly of electronic devices, automotive and spare parts manufacturing etc., and the repackaging of products for export to countries in the African hinterland through its existing road network.

“Made in Djibouti “ is now a reality thanks to the regional policies being implemented by COMESA for SMEs, but also through flexible rules of origin and market access to regional trading blocs.

### Tourism

The Republic of Djibouti has an extremely rich and varied tourism base. In addition to world-renowned sites such as Lake Assal, Djibouti has one of the largest varieties in the world of fauna and flora and natural sites.

Djibouti unique strengths lie in it having been at a crossroads of civilisation, for thousands of years,

producing a rich cultural heritage, expressed in its handicrafts and gastronomy, both of which are very important tourist resources.

Tourism demand in the region is dynamic and high, shown by the popularity of destinations such as Sharm el-Sheikh, Dubai, Hurghada, Oman, and others. The government has plans to promote investment in tourism by creating special economic zones.

Djibouti also has the advantage of being located near the largest source market of tourists in the world, the European Union, with direct flights of less than seven hours, incurring virtually no jet lag.

### Conclusion

The continuous improvement of the business environment in Djibouti achieved by addressing key issues such as the simplification of procedures for starting a business and the requirements and procedures for other economic activities, along with the adoption of international standards, the simplification of procedures for import and export operations, reforms to the legislation covering the labour market, all backed by major infrastructure development, shows Djibouti’s intention to continue attracting high levels of FDI.

Government policies on investment and private sector development have been constant over the years, and have driven economic growth. There are many opportunities for trade and investment to explore in Djibouti, a country that wants to encourage foreign investors to establish business relationships including joint ventures and partnerships. The Djiboutian government is willing to facilitate such transactions and achievements.

Many measures to facilitate trade and lower costs incurred by business have been adopted

Handicrafts are becoming an important part of the tourism sector

