



- A recently signed bilateral agreement between Eritrea and Uganda has resulted in the removal of visa fees, anticipated to augment trade between the countries.

Investment Environment

- The Eritrean Investment Centre (EIC) was created in 1998 to promote the country as an attractive investment destination. The Investment Centre approves investment projects, and aims to promote and facilitate investment activities in Eritrea.
- The Business Licensing Office (BLO) was established to create a centralized, "one-stop", licensing centre to facilitate the speedy formation of business ventures as well as the issuance and renewal of licenses.
- Key investment opportunities exist in agriculture, marine resources, manufacturing, mining and quarrying, construction, as well as the service sector.
- Investment opportunities in the fisheries sub-sector provide a potential of 90,000 sq. kilometers of fishing ground, with an estimated annual production potential of 65,000-70,000 tons of fish and other marine produce.
- The manufacturing sector produces a variety of products with particular emphasis on processed food and dairy products, alcoholic beverages, glass, leather goods, marble, textiles and salt.
- Recent developments in the mining and quarrying sector include the anticipated commencement of mining of gold and copper in the Bisha region.
- Investment opportunities in the services sector include tourism, transport, energy and water resources, communication and financial services. Offshore oil and natural gas exploration are specific areas of potential investment in the energy sub-sector.

Investment Incentives

- The Investment Policy of Eritrea provides the following incentives to foreign and domestic investors:
 - Both local and foreign private sector investors are allowed to participate in all sectors of the economy with no restriction and discrimination.
 - Priority foreign exchange allocation given to exporters;
 - Up to 100% retention of foreign currency earning;
 - No taxes on dividends declared;
 - Capital goods, intermediates, industrial spare parts and raw materials are subject to a nominal customs duty of 2%.
 - Raw materials and intermediate inputs are subject to 3% sales tax, however, all sales tax will be rebated on all materials and inputs that have been used for export production.
 - Exports are exempted from export duties and sales taxes;
 - Any loss incurred during the first two years of operation by an investor may be carried forward for three consecutive years.
 - Marginal tax rate on personal income from 2%-38%: on non- corporate profit from 2%-38%: on corporate profit from 25%-35%: on commercial agriculture from 2%-320%: and on rent income from 1%-48%;

- Profit derived from mining activities will be taxed as per the mining legislation (Proclamation No. 69/1995); and
- Corporate profit that is set aside from reinvestment taxed at the rate of 20%.
- To promote investment, the following programmes have been implemented:
 - The Education Sector Investment Programme is expected to develop the productivity and availability of the human resource base in Eritrea.
 - Development of infrastructure services with the assistance of donor partners as a means of facilitating accessibility of commodities from production centers to markets.
 - Strengthening of infrastructure to promote cost effective, direct shipment of cargo destined for domestic and regional and international markets.

Regional Interconnectivity

- Regional interconnectivity encompasses road links, air links, ports and a merchant marine service comprising six ships and satellite telecommunications.
- Currently there is a total road network of approximately 3800 km in Eritrea, a quarter of which is paved.
- Eritrea has 17 airports, four of which have paved runways. The Asmara International Airport provides links to regional destinations such as Nairobi, as well as international destinations such as Amsterdam, Frankfurt, and Rome. Eritrean Airlines is the national carrier, and is expected to commence flights to Entebbe in the near future.
- Eritrea has two main ports located in Assab and Massawa. The ports provide access to destinations along the Eastern coast of Africa as well as the Middle East and beyond.
- Eritrea's rail lines run between Ak'ordat, Asmara, and the Port of Massawa, however the railway is yet to restart operations.
- Eritrea presently has several cooperating partners providing funding and technical assistance in the construction of various infrastructure projects.
 - Road infrastructure has been facilitated by funding from the WB, the EU and the Italian Government.
 - The development of energy infrastructure has been facilitated by the WB, the Japanese Government, Saudi Arabia, OPEC, BADEA and the Kuwait Fund.
 - A Power Distribution and Rural Electrification project funded by the IDA amounting to US\$ 50 million is currently underway.
- In 2003, an 88 mw electricity plant was completed with the assistance of Saudi Arabia, Kuwait, and Abu Dhabi.
- *Current infrastructure projects:*
 - Development of the 120 km Barentu-Teseny Road
 - Development of the 580 km Massawa-Assab Road
- *Proposed infrastructure projects:*
 - Eritrean-Sudanese Corporation to link Eritrea's railway line to the Sudanese rail network.
 - Extension of Eritrea's railway line by 150 km linking Asmara to Bisha.

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Key points:

- Strategically located along the Red Sea with established links to destinations along the Eastern coast of Africa as well as the Middle East and beyond.
- The commencement of operations of Free Port Zone at Massawa Port, are anticipated to boost trade prospects with African and Middle Eastern markets.
- Potential to expand production in the fisheries sub-sector with large market for produce within the COMESA region.
- Infrastructure developments anticipated to enhance domestic and external interconnectivity, thereby enhancing trade.

Overall Economic Prospects

- Eritrea's strategic location along the Red Sea provides ideal exposure to one of the world's busiest shipping lines and established linkages to other areas of the region and beyond. The Port of Massawa is a transit point for goods to the Middle East, European and Asian Markets. The development of the Port is poised to bring about potential gains to trade.
- The establishment of a Free Port Zone at Massawa is further expected to boost trade prospects within the already established Middle Eastern and African markets. The Massawa Airport is equally capable of facilitating traded goods in transit to regional and global destinations.
- The Eritrean economy constitutes the services sector, industry and agriculture, which contribute approximately 64.6%, 25.4% and 9.9% to GDP annually. Remittances from the diaspora further contribute to the GDP. Eritrea is projected to maintain a real GDP growth of 1.3% in 2007 and 2008 (World Economic Outlook, April 2007).
- Agricultural exports comprise cotton, fruit, vegetables, sea cucumbers and fish harvested from the Red Sea, hides and meat. Pearl fisheries are present along the red sea. The agriculture sector employs approximately 80% of the workforce.
- Investment in exploration activities for reserves of oil, natural gas, and other minerals provide a potential source for the expansion of export receipts. Eritrea's natural mineral resources include gold, copper, potash, zinc, and iron.

Trade Profile 2006-2007

Table 1: Eritrea's Top Extra-COMESA Export Trading Partners, 2001- 2006

	Partner	2001 US\$	2002 US\$	2003 US\$	2004 US\$	2005 US\$	2006 US\$
1	Malaysia				2,421,387		
2	Italy				1,552,700		
3	Japan				1,467,243		
4	India				880,984		
5	Germany				603,000		
6	Spain				479,836		
7	China	8,501	4,369	418	459,050	367,567	637,303
8	United Kingdom				446,891		
9	USA	86,479	373,079	70,227	432,837	951,620	805,961
10	France				406,688		
11	Poland				375,659		
12	Greece				340,599		
13	Taiwan, Province of China				178,548		
14	Netherlands				128,792		
15	Austria				117,788		
16	South Africa	1,080	5,569	17,845	114,593	67,442	88,219

Source: Mirrored from COMTRADE Database

Table 2: Intra-COMESA Exports

Partners	Value in US\$	%
Sudan	1,482,044	56.38
Ethiopia	675,639	25.70
Kenya	381,047	14.50
Djibouti	43,342	1.65

Source: COMSTAT Database

Table 3: Eritrea's Top Extra -COMESA Import Trading Partners, 2001 - 2006

	Partners	2001	2002	2003	2004	2005	2006
		US\$	US\$	US\$	US\$	US\$	US\$
1	Ireland				84,952,437		
2	United States of America	23,571,772	28,855,356	41,782,351	59,354,591	31,885,208	9,732,320
3	Italy				52,965,133		
4	Turkey				20,589,301		
5	Germany				9,231,200		
6	India				9,091,574		
7	United Kingdom				8,786,102		
8	China	3,118,311	6,627,086	2,261,448	8,287,745	3,852,061	41,740,689
9	Netherlands				7,365,940		
10	Japan				5,459,703		
11	Denmark				4,930,418		
12	France				4,534,577		
13	Belgium				4,389,630		
14	Republic Of Korea				3,248,108		
15	South Africa	1,980,354	2,512,470	3,660,676	2,970,448	4,336,848	4,252,754

Source: Mirrored from COMTRADE Database

Table 4: Intra-COMESA Imports

Partners	Value in US\$	%
Sudan	17,008,300	63.90
Kenya	8,735,846	32.82
Uganda	473,537	1.78
Djibouti	269,941	1.01

Source: COMSTAT Database

Table 5: Eritrea's Top Intra Export Key Products, 2006

No.	HS	Product Description	Value US\$	% of Total
1	760410	Bars, rods and profiles, of non-alloy aluminium	671,884	25.6
2	901890	Instruments and appliances used for medical, surgical purposes	564,488	21.5
3	731100	Containers of iron or steel	196,108	7.5
4	840999	Parts	174,915	6.7
5	630900	Worn clothing and clothing accessories	104,091	4.0
6		Other Products	917,052	34.9
		Total Exports	2,628,538	100.0

Source: Mirrored from COMTRADE Database

Table 6: Eritrea's Top Intra Import Key Products, 2006

No.	HS	Product Description	Value US\$	% of Total
1	271099	Waste oils containing mainly petroleum or bituminous products	16,394,922	61.6
2	090240	Black fermented tea and partly fermented tea	6,721,495	25.3
3	271113	Butanes, liquefied	511,102	1.9
4	090111	Coffee (excl. roasted and decaffeinated)	279,363	1.0
5	630510	Sacks and bags, for the packing of goods	251,666	0.9
6		Other Products	2,458,485	9.2
		Total Imports	26,617,033	100.0

Source: Mirrored from COMTRADE Database

Table 7: Eritrea's Top Export Products, 2006

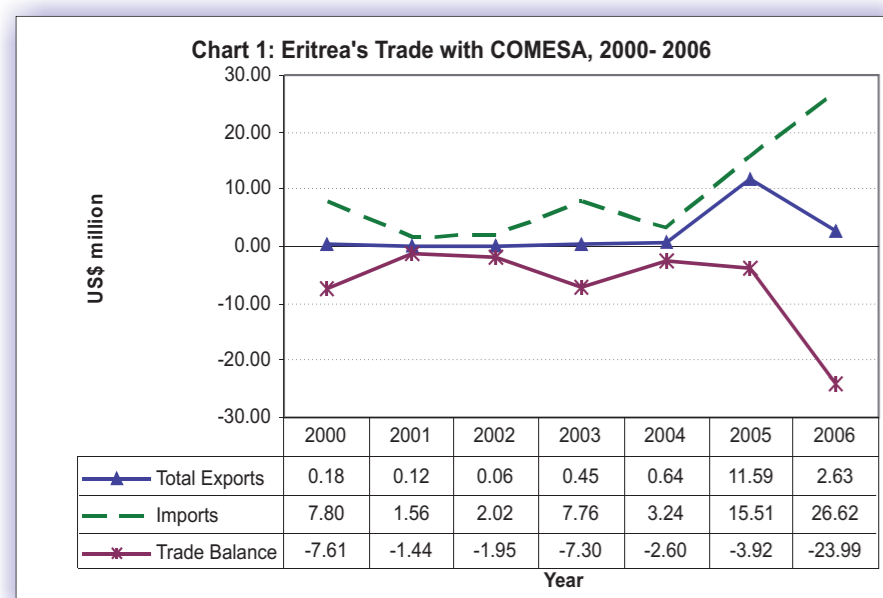
No	HS	Product Description	Value US\$	% of Total
1	843143	Parts for boring or sinking machinery	1,423,949	18.2
2	760410	Bars, rods and profiles, of non-alloy aluminium	671,884	8.6
3	620520	Men's or boys' shirts of cotton	624,548	8.0
4	901890	Instruments and appliances used for medical and surgical purposes	564,488	7.2
5	740400	Waste and scrap, of copper	499,352	6.4
6	120740	Sesamum seeds, whether or not broken	482,864	6.2
7	731100	Containers of iron or steel	196,108	2.5
8	840999	Parts	177,758	2.3
9	610910	T-shirts, singlets and other vests of cotton	166,077	2.1
10	410621	Hides and skins of goats or kids	154,397	2.0
11		Other Products	2,857,656	36.5
		Total Exports	7,819,081	100.0

Source: Mirrored from Major Partners

Table 8: Eritrea's Top Import products, 2006

No	HS	Product Description	Value US\$	% of Total
1	271099	Waste oils containing mainly petroleum or bituminous materials	16,397,317	9.0
2	851730	Telephonic or telegraphic switching apparatus	13,772,464	7.6
3	842699	Ships' derricks; cranes, incl. cable cranes	12,468,588	6.9
4	852520	Transmission apparatus	7,549,303	4.2
5	090240	Black fermented tea and partly fermented teas	6,721,495	3.7
6	100190	Wheat and meslin (excl. durum wheat)	6,184,781	3.4
7	100700	Grain sorghum	5,188,142	2.9
8	847420	Crushing or grinding machines for solid minerals	4,885,590	2.7
9	850440	Static converters	4,389,049	2.4
10	841990	Parts of machinery, plant and laboratory equipment	4,326,255	2.4
11		Other Products	99,715,502	54.9
		Total Imports	181,598,486	100.0

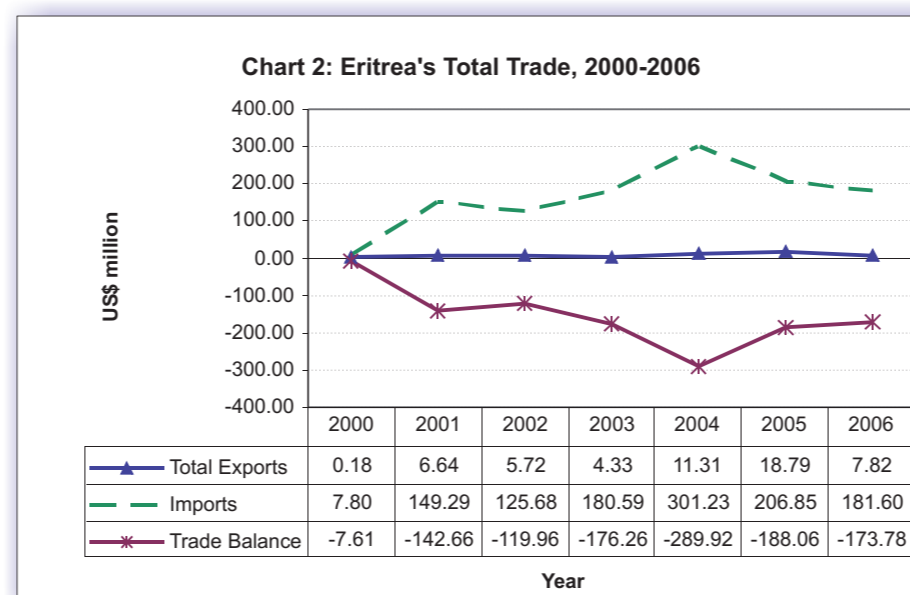
Source: Mirrored from major partners



Source: Mirrored from COMTRADE Database

Statistics on re-exports were not available during the compilation of this Profile.

- Eritrea's exports to the COMESA region decreased significantly by 77.4% to US\$ 2.63 million in 2006 from US\$ 11.6 million in 2005.
- Eritrea's top exports to the COMESA region in 2005 largely comprised bars, rods and profiles of non-alloy aluminium, instruments and appliances used for medical and surgical purposes, and iron or steel containers.
- Eritrea's imports from the COMESA region increased by 71.6% to US\$ 26.6 million in 2006 from 15.5 million in 2005.
- Imports largely comprised waste oils containing petroleum or bituminous products and black tea.



Source: WTO

Regional Commitments

- Eritrea partially participates in the COMESA Free Trade Area (FTA), subsequently goods originating in Eritrea attract a Customs duty of 20% in the FTA.
- Eritrea has signed the COMESA Re-insurance Company (ZEP-RE) Charter zep-re.com as well as the Leather and Leather Products Institute (LLPI) Charter.