

INITIAL ASSESSMENT OF THE LIKELY EFFECTS OF RECENT U.S. TARIFF MEASURES ON ETHIOPIAN EXPORTS¹

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ABSTRACT

The study aims to assess the likely effects of the recent U.S. tariff policy, identify the most at-risk industries, and recommend strategic responses to mitigate adverse effects and protect Ethiopia's trade interests. It employs the Global Trade Analysis Project (GTAP) model—a widely used, multi-country, multi-sector Computable General Equilibrium (CGE) framework—to examine both direct and broader economic effects, while accounting for Ethiopia's existing policy frameworks. By critically examining the rationale behind the U.S. tariff policy, particularly the claim that such measures aim to reduce trade deficits, the study sheds further light on the overall adverse impacts of the U.S. tariff on the country's exports that have already been hit by the removal of Ethiopia from the African Growth and Opportunity Act (AGOA) since January 2022. It offers policy conclusions and recommendations for Ethiopia on how to best limit or reduce the ramifications of the new U.S. tariff on the country's export landscape

The findings suggest that, although the average MFN tariffs for agricultural exports of Ethiopia are modest, the imposition of a 10 per cent U.S. average tariff on the country's exports would significantly reduce export competitiveness and depress demand due to higher prices, particularly harming smaller exporters. These findings are key in supporting Ethiopia and other African countries in similar situations in their prospective engagements with the U.S. in data-driven and evidence-based trade negotiations. Computable general equilibrium models, despite their well-known statistical limitations such as operational complexity and reliance on parametric assumptions, provide unique insights into changes in a given economy due to shocks resulting from tariffs, prices, and quantities. Such data-driven and evidence-based study is expected to bridge the research and policy analysis gaps that exist in structurally weaker economies such as Ethiopia.

1. INTRODUCTION

Trade data show that, while Ethiopia's exports to the U.S. have grown at an average annual rate of 4.8 per cent, the U.S. share in Ethiopia's total exports has been on a precipitous decline over the years. Nevertheless, the U.S. maintains a trade surplus over Ethiopia, which is inconsistent with the underlying justifications for imposing additional tariffs on the country's exports.

Regarding economic growth, over the past two decades, Ethiopia has recorded notable improvements, which are primarily driven by substantial public investment. These investments have contributed to significant improvements in infrastructure and expanded access to essential services. However, this growth has not been sustained, nor has it led to a fundamental transformation of the economy's structure. Persistent structural challenges and limited economic diversification continue to constrain long-term resilience and inclusive development.

Ethiopia's recent Home-Grown Economic Reform agenda, aimed at reducing state dominance and fostering private sector participation, presents a critical opportunity. If effectively implemented and appropriately sequenced, these reforms could address key socioeconomic imbalances. In particular, the macroeconomic and sector-specific reforms targeting the trade sector are expected to enhance export performance and promote diversification, contributing to a more robust and inclusive economic trajectory. However, the recent changes in U.S. trade policy, specifically the imposition of tariffs, have raised concerns regarding the future competitiveness of Ethiopian exports in the U.S. market. The U.S. government has introduced tariffs ranging from 10 per cent to 50 per cent on imports from 185 countries, including 48 African countries. Ethiopia is among the countries affected by these new trade measures.

Despite that key Ethiopia's imports from the U.S. such as Boeing aircraft and engines, primarily purchased by Ethiopian Airlines, are fully exempt from duty, the recent imposition of a 10 per cent tariff on Ethiopian exports raises significant concerns, as it is likely to undermine the country's export competitiveness with adverse impact on long-term growth and development. This development places added pressure on an already weak and vulnerable export landscape, which relies heavily on a limited range of primary commodities, predominantly agricultural and, to some extent, mineral-based exports. Ethiopia's limited diversification in both products and destination markets, as well as the low technological sophistication of exports, also heightens its exposure to such external shocks. Major export destinations currently include the U.S., China, Germany, and Saudi Arabia. Any disruption in these markets can have an outsized impact on the overall export performance (UNCTAD, 2023). Similarly, WTO (2020) also reveals trade and welfare losses resulting from the global trade uncertainty that has significantly increased since the start of the trade tensions between the US and China in 2018 and the unilateral imposition of tariffs by the USA. Looking ahead, WTO further projects that U.S. trade policies could shave nearly three percentage points off the volume of global trade in goods in 2025, as tariffs raise the price of U.S. imports, invite retaliation, and slow economic activity (New York Times, 16 April 2025).

Against this backdrop, this study assesses the likely effects of the U.S. tariff policy, identifies the most at-risk industries, and recommends strategic responses to mitigate adverse effects and protect Ethiopia's trade interests. The findings and conclusions could serve as the basis for engaging in evidence-based dialogue and advocating for a review of the U.S. tariff policy toward Ethiopia. The study highlights recent progress in Ethiopia's export earnings, which have been driven largely by rising global prices and only a marginal increase in export volumes. Despite ongoing reforms, the export sector has yet to show a strong response. Structural weaknesses remain, including a low export-to-GDP ratio, a narrow export base focused on low-value agricultural products and minerals, and a heavy reliance on a few export destinations. With per capita exports of just USD 30 in 2023, Ethiopia ranked 204th globally out of 209 countries for which data is available.

2. METHODOLOGY AND DATA SOURCES

The evidence presented in this study derives from the application of the comparative static Global Trade Analysis Project (GTAP) model based on the GTAP database, encompassing 65 sectors across 160 regions. It also incorporates the GTAP database version 10.1 and the latest iteration of the GTAP 7 model. The analysis was conducted using the GTAP 3.75 model and general equilibrium modelling package (GEMPACK) software for modification and condensation (Corong, et al., 2017). The model employs a variety of variables, mathematical indices, exogenous variables, and endogenous variables influenced by the model's solution at the level, along with equations that delineate the relationships between variables and parameters (see Section 6 for details). The nature of the study requires the use of a global database, particularly trade-related parameters. To that end, the database is organized by product categories that Ethiopia exports to the U.S. and includes comparative analysis with competing countries in key products. National trade data is complemented by global sources where relevant.

Computable general equilibrium models, despite their well-known statistical limitations such as operational complexity, data intensity, and reliance on parametric assumptions, provide unique insights into changes in a given economy due to shocks resulting from changes in tariffs, prices, and quantities. The findings and policy conclusions of the study are key in supporting Ethiopia and other African countries in similar situations in their prospective engagements with the U.S. in data-driven and evidence-based negotiations.

3. A BRIEF LITERATURE REVIEW

Recent literature highlights the critical influence of tariff policies on export performance. While tariffs are traditionally used to protect domestic industries, their application to outbound goods can hinder export growth, reduce international competitiveness, and obstruct efforts toward economic diversification. Abrupt shifts in trade policy—such as the introduction or escalation of tariffs—can significantly disrupt export trajectories, particularly for countries with narrow export bases.

3.1. Tariffs, export vulnerabilities and product concentration

Developing countries are particularly vulnerable to tariff shocks, largely due to their concentrated export portfolios. In such economies, a limited range of export goods and a narrow set of trading partners make it difficult to absorb external trade disruptions. The recent decision to impose tariffs on exports to the United States represents a significant policy shift, raising serious concerns about its potential impact on Ethiopia's export earnings. As Freund and Pierola (2015) demonstrate, tariff increases by major importing countries can sharply reduce market access for exporters—especially those whose export baskets lack diversity. Nicita (2013) emphasizes that such economies struggle to adjust quickly to policy changes, making them more vulnerable. The UNCTAD Global Trade Update (April 2025) further highlights that reciprocal tariffs disproportionately affect structurally weak economies while offering little in terms of trade deficit reduction or revenue gains for imposing countries. The WTO (2025) projects a 0.2 per cent decline in global merchandise trade in 2025, partly due to tariff measures, though modest recovery is expected by 2026. Hausmann, Hwang, and Rodrik (2007) argue that economies with undiversified export structures are especially vulnerable to global market shocks and localized disruptions.

The literature has long emphasized that countries with undiversified export profiles are more vulnerable to trade shocks. Ethiopia illustrates this vulnerability well. Its export sector is heavily concentrated on a few primary commodities, chiefly consisting of coffee, oilseeds, pulses, and gold. Coffee alone, for example, contributes over 30 per cent of total export earnings, with the United States standing out as a key trading partner in coffee exports. Hausmann, Hwang, and Rodrik (2007) argue that economies with narrow export bases face heightened exposure to global volatility and localized disruptions. In the case of Ethiopia, its dependence on a limited number of key export destinations—particularly the United States, Germany, China, and Saudi Arabia—intensifies its high degree of susceptibility to even relatively modest changes in tariffs.

3.2. Competitiveness, Investment, and Export Deterrents

Tariffs influence exporters through several critical channels. Kee, Nicita, and Olarreaga (2009) highlight that tariffs effectively raise the final price of exported goods, making them less competitive in international markets. This price disadvantage can reduce demand and limit market access, particularly for cost-sensitive sectors. Beyond direct price effects, the unpredictability of trade policy, especially the imposition or withdrawal of tariff preferences, can deter long-term investment in export-oriented industries. Such uncertainty undermines business confidence, slows industrial upgrading, and stalls job creation, particularly in economies aiming for structural transformation.

Nevertheless, the literature also outlines strategies to mitigate the negative impacts of tariff shocks. These include improving trade logistics, raising product quality standards, expanding access to preferential

trade agreements, and diversifying export markets, which are essential for building resilience in the face of global trade volatility.

3.3. Policy responses

To mitigate the negative effects of tariff shocks, the literature offers several strategic responses. Baldwin and Evenett (2009) propose enhancing logistics infrastructure, improving product quality standards, and expanding trade agreements as core measures to strengthen export resilience. These interventions are particularly relevant for countries like Ethiopia, which face structural vulnerabilities in their export sectors.

The recent imposition of a 10 per cent tariff on Ethiopian exports to the United States marks a significant policy shift, with potential to severely impact Ethiopia's export earnings. This is especially concerning for sectors such as textiles and leather, which had previously benefited from duty-free access under trade initiatives like the African Growth and Opportunity Act (AGOA). Since Ethiopia lost AGOA eligibility in 2022, these industries have seen a sharp decline in orders and rising operational risks, leading some foreign direct investment (FDI) firms to relocate to other AGOA-eligible countries (Brookings Institution, 2022).

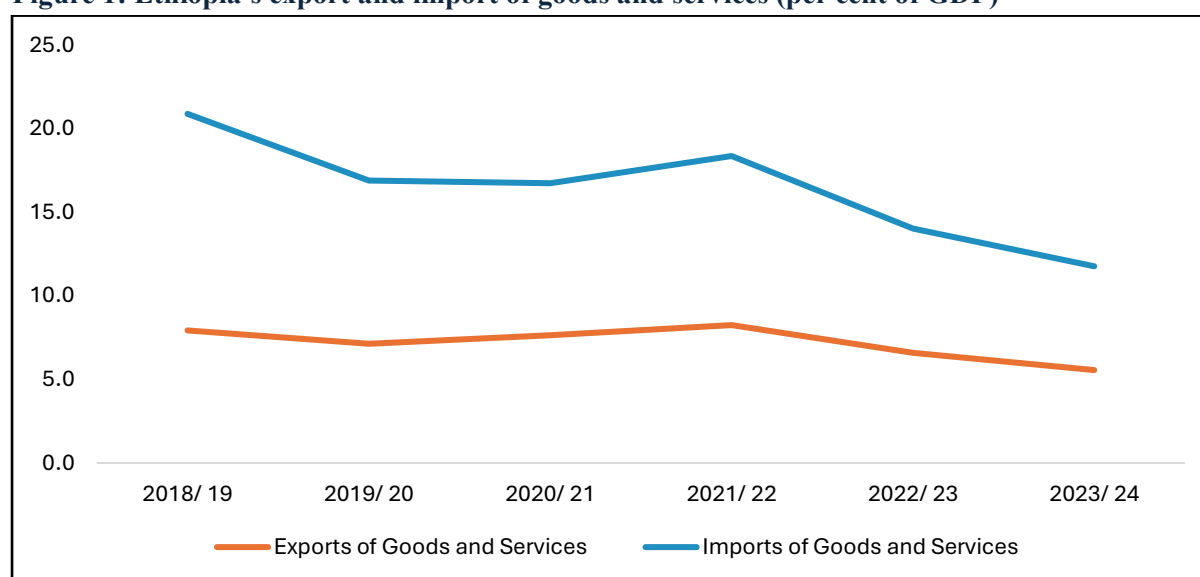
Ethiopia's overreliance on a small number of export destinations—most notably the United States, Germany, China, and Saudi Arabia—further amplifies its exposure to external shocks. Even relatively modest tariff changes in these markets can have outsized impacts on the country's export performance. To address these risks, Ethiopia could leverage regional and bilateral trade opportunities. For instance, deeper engagement in the African Continental Free Trade Area (AfCFTA) offers a pathway to diversify markets, reduce reliance on a few trading partners, and strengthen regional integration. Additionally, the newly announced Chinese Duty-Free and Quota-Free (DFQF) access for African exports presents an important opportunity to offset potential losses from the U.S. market and expand into high-growth Asian markets. In conclusion, the literature clearly highlights the substantial risks that tariff policies pose to countries with undiversified export structures and limited trading partners. In Ethiopia's case, the recent imposition of U.S. tariffs threatens not only short-term export earnings but also long-term goals of industrialization and economic diversification. To navigate the shifting global trade landscape, Ethiopia must adopt a proactive and diversified trade strategy—anchored in improved infrastructure, enhanced product standards, and expanded market access. Strategic interventions, including deeper regional integration and leveraging new trade opportunities, will be vital to mitigate external shocks and build long-term economic resilience.

4. EXPORT COMPOSITION AND MARKET DESTINATINS

4.1. Export landscape

Ethiopia's export of goods and services accounts for an average of 7.4 per cent of GDP from 2018/19 to 2023/24, far below the average for Sub-Saharan African countries and the least developed countries, which achieved 22.1 per cent and 19.6 per cent, respectively. According to the Observatory of Economic Complexity⁶ (OEC), Ethiopia's per capita exports were \$30.1 in 2023, ranking 204th out of 209 countries. In comparative terms, Ethiopia's per capita exports are, smaller than key trading nations of Africa such as Ghana (US\$ 808), Egypt (US\$ 446), Nigeria (US\$277), and Kenya (US\$144) in the same year. Ethiopia also continues to face a persistent trade gap, averaging 10 per cent of GDP, driven by low and declining export performance (Figure 1). While the gap has narrowed slightly in recently years, this is mainly due to a reduction in imports and temporal increases in export prices of some commodities rather than export growth, with exports falling from 8.4 per cent of GDP in 2018/19 to 5.6 per cent in 2023/24, the lowest level since 2015/16.

Figure 1: Ethiopia's export and import of goods and services (per cent of GDP)



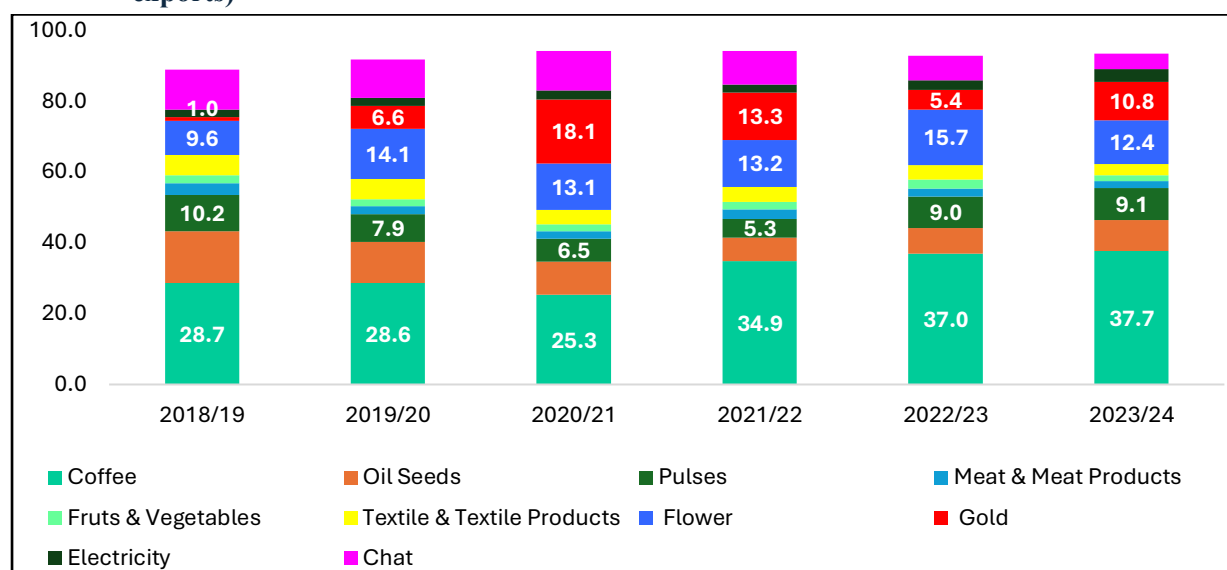
Source: Ministry of Planning and Development

Export of goods has shown promising performance, growing an annual average of 7.3 per cent between 2018/19 and 2023/24. However, the export landscape has continued to be dominated by few commodities, with top ten export goods accounted for an average of 92.5 per cent of total merchandise exports over the same period (Figure 2). Over 72.9 per cent of export earnings comes from just five export commodities, indicating limited diversification and posing risks to long-term sustainability. Ethiopia's export structure heavily reliant on agriculture, accounting for three-fourth of total exports between 2018/19 and 2023/24. Coffee led with an average share of 32 per cent, followed by flowers (13 per cent), oilseeds (9.6 per cent), gold (9.2 per cent), chat (9 per cent), and pulses (8 per cent). Textiles and leather products contributed only 6.1 per cent on average, underscoring the limited industrial export base. This limited

⁶ Country level data is available at: <https://oec.world/en>

diversification and low industrial export share expose the economy to significant external risks and highlight the urgent need for structural transformation and export diversification with value addition.

Figure 2: Ethiopia's top ten largest export products, 2018/19– 2023/24 (per cent of total merchandise exports)

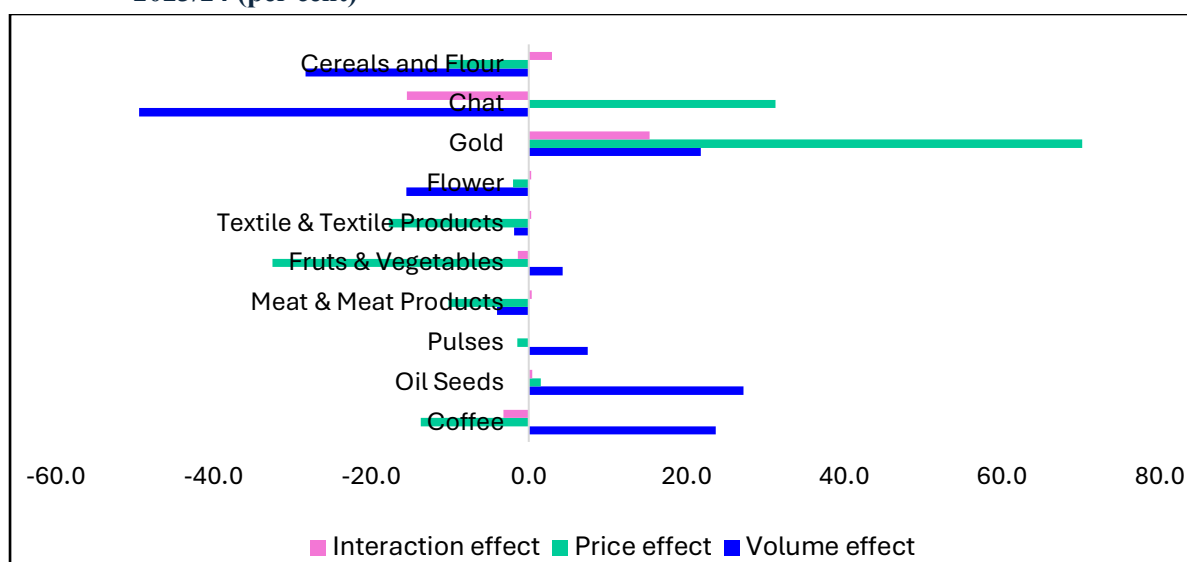


Source: Authors based on Ethiopian Customs Commission data

Export growth can be driven by changes in the volume, quality, and prices of export commodities. A decomposition of Ethiopia's top 10 export commodities between 2022/23 and 2023/24 reveals that only four commodities experienced positive export growth: coffee, oilseeds, pulses, and gold (Figure 3). Coffee and pulses recorded significant increases in export earnings, primarily due to higher export volumes, although declining prices partially offset these gains. For example, coffee, Ethiopia's largest export commodity, experienced a 23.7 per cent increase in volume, but this was tempered by a 13.7 per cent decline in price (Figure 4). Oilseeds and gold showed strong export performance due to growth in both volume and prices. Notably, gold stood out as the commodity where the price effect was dominant, with rising international gold prices substantially boosting export revenues. In contrast, fruits and vegetables experienced a contraction in export value, mainly due to a decline in unit prices that was not compensated by volume increases.

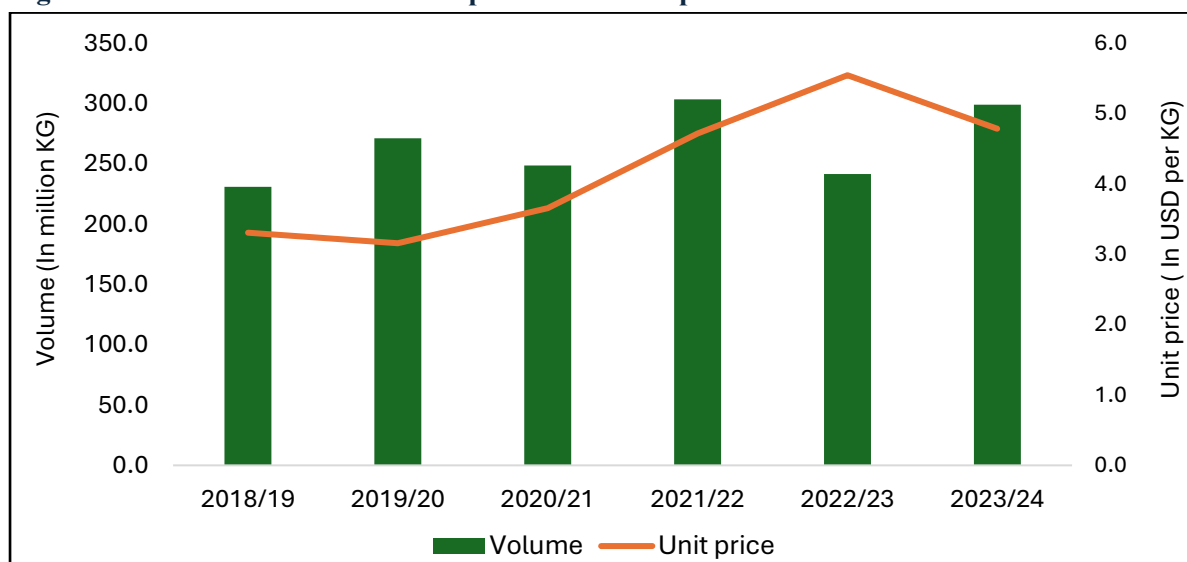
A comparison of the first ten months of 2024/25 with the same period in 2023/24 shows that export earnings growth was largely price-driven, with prices rising by 91.4 percent and only a marginal increase in export volumes. While significant reforms have been implemented in the first seven months of 2024/25, exports have yet to respond meaningfully. This underscores the need for continued policy support and time for structural reforms to translate into tangible export growth, particularly in terms of volume expansion. The findings indicate that export gains have been driven, largely, by global price trends rather than domestic supply-side improvements. While reforms are in place, exports have yet to respond significantly, suggesting a lag between the implementation of reforms and observable increases in export volumes. This highlights the need for policies that enhance productivity gains and market access to boost export volumes and reduce vulnerability to global price fluctuations.

Figure 3: Decomposition of export growth by volume and price effects for major exports, 2022/23–2023/24 (per cent)



Source: Authors based on Ethiopian Customs Commission data

Figure 4: Trends in volume and unit price of coffee export

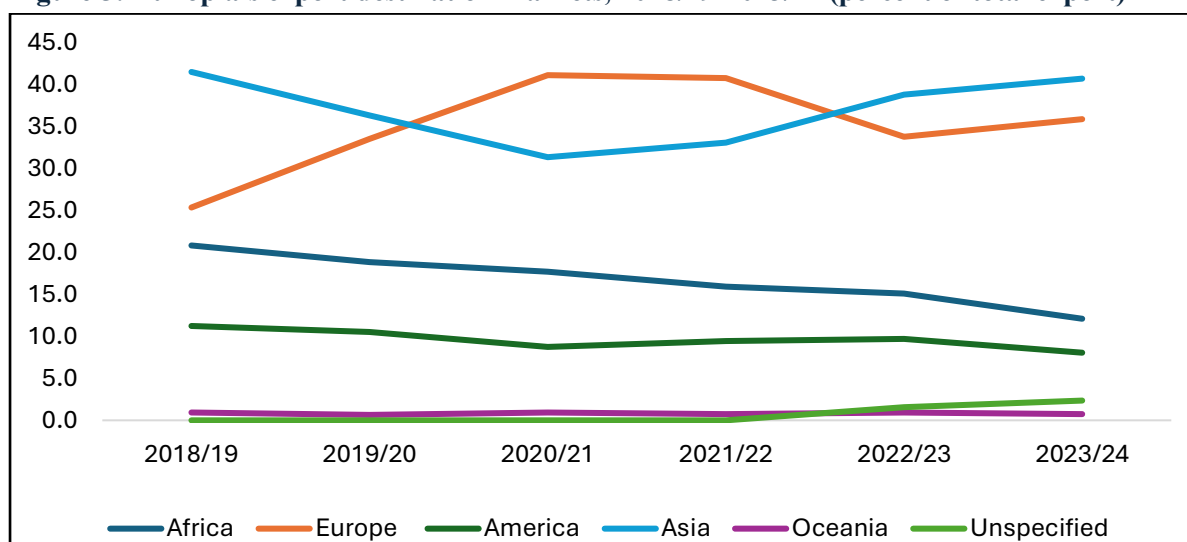


Source: Authors based on Ethiopian Customs Commission data

4.2. Export markets

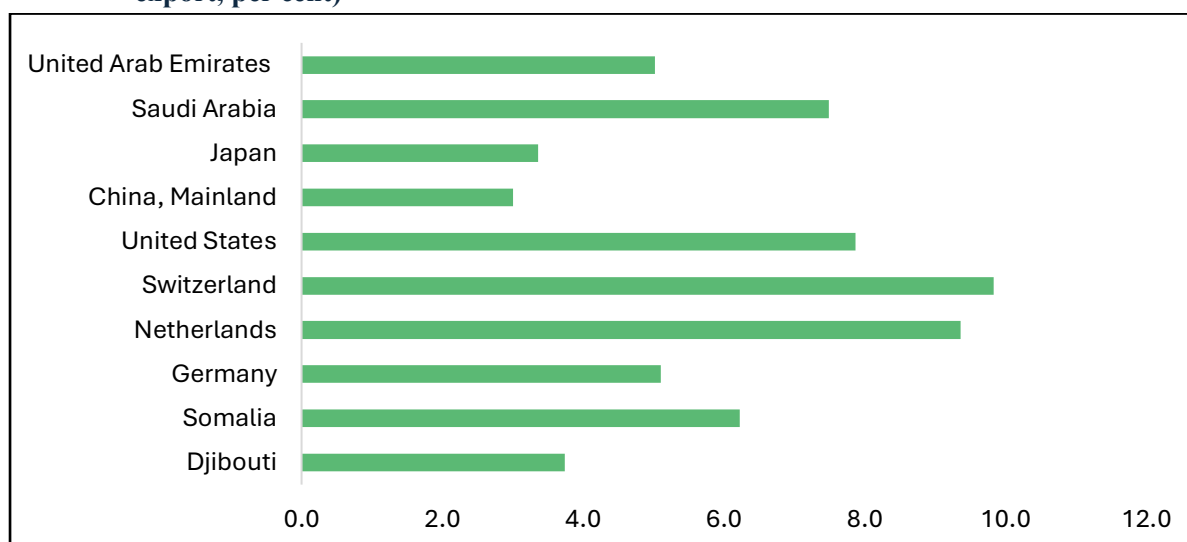
Ethiopia's export markets remain concentrated in a limited number of destinations. The Asian region continues to lead as the primary export destination, accounting for an average of 37.0 per cent of total exports, followed by Europe (35.1 per cent), Africa (16.8 per cent), and the Americas (9.6 per cent) (Figure 5). Between 2018/19 and 2023/24, the top ten export destinations, collectively, absorbed approximately 61.0 per cent of Ethiopia's total exports. These included Switzerland (9.8 per cent), the Netherlands (9.4 per cent), the United States (7.9 per cent), Saudi Arabia (7.5 per cent), and Somalia (6.2 per cent). Other significant partners include Germany, the United Arab Emirates, Djibouti, mainland China, and Japan (Figure 6). While these markets present substantial opportunities, unlocking their full potential will require deeper product diversification and targeted market development strategies.

Figure 5: Ethiopia's export destination markets, 2018/19-2023/24 (percent of total export)



Source: Authors based on Ethiopian Customs Commission data

Figure 6: Top ten countries for export market destinations, 2018/19-2023/24 (average share in total export, per cent)



Source: Authors based on Ethiopian Customs Commission data

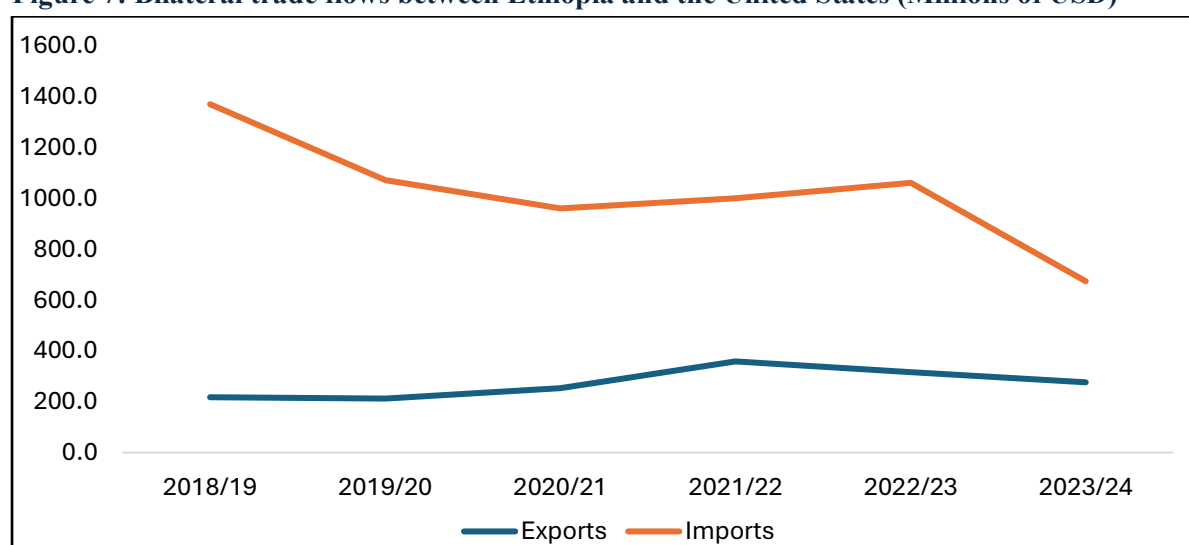
4.3. Ethiopia's trade linkage with the U.S.

Exports of Ethiopia to the United States grew by 4.8 per cent annually on average, from USD 218.3 million in 2018/19 to USD 275 million in 2023/24 (Figure 7). However, the overall share of the U.S. in total exports of Ethiopia remains by far lower than that of the EU and the Asian region. Major export commodities included unroasted, non-decaffeinated coffee, various footwear products, other oil seeds and oleaginous fruits, as well as cotton shirts, trousers, and breeches for men and boys. In contrast, Ethiopia's imports from the United States declined by an average of 13.2 per cent annually over the same period. Key imports were primarily capital goods in the aviation sector, consisting of large aircraft (over 15,000 kg unladen weight), spark-ignition piston engines for aircraft, and other aeroplane and helicopter components.

Bilateral trade between Ethiopia and the United States has consistently resulted in a trade deficit for Ethiopia. Between 2018/19 and 2023/24, the trade deficit averaged 56.8 per cent of total merchandise trade (Figure 8). This imbalance is largely driven by the composition of trade: Ethiopia imports high-value goods, while its exports mainly comprise lower-value agricultural products and light-manufactured goods.

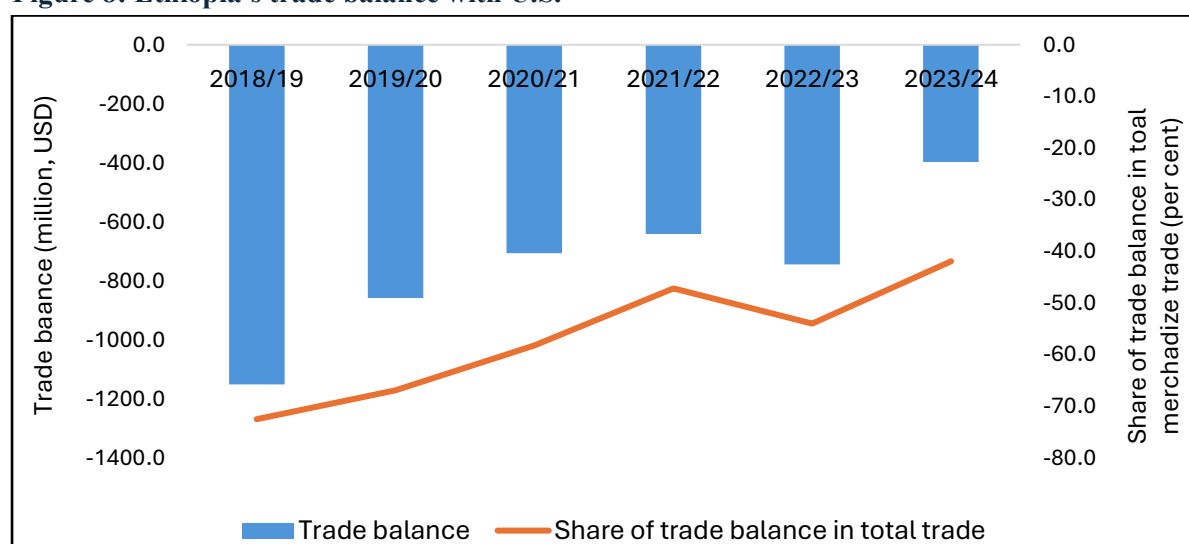
Despite this structural imbalance, Ethiopia's trade deficit with the United States has significantly narrowed in recent years, declining from USD 1,151.4 million in 2018/19 to USD 398 million in 2023/24. This trend raises important questions in light of recent U.S. tariff measures on Ethiopian exports, which have been justified on the grounds of protecting against U.S. trade deficits, although there are other reasons (less relevant in the case of Ethiopia) such as bringing back manufacturing jobs, making tariffs reciprocal and introducing policy changes on its trading partners. However, on the key justification, the trade data presents a contrasting narrative, indicating that the United States continues to maintain a trade surplus with Ethiopia, and questioning the legitimacy of U.S.' unilateral trade measures on Ethiopia. This evidence could serve as the basis for initiating negotiations to reconsider the United States' tariff policy on Ethiopian exports.

Figure 7: Bilateral trade flows between Ethiopia and the United States (Millions of USD)



Source: Source: Authors based on Ethiopian Customs Commission data

Figure 8: Ethiopia's trade balance with U.S.



Source: Authors based on Ethiopian Customs Commission data

5. TARIFF STRUCTURE

Tariffs are a key policy tool used to generate revenue, protect domestic industries, correct trade imbalances, and promote national interests. While global trends have favoured tariff reduction through multilateral and regional trade agreements, recent U.S. trade policy has increasingly and unilaterally employed tariffs to advance strategic objectives. This shift has heightened global economic tensions, triggered retaliatory responses from trading partners, and fractured the centrality of the multilateral trading system (MTS).

This section examines the tariff structures of both countries concerning their principal export and import commodities.

5.1. Average tariff facing Ethiopian exports to the United States

Ethiopia benefits from preferential tariff access for a variety of its export goods. Ethiopia benefits from preferential tariff access for a range of its export goods. Coffee remains its leading export, followed by textiles and garments, leather and leather products, food items, and oilseeds. As one of the world's largest suppliers of premium Arabica coffee, Ethiopia enjoys duty-free access for coffee exports under both the Generalised System of Preferences (GSP) and the zero-rate Most Favoured Nation (MFN) tariff.

The MFN tariffs for other major agricultural exports are modest, with oilseeds and prepared cereals facing rates of 1.9 per cent and 4.5 per cent, respectively. In contrast, Ethiopia's textile, garment, and leather exports, which had previously benefited from duty-free access under the African Growth and Opportunity Act (AGOA), became subject to standard MFN tariff rates following the suspension of AGOA benefits in January 2022. These now face average tariffs of 11.3 per cent for textiles and 9.9 per cent for leather products (Table 1). Nevertheless, some items within these categories continue to receive zero tariffs, although duties are increasingly determined by quantity rather than value.

It appears that Ethiopia's unprocessed agricultural exports face low MFN tariffs, but the 2022 suspension of AGOA subjected textiles and leather goods to higher tariffs, weakening their competitiveness in the U.S. market despite some zero-tariff exceptions.

Table 1: Ethiopia's major export products facing U.S. tariff rate (per cent)

Products	2020	2021	2022	2023	2024
Coffee	Free	Free	Free	Free	Free
Oilseed	1.9	1.9	1.9	1.9	1.9
Prepared Cereals	4.5	4.5	4.5	4.5	4.5
Textile and Garments (Average)	Free	Free	11.3	11.3	11.3
Leather and Leather products (Average)	Free	Free	9.9	9.9	9.9

Source: Authors based on US-ITC database

5.2. Average tariff facing U.S. imports to Ethiopia

Imports from the United States into Ethiopia are generally subject to zero or low tariff rates. Boeing aircraft and engines, primarily purchased by Ethiopian Airlines, are fully exempt from tariffs (Table 2). Wheat imported through international aid programs, along with medical supplies, typically incurs a 5 per cent tariff, though a zero-tariff rate may apply under certain exceptional circumstances. Tariff rates on

edible vegetables vary by classification system: under the Harmonized System (HS) 2017, the rate is 30 per cent, while under HS 2022, it rises to 35 per cent.

The data suggest that the majority of U.S. exports to Ethiopia are subject to zero or low tariffs, with exceptions primarily for aircraft and imports related to medical or humanitarian aid.

Table 2: Tariff rates of U.S. products imported to Ethiopia (per cent)

Products	2020	2021	2022	2023	2024
Aeroplanes and Other Aircraft	Free	Free	Free	Free	Free
Aircraft Engines and Turbojet	Free	Free	Free	Free	Free
Wheat	5	5	5	5	5
Medicaments Of Other Hormones	5	5	5	5	5
Edible Vegetables	30	30	30	30	30

Source: Authors based on Ethiopian Customs Commission

5.3. Comparative analysis of U.S. tariffs on Ethiopian exports and peer country

A comparative analysis of Ethiopia's export tariffs relative to those of competing countries reveals important insights into the competitiveness of its trade structure. This assessment focuses on Ethiopia's primary agricultural exports—namely coffee, oilseeds, cereals, and cut flowers—as well as selected manufactured goods, particularly textiles and leather products.

In the agricultural sector, Ethiopia encounters strong international competition. Although coffee remains Ethiopia's most prominent export, it is not among the top five agricultural imports into the U.S. market. Instead, Brazil, Vietnam, Colombia, Switzerland, Canada, and Guatemala collectively supply approximately 70 per cent of U.S. coffee imports, with the remaining 30 per cent coming from other countries, including Ethiopia. Similarly, Ethiopia's oilseeds and cereals make up only a small share of U.S. imports. Brazil, Paraguay, Argentina, Canada, and India together account for 65 per cent of oilseed imports, while Canada, Thailand, India, Peru, and Argentina dominate the cereal import market, contributing 58 per cent. In the cut flowers segment, the U.S. market is largely supplied by Colombia, Ecuador, Canada, the Netherlands, and Mexico, which together provide 75 per cent of imports.

In the manufacturing sector, the U.S. sources roughly 70 per cent of its textile imports from a concentrated group of countries, namely China, Vietnam, India, Bangladesh, Mexico, Indonesia, Pakistan, and Cambodia. The remaining 30 per cent of textile imports are shared among a wide range of other exporters, including Ethiopia. A similar pattern is seen in the leather goods market, particularly footwear, where China, Vietnam, Italy, Indonesia, Mexico, Cambodia, India, and Germany collectively supply 93 per cent of U.S. imports. This leaves just 7 per cent of the market for all remaining countries, Ethiopia among them (UN-ITC, 2024).

Ethiopian exports to the U.S. are subject to a mix of tariff regimes. Some products benefit from preferential access under the Generalized System of Preferences (GSP)⁷, while others are covered by Free

⁷ Afghanistan, Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Belize, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Burkina Faso, Burma, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Brazzaville), Congo (Kinshasa), Côte d'Ivoire, Djibouti, Dominica, Ecuador, Egypt, Eritrea, Eswatini, Ethiopia, Fiji, Gabon, Gambia, The, Georgia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Indonesia, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Kosovo, Kyrgyzstan, Lebanon, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Moldova, Mongolia, Montenegro, Mozambique, Namibia, Nepal, Niger, Nigeria, North Macedonia, Pakistan, Papua New Guinea, Paraguay,

Trade Agreements (FTAs) that the U.S. has with 20 partner countries⁸. Products not included in these arrangements are subject to standard Most Favoured Nation (MFN) tariff rates.

As previously noted, about 41 per cent of Ethiopia's coffee exports to the United States benefit from a zero Most Favoured Nation (MFN) tariff rate. This means all coffee-exporting countries, including Ethiopia, face no tariff barriers when accessing the U.S. market (Table 3). Consequently, Ethiopian coffee does not receive special preferential treatment through trade agreements; its competitiveness relies on the quality and intrinsic value of the product. Currently, Ethiopia ranks as the ninth largest coffee exporter to the United States.

Approximately 8.0 per cent of Ethiopia's oilseed exports to the U.S. face MFN tariffs ranging from 1.0 per cent to 6.0 per cent, depending on the product. In contrast, countries like Canada and Paraguay benefit from zero tariffs due to free trade agreements with the U.S. Ethiopia's market share in the U.S. oilseed sector remains minimal.

Fresh injera, primarily exported to Ethiopian diaspora communities, represents less than 6.0 per cent of Ethiopia's U.S. exports. The MFN tariff on this product is zero for all countries. While injera made from Ethiopian teff faces little competition, other cereal products encounter competition from various exporters.

Ethiopia holds about a 10.0 per cent share of U.S. cut flower imports, which are subject to a 4.0 per cent MFN tariff. By comparison, countries such as Colombia, Canada, and Mexico enjoy zero-tariff access through free trade agreements. Although most Ethiopian cut flowers are exported to European markets, the U.S. remains a promising alternative despite moderate tariff levels.

Before 2022, Ethiopian textiles, garments, and leather products qualified for duty-free access under the African Growth and Opportunity Act (AGOA). Since Ethiopia's suspension from AGOA, these products are subject to MFN tariffs that vary by product. Textiles and garments, accounting for 4.0 per cent of Ethiopia's U.S. exports, face tariffs ranging from zero to 11.3 per cent. While Mexico benefits from zero tariffs under the United States-Mexico-Canada Agreement (USMCA), Ethiopia and most other countries pay MFN rates. Despite a limited current market share, Ethiopia has the capacity to compete with leading exporters in this sector.

For leather products, mainly footwear, Ethiopia makes up about 1.0 per cent of U.S. imports. MFN tariffs range from zero per cent to 5 per cent, with lower or zero rates for countries with free trade agreements such as Mexico. Given Ethiopia's strong potential in leather manufacturing, these tariff levels do not pose significant barriers to competitiveness, although current export volumes remain modest.

Overall, Ethiopia's coffee exports enjoy a level playing field tariff-wise, making non-price factors crucial. But other products like oilseeds, cut flowers, textiles, and leather face higher tariffs and competition, especially after losing AGOA benefits. Tariff barriers and trade agreements remain critical to Ethiopia's export success in the U.S. market.

Philippines, Rwanda, Saint Lucia, Samoa, Sao Tomé and Príncipe, Senegal, Serbia, Sierra Leone, Solomon Islands, Somalia, South Africa, South Sudan, Sri Lanka, Suriname, Tanzania, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Tuvalu, Uganda, Ukraine, Uzbekistan, Vanuatu, Yemen (Republic of), Zambia, Zimbabwe.

⁸ Australia, Bahrain, Chile, CAFTA-DR, Colombia, Israel, Jordan, Korea, Morocco, Oman, Panama, Peru, Singapore, and USMCA.

Table 3: The existing US tariff for imported products for Ethiopia and its main competitors (per cent)

Products	Comparison of Ethiopia with other Countries in US applied tariff					
Coffee	Ethiopia	Brazil	Columbia	Switzerland	Canada	Guatemala
	Free	Free	Free	Free	Free	Free
Oilseed	Ethiopia	Brazil	Paraguay	Argentina	Canada	India
	1-6	1-6	Free	1-6	Free	1-6
Cereals	Ethiopia	Canada	Thailand	India	Peru	Argentina
	Free	Free	Free	Free	Free	Free
Textiles	Ethiopia	China	Vietnam	India	Bangladesh	Mexico
	0-11.3	0-11.3	0-11.3	0-11.3	0-11.3	0
Leather	Ethiopia	China	Vietnam	Italy	Indonesia	Mexico
	0-5	0-5	0-5	0-5	0-5	0
Cut flower	Ethiopia	Colombia	Ecuador	Canada	Netherlands	Mexico
	4	Free	4	Free	4	Free

Source: Authors based on the US-ITC database

6. DISCUSSION OF THE ANALYTICAL MODEL AND SIMULATION RESULT

The model and approach employed in the study enables the quantification of the trade and economic effects of tariff changes across a global network of countries and commodities.

As indicated earlier, the study utilized a comparative static Global Trade Analysis Project (GTAP) model, a widely used multi-country, multi-sector computable general equilibrium model. The model is based on GTAP database, encompassing 65 sectors across 160 regions. It also incorporated the GTAP database version 10.1 and the latest iteration of the GTAP 7 model.⁹ The analysis was conducted using the GTAP 3.75 model and general equilibrium modelling package (GEMPACK) software for modification and condensation (Corong, et al., 2017). The model employs a variety of variables, mathematical indices, exogenous variables, and endogenous variables influenced by the model's solution at the level, along with equations that delineate the relationships between variables and parameters. These equations form the set that must be solved to establish the model and its closures. Furthermore, to examine the impact of the new tariff imposition by the U.S., the global database is divided into the product categories that Ethiopia exports to the U.S. and countries that compete with Ethiopia's products.

6.1. Model description

The international trade component affects the model of both the output and price on the side of the demand and supply. While detailed specifications of the model can be found in Corong, et al. (2017), relevant export and import equations have been presented here.

Export equations:

$$VXS_{c,d} = PDS_{c,s} QXS_{c,s,d}$$

Where:

$VXS_{c,d}$ is the value of export commodity, c, in the destination, d

$PDS_{c,s}$ is the price domestic supply for commodity, c, shipped from region source, s

$QXS_{c,s,d}$ is the quantity of export commodity by all firms for commodities, c, by the region, r, in destination, d.

Value of exports at world prices (VFOB):

$$VFOB_{c,d} = TXS_{c,s,d} PDS_{c,s,d} QXS_{c,s,d} = PFOB_{c,s,d} QXS_{c,s,d}$$

Where:

$VFOB_{c,d}$ is the free on-board value of export commodity, c, in destination, d.

$PFOB_{c,s,d}$ is the free-on-board price for commodity, c, shipped from region source, s, to destination, d.

Import equations:

Value of imports at world prices (VCIF):

$$VCIF_{c,s} = PCIF_{c,s,d} QXS_{c,s,d}$$

Where:

⁹ Some parameters have been derived from the 2015/16 Social Accounting Matrix (SAM) for Ethiopia.

$VCIF_{c,s}$ is the insurance and freight value of the commodity, c, shipped from region source, s.

$PCIF_{c,s,d}$ is the price of insurance and freight prices for commodity, c, shipped from region source, s, to destination, d.

Value of imports at domestic basic prices:

$$PMDS_{c,s,d} QXS_{c,s,d} = TMS_{c,s,d} PCIF_{c,s,d} QXS_{c,s,d}$$

Where:

$PMDS_{c,s,d}$ is the price of import of commodity, c, shipped from region source, s, to destination, d. This is the domestic market price of imports.

$TMS_{c,s,d}$ is the import duties of commodity, c, shipped from region source, s, to destination, d.

Total demand for imports includes private household import demand, government household import demand, and investment demand are all aspects of the household side. Firms also demand imports. As a result, the import quantity demand for all agents is given as:

$$QMS_{c,r} = QPM_{c,r} + QGM_{c,r} + QIM_{c,r} + \sum_a QFM_{c,a,r}$$

Where:

- $QMS_{c,r}$ is the quantity of imports of commodity c entering region, r
- $QPM_{c,r}$ is the quantity of imports demand of commodity c by private households in the region r
- $QGM_{c,r}$ is the quantity of import commodity c demand by public households in the region r
- $QIM_{c,r}$ is the quantity import commodity c demand for investment by the region r
- $QFM_{c,r}$ is the import demand by all firms for commodities c by the region r in destination d

From the production side through the intermediate input trees, the demand for domestic goods depends on the composite input (expansion effect), domestic input demand (substitution effect), and domestic and import inputs (composite price). Then, the Armington elasticity of substitution governs the import demand from various sources and estimates econometrically. Furthermore, all the exports from various sources go to firms, and regional households receive earnings through taxes.

As viewed from the standpoint of international trade, the free on-board (FOB) price is subject to export duties; the Cost of Insurance and Freight (CIF) price includes both the FOB price and the freight charges. In the end, the study simulation shock happens at the prices of imported supply to the USA, which include the CIF price and the import tariff. Trade internationally is impacted by the three-price equation that is presented:

$$\begin{aligned} PFOB_{c,s,d} &= PDS_{c,s} TXS_{c,s,d} \\ PCIF_{c,s,d} &= PFOB_{c,s,d} + \gamma TransportPrice_{c,s,d} \\ PMDS_{c,s,d} &= PCIF_{c,s} TMS_{c,s,d} \end{aligned}$$

Where:

- $PFOB_{c,s,d}$ is the free-on-board price for commodity c shipped from region source s to destination d
- $PDS_{c,s,d}$ is the price of domestic supply for commodity c shipped from region source s
- $PCIF_{c,s,d}$ is the price of insurance and freight prices for commodity c shipped from region source s to destination d
- $PMDS_{c,s,d}$ is basic domestic import price of commodity c shipped from region source s to destination d
- $TXS_{c,s,d}$ is export duties of commodity c shipped from region source s to destination D; $TXS_{c,s,d} = 1 + \text{export tax rate}$

- $TMS_{c,s,d}$ is import duties of commodity c shipped from region source s to destination d
- $TP_{c,s,d}$ is transport price of commodity c shipped from region source s to destination d
- γ represents an index of efficiency of margin services used per unit of export

Closures of the Model and Numeraire

The model closure, which shows the exogenous and endogenous variable that expressed the Ethiopian economy, explains the outcome, taking into consideration the national policy framework:

Public Closure: Real spending and tax rates are set, whereas public savings are adjustable. As an outcome, the government's efforts to maintain its finances by changing both indirect and direct tax revenue constitute policy decisions. This means the public deficit has been adjusted to achieve the desired balance. The closure is in line with Ethiopia's economic reality, particularly its governmental finances. Consequently, the study opts for the closure defined as expressing Ethiopia.

Endowment closure: the factor of production input moves across the sector domestically and does not flow across the region. It is a short-term frame in this model at the African level due to the language barrier across countries the fact that labour cannot move freely, and the limited capital. The study considers full employment.

To ensure each of the prices in the model is in proportion to the weighted unit price of the household's baseline expenditure packet, the consumer price index gets selected as the numeraire. Since the model exhibits zero-degree price homogeneity, changing prices would not change how resources are allocated. Therefore, the model is unable to take into consideration interactions between monetary and real economy sectors.

6.2. Scenario Design

The simulation introduces a tariff shock to reflect the U.S. imposition on import tariffs. Specifically:

- A 10 per cent tariff shock is applied to selected Ethiopian exports to the U.S.
- For comparator countries, their respective tariff rates are used.

This simulation framework allows for a comparative evaluation of how varying tariff structures influence export performance across Ethiopia and its trade competitors.

Table 4 outlines the list of comparator countries and the specific tariff rates applied in the simulation, enabling a side-by-side comparison of how tariff structures influence export competitiveness across countries and products.

Table 4: U.S. tariff rates for selected countries

Country	U.S. new tariff rate (per cent)	Country	U.S. new tariff rate (per cent)
Argentina	10	India	26
Bangladesh	37	Italy	20
Brazil	10	Indonesia	32
Canada	25	Mexico	25
China	34	Paraguay	10
Colombia	10	Peru	10
Ethiopia	10	Thailand	36
		Viet Nam	46

Source: Bohannon and Pequeño IV (2025)

6.3. Results and discussions

The likely effects of these tariff rates are examined with respect to selected commodities such as textile and apparel, leather and leather products, oilseeds, coffee and cut flowers.

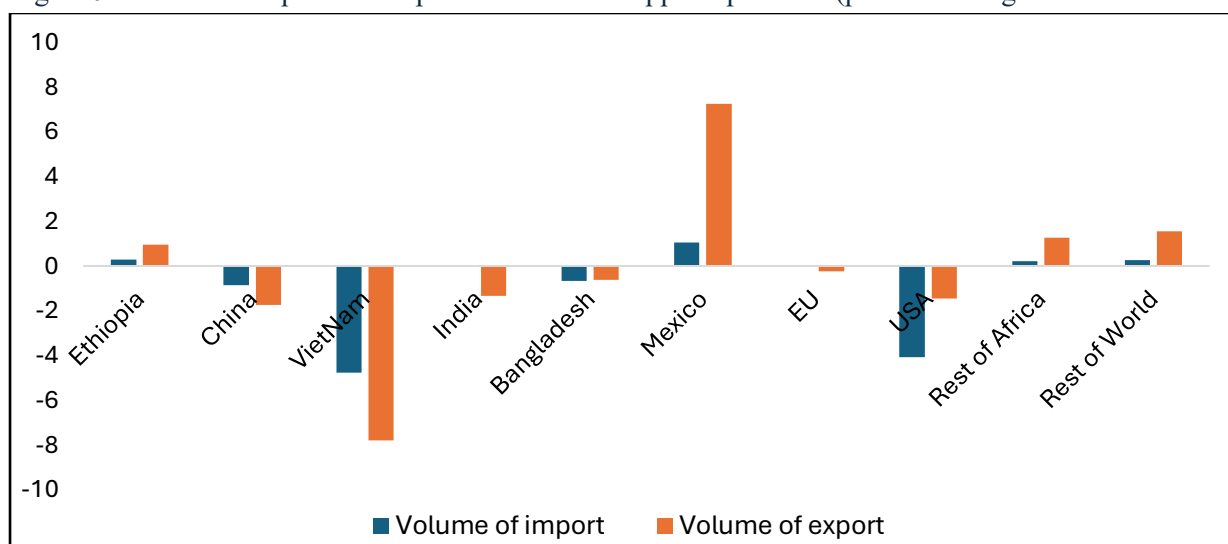
Effects on textile and apparel products

The new U.S. trade policy is expected to significantly impact global textile and apparel trade flows. The primary exporters of textiles and apparel to the U.S. market, China, Vietnam, India, and Bangladesh, will be subject to higher tariffs under this new regime.

The simulation results indicate that Ethiopia's textile and apparel exports experience a modest increase of approximately 1 per cent, while major competitors such as Vietnam, China, India, and Bangladesh show declines in export volume. Vietnam is most adversely affected, with a 7.8 per cent decline, followed by China (-1.8 per cent), India (-1.3 per cent), and Bangladesh (-0.6 per cent) (Figure 9).

The results suggest that, assuming comparable quality standards, Ethiopian exporters of textile and apparel products may gain a competitive advantage due to their relatively favourable tariff treatment. Although the absolute gain is modest, reflecting Ethiopia's limited current market share, the relative improvement may attract new investors and support the expansion of existing firms, particularly those focused on value addition and re-export.

Figure 9: Volume of export and import of textile and apparel products (per cent change from the baseline)



Source: Authors based on model simulation

On the import side, the overall U.S. import volume of textiles declines. The data show reductions in imports from key Asian suppliers, including China, Vietnam, and Bangladesh. In contrast, Ethiopia's import volume increases, possibly indicating trade diversion effects or rising domestic demand for intermediate and finished textile goods. These imports may include components re-routed from other markets or supply chains linked to Asian producers.

The introduction of tariffs is also expected to influence export and import prices. Accordingly, import tariffs raise domestic prices while reducing export prices in countries facing diminished external demand. Export prices decline slightly across most countries, reflecting reduced global demand due to new U.S. tariffs. The steepest drops are seen in Bangladesh (by 0.32 per cent) and Vietnam (by 0.28 per cent)

(Figure 10). Ethiopia's export price rises marginally (0.01 per cent), likely due to its smaller export share, which limits exposure to global shifts.

Import prices fall in all countries except the U.S., where they rise sharply (1.9 per cent), indicating inflationary pressure from the tariffs. Ethiopia's slight import price decline may suggest improved access to intermediate goods or trade diversion from Asia, potentially supporting local production and re-export capacity.

Overall, Ethiopia's textile and apparel sector sees modest gains in both export volume and price, positioning it relatively better than key competitors. In 2024, exports of textiles and garments to the U.S. accounted for a modest yet notable share, roughly 1.5 percent of Ethiopia's total exports.

Figure 10: Change in the export and import prices of textile and apparel products (per cent change from the baseline)



Source: Authors based on model simulation

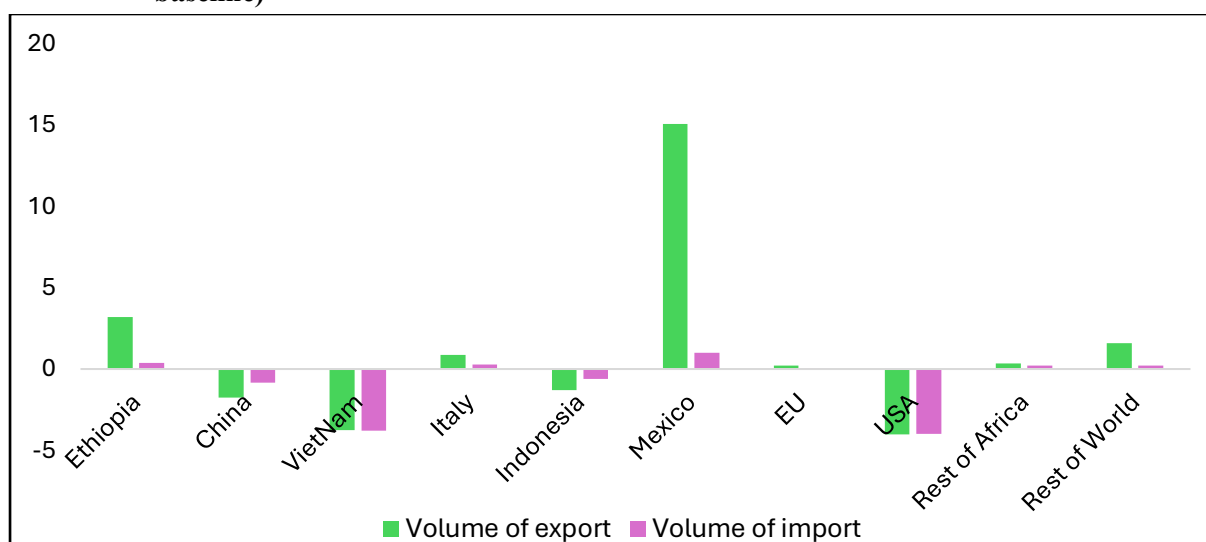
Effects on leather products

Historically a key export sector, Ethiopia's leather industry expanded significantly during the African Growth and Opportunity Act (AGOA) period, gradually replacing traditional agricultural exports. However, the country's suspension from AGOA in 2022 led to a slowdown, prompting a shift toward alternative markets.

Major U.S. leather suppliers—China, Vietnam, Indonesia, and Italy—have seen declining export volumes following newly imposed U.S. tariffs. In contrast, Ethiopia recorded a 3.2 per cent increase in exports, likely due to its limited exposure to U.S. tariffs and untapped production potential (Figure 11). This shift presents a strategic opening for Ethiopia to grow its footprint in the U.S. market.

On the import side, all countries experienced reduced volumes due to falling demand for leather inputs. However, Ethiopia showed a slight increase in imports, possibly reflecting trade diversion in global raw material flows. This could improve local access to inputs, enhance production efficiency, and strengthen export competitiveness. Overall, Ethiopia's position as a low-tariff, underutilized supplier could offer a unique opportunity to expand its presence in the restructured global leather market. Exports of leather products to the U.S. remained minimal, accounting for just 0.10 percent of Ethiopia's total exports in 2024.

Figure 11: Volume of export and import of leather and leather products (per cent change from the baseline)



Source: Authors based on model simulation

Simulation results indicate that export prices declined for most major leather suppliers, suggesting a pass-through of U.S. tariff costs to producers (Figure 12). To preserve market share, these countries appear to be reducing prices. Ethiopia, however, recorded a slight increase in export prices (by 0.01 per cent), possibly reflecting a competitive edge under the new tariff regime.

On the import side, all exporters experienced price declines, signalling weakening demand and reduced engagement in global leather value chains. In contrast, U.S. domestic leather prices rose by over 3.0 per cent, highlighting the inflationary impact of tariffs on consumers and the potential emergence of supply shortages.

Figure 12: Change in the export and import prices of leather and leather products (per cent change from the baseline)



Source: Authors based on model simulation

Effects on oilseeds

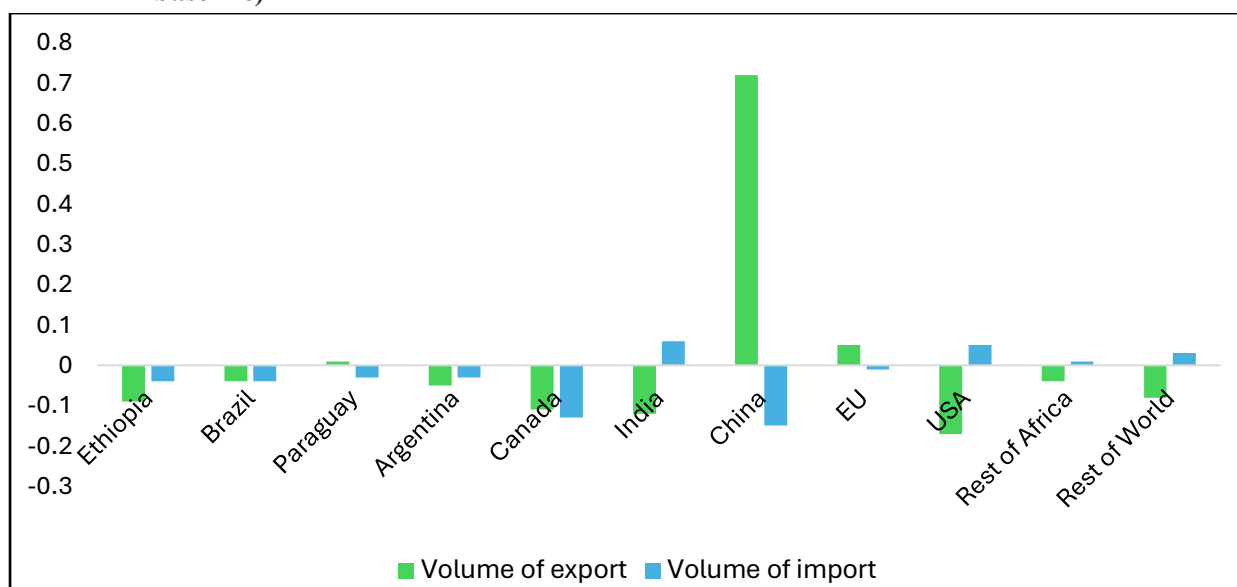
Oilseeds are among Ethiopia's key export commodities. The country's oilseed exports to the U.S. made up of just 0.3 per cent of total exports in 2024. While the bulk of export targets Asian markets, a small portion is directed to the United States. Globally, top oilseed producers and exporters include Brazil, Paraguay, Argentina, Canada, and India. Although these countries face similar U.S. tariff rates as Ethiopia, their market shares in the U.S. market remain significantly large. Ethiopia's share in the U.S. oilseed market remains limited.

Ethiopia's oilseed export volume to the U.S. declined by 0.1 per cent, mirroring global trends driven by reduced demand (Figure 13). This slight drop reflects the non-essential classification of oilseeds and their sensitivity to price changes. Major exporters such as Argentina, Brazil, Canada, and India are also expected to experience declines in export volumes, largely due to their higher pre-tariff exposure and greater reliance on the U.S. market.

On the import side, both volumes and prices fell in most major exporters. Although oilseeds are typically processed and consumed domestically, some are blended for flavour or market variation. The observed declines may reflect reduced demand for these specialized or value-added products.

In summary, the imposition of U.S. tariffs increases oilseed import prices, reduces U.S. demand—especially for non-essential imports—and puts smaller exporters like Ethiopia at a competitive disadvantage. This combination leads to a measurable decline in Ethiopia's oilseed export volume.

Figure 13: Volume of export and import of textile and apparel products (per cent change from the baseline)



Source: Authors based on model simulation

Coffee¹⁰

Coffee is the ninth most imported consumer good in the United States. Major suppliers include Brazil (22.2 per cent), Vietnam (8.1 per cent), Switzerland (7.7 per cent), Germany (7.4 per cent), Italy (5.5 per cent), Ethiopia (2.8 per cent), the Netherlands (2.7 per cent), and France (2.6 per cent). While Latin American countries mainly export unprocessed beans, European exporters focus on processed forms such as roasted or powdered coffee. Ethiopia ranks as the eighth-largest coffee exporter to the U.S.

¹⁰ The GTAP database doesn't explicitly include coffee as it is included in the other crops category.

Under recent U.S. tariff changes, Ethiopia, Brazil, and Colombia face a 10 per cent tariff, whereas Vietnam (46 per cent), Indonesia (32 per cent), Switzerland (31 per cent), and the EU (20 per cent) are subject to significantly higher rates. This creates a comparative advantage for Ethiopia over several Asian and European competitors. Ethiopia could further improve its position—particularly in the EU market—by increasing value-added exports, such as roasted coffee.

Cut Flower

The United States is the world's largest importer of cut flowers, with 2.58 billion stems imported in 2023. Leading suppliers include Colombia (59 per cent), Ecuador (26 per cent), Canada (4.2 per cent), and the Netherlands (3.9 per cent). Ethiopia accounts for just 0.2 per cent of U.S. imports, ranking 13th among suppliers.

Under the newly introduced 10 per cent tariff, major exporters—Colombia, Ecuador, Guatemala, Chile, and Ethiopia—are subject to the same rate. As a result, Ethiopia does not have a comparative advantage, since the tariff rate applies uniformly across key competitors. However, Ethiopia's low market share suggests untapped potential, especially if supported by strategic trade and logistics improvements.

7. CONCLUSION AND IMPLICATIONS

Conclusion

Ethiopia's exports of goods have shown promising performance, but recent gains have been driven largely by favourable global price trends, rather than sustained improvements in domestic supply capacity. Ethiopia's export performance with the United States has also shown positive momentum, yet the trade relationship remains structurally imbalanced. Ethiopia primarily exports low-value-added agricultural products and light labour-intensive manufactured goods, while imports are dominated by high-value capital goods, particularly in the aviation sector.

As Ethiopia eyes joining the World Trade Organization (WTO) in the forceable future, the recent introduction of U.S. tariffs will have far-reaching implications. Unilateral imposition of tariffs could entrain “trade wars” adversely impacting global trade dynamics and endangering multilateral trading system. In terms of direct impact, the U.S. imposition of tariffs, no doubt, creates, both challenges and opportunities for Ethiopia through direct impacts on:

- Sectors with low exposure or favorable tariff positions (e.g., textiles, leather, and coffee) stand to gain modestly. However, Ethiopia will face particular challenges in this area as well, given its exclusion from AGOA that makes competition with other AGOA beneficiaries extremely difficult.
- Sectors with limited U.S. market presence or those vulnerable to price shocks (e.g., oilseeds and cut flowers) face stagnation or marginal decline.
- Ethiopia's limited current market share constrains the scale of benefits, but relative improvements signal openings for future expansion.
- Rising U.S. import prices suggest potential for Ethiopian firms to step in as alternative suppliers, especially if quality, compliance, and reliability standards are met.

Strategic recommendations

To strengthen Ethiopia's competitive position in this evolving trade environment, the following policy actions are recommended:

- Proactively, engage the United States in evidence-based, data-driven trade dialogue to advocate for a review of current tariff measures on Ethiopian exports and explore opportunities for more balanced and mutually beneficial bilateral trade arrangements. These negotiations should be supported by clear evidence, including the persistent U.S. trade surplus with Ethiopia and the fact that key U.S. exports—such as aviation products—enter Ethiopia duty-free.
- Leverage tariff differentials to attract investment into labour-intensive manufacturing sectors, positioning Ethiopia as a cost-competitive alternative in global supply chains.
- Pursue the reinstatement of preferential access, including through rejoining AGOA, to restore duty-free access and incentivize export growth.
- Foster productive capacities and structural transformation by improving the quality and quantity of exports through increased value addition and technological embodiment of key exports of comparative advantages.
- Harness the potential presented by ACFTA and the duty-free-quota free market access granted by China for all exports of Africa.

By implementing these actions, Ethiopia can better capitalize on shifting global trade patterns and reinforce its position as a diversified and competitive exporter, capable of delivering inclusive and sustainable growth.

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