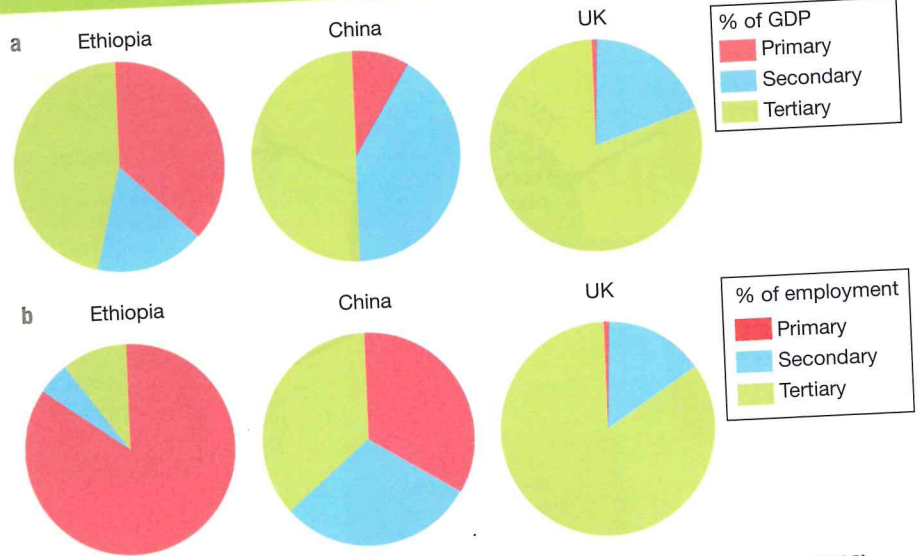


## CASE STUDY: ETHIOPIA – A PRE-INDUSTRIAL COUNTRY

Located in the sub-Saharan region of Africa, Ethiopia is ranked 173 out of 186 countries in terms of its level of development. This makes it one of the poorest and least developed countries in the world.



▲ Figure 4.13: A farming landscape in Ethiopia



▲ Figure 4.14: A comparison of three countries: a) by GDP, and b) by employment (2016)

Figure 4.14 shows that Ethiopia's economy is focused on the primary sector. The primary sector accounts for 75 per cent of all employment but slightly less than 50 per cent of GDP. This difference in percentage values reflects the fact that agriculture in Ethiopia is mainly subsistence farming (Figure 4.13). But this is beginning to change. Coffee has for a long time been the main commercial crop. The cultivation and export of oil seeds and flowers are now on the rise. An obvious negative impact is that this growth of commercial agriculture is taking over land that was once used for subsistence farming. This, in turn, is increasing food shortages in a country that has regularly suffered from **famines**. It also influences people to move to Addis Ababa, the capital city, and to other urban centres, in search of a way to make a living. Another change within the primary sector is the growth of gold mining. This is creating jobs and earning foreign currency.

Up until now, the secondary sector (manufacturing) has played a small part in Ethiopia's economy. But that is beginning to change. The processing of agricultural products has now been joined by the making of textiles and leather goods as the country's leading industries. Exports are growing. The government is investing in the country's infrastructure, particularly in improving the road network and the supply of energy. Foreign investors are beginning to take an interest in Ethiopia. The availability of cheap labour might prove a strong attraction and persuade Transnational Corporations (TNCs) to set up factories there.

Over 75 per cent of Ethiopians live in rural areas, but this percentage is beginning to fall. Rural-urban

### ACTIVITY

Besides cheap labour, what else might attract investors to set up businesses in Ethiopia?

migration is increasing. Cities and towns are few and far between. This helps to explain why there is so little employment in the tertiary sector. A poor, largely rural population has little or no money to spend on urban services. However, since services are relatively more valuable than commercial crops, the small tertiary sector accounts for almost as much of the country's GDP as the primary sector (Figure 4.14). Again, change is happening in the tertiary sector. The African Union and the UN Economic Commission for Africa have set up their headquarters in Addis Ababa.

So, Ethiopia is beginning to make economic progress. Its economy is still rooted in the primary sector. There are shifts taking place, but perhaps more within the individual sectors than between them. The shifts are improving the **quality of life** and living standards of some Ethiopians. The most obvious negative impact is the displacement of subsistence farmers by the growth of commercial agriculture.

### ACTIVITY

Find out possible reasons why Ethiopia has been such a poor and undeveloped country.