

# Sino-Eritrean trade ties strengthened

## New equipment, technology, knowledge and skills are rebuilding a proud nation

Blessed with large deposits of precious minerals such as gold, silver, copper and zinc, Eritrea offers foreign investors a wealth of opportunities in the mining sector, while the agriculture, tourism, fisheries and manufacturing industries also possess huge potential.

President Isaias Afewerki is determined to transform Eritrea into the Horn of Africa's logistics hub, as the country of 5.6 million people capitalizes on its 1,151-km long Red Sea coastline and access to one of the world's busiest trade and shipping routes.

As the African nation's preferred commodity partner, China is playing a key role in Eritrea's socioeconomic development through the supply of aid, capital, machinery, technology, knowledge and skills.

Chinese enterprises and equipment are also widely involved in the rebuilding of vital infrastructure such as roads, airports, power and telecommunications, schools and hospitals.

"Our priority has been the creation of a good climate for investment and development," said Afewerki, who took office in 1993 as head of the People's Front for Democracy and Justice (PFDJ).

"Eritrea can be a gateway for investment in Africa if we can take advantage of our excellent strategic location. Our partnership with China, even though it is in its early stages, will dramatically change the reality in this country and give us a greater global interaction."

According to the president, the mining, fisheries and agricultural sectors, especially cotton production, are best suited for Chinese investment as they will utilize the country's natural resources and generate substantial exports revenues.

"The potential for cotton cultivation is huge and a key part of our agricultural program is the introduction of new technology," he said.

"We are developing our agricultural infrastructure and, in partnership with China, are developing a textile



**President of Eritrea Isaias Afewerki**



**Head of Economic Affairs of PFDJ Hagos Ghebrehiwet**

industry. The initial commitment with China for cotton exports is already in place. We have begun with very modest programs but we need to expand them."

### Tightening bonds

Chinese Ambassador to Eritrea, Li Liansheng, has welcomed these and other positive developments as he looks to strengthen these political, commercial, industrial and social bonds.

"The Eritrean government is trying to invite Chinese companies to make Eritrea a trading and transportation center for Chinese goods," he said. "There is particular potential and interest for Chinese companies in Eritrea's strategic location at the gateway to the vital trade and shipping route on the Red Sea."

A core pillar of Eritrea's modern economic policy is the setting up of new free trade zones that will generate fiscal growth, create jobs, boost government revenue and raise the country's profile on the global stage.

With a strategic location on international shipping lanes, Eritrea offers exporters and investors easy access to foreign markets, with up to 40,000 cargo ships a year — carrying some 700 million tons of cargo — passing close to its coast.

In order to capitalize on these commercial opportunities, Eritrea is building a series of modern free trade zones comprising factories, warehouses, offices, roads, air-

ports and transport facilities. The first free trade zone will commence operations shortly at Massawa after the government invested millions of dollars in the transformation of 5,000 hectares of land next to a former naval base.

Chinese enterprises are among the foreign firms that will be based there and benefit from a tax-free environment in which no direct or indirect taxes are paid on sales or profits.

A second facility at Assab will open later this year and officials have plans for similar developments across the country, including one focused on agro-businesses near the border with Sudan.

### The 'multiplier' effect

According to Eritrea Free Zones Authority CEO, Araia Tsegai, the free trade zones will stoke the economy through the "multiplier" effect of employment, training and education opportunities and act as a magnet for foreign investors.

"We feel they are a good place for Chinese companies to secure and buy resources from Eritrea, process them there and take them to China or use them for their own purposes anywhere in the world," he said.

"Looking ahead to the imminent openings of the new free trade zones at Massawa and Assab, Tsegai emphasized the importance of Eritrea's location in the Horn of Africa and revealed that while the Massawa facility will focus on manufacturing, the sister zone at Assab will be aimed at transshipment-related operations and services.

"Cargo ships are always passing and this element is crucial as most of the shipping firms will end up stopping here and picking up their produce to wherever they are going," he said.

"Chinese enterprises always carry out relatively large projects so if the Chinese start up businesses and logistical operations here it will be very important for

our current and future operations as they are significant investors."

A leading figure in Eritrea's import and export sector — and an organization that is sure to benefit from the presence of the free trade zones — is the government-owned Red Sea Trading Corporation.

Established in 1984 as a commodities trading business, the non-profit firm performs a wide range of operations. It handles commodities such as sugar, grain and oil and the bulk of its trade is with China, where it is looking for further business opportunities.

"Our priority has shifted to China — the more suppliers you get, the more chances you have to obtain different brands of commodities and products," said Red Sea Trading Corporation general manager, Negash Afworki."

As the government's head of economic affairs, Hagos Ghebrehiwet is responsible for overseeing the development of many of Eritrea's State-owned enterprises in a range of sectors. "We have to become independent and develop our resources," he said. "We need investment and assist-

ance that allows us to stand on our own two feet, as well as being mutually beneficial."

### Building connections

Meanwhile, helping firms connect to the world in today's technology-dependent society is EriTel. The country's sole telecommunications provider is State-owned and is committed to improving its infrastructure and network coverage with the help of Chinese equipment, technology and human resources.

"We have replaced the old analogue equipment across the country with new digital telecommunications technology and have installed solar energy systems in areas where there is no electricity so that the mobile systems work 24 hours a day," EriTel general manager and CEO, Berhane Tesfaselassie said.

"The Chinese are helping our development in many areas and I really appreciate their contribution to Eritrea's telecommunications sector and their cooperative and understanding attitude."

Such technological improvements are a key component of the growth of the Housing and Com-

merce Bank of Eritrea.

Founded in 1994, the Asmara-based bank offers individual and business customers a wide range of financial products and services such as savings and deposit accounts, private and commercial loans, plus international money transfers.

"Even though 60-70 percent of our activities and transactions are still involved in real estate, we do provide all the normal services that a bank should offer," said Housing and Commerce Bank of Eritrea General Manager, Berhane Hiwet Ghebre.

"We are trying to open new branches in remote areas so everybody can benefit from our banking services and we really care about corporate social responsibility."

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## A safe investment at gateway of Africa

Since it was established in 1993, shortly after Eritrea's independence, the Bank of Eritrea has played a pivotal role in the country's development, helping to foster economic growth and regulating and building a sound financial environment.

While striving to maintain a healthy and sustainable balance of payments and strong exchange rate policy, the bank also works to advance and protect the interests of consumers and businesses.

In recent years, Eritrea has succeeded in maximizing its competitive advantages for growth and development, and now offers a host of opportunities in mining, tourism, agriculture and fisheries. It has also attracted foreign direct investment on an unprecedented scale.

The promotion of Eritrea's investment-friendly climate is one of the bank's key objectives in the coming years, according to Kibreb Weldemariam, acting governor of the Bank of Eritrea.

"To make 'further investment' possible, the Bank of Eritrea will make the utmost efforts to strengthen its regulatory capacity, modernize its payment system, and improve its human and technological capacity," he said. "We encourage foreign investors, whether from China or any other foreign country to come to Eritrea and establish banks or financial institutions in the country."

Among the many opportunities and benefits for investors is the easy access to the facilities Eritrean banks provide. "Investors are allowed to open foreign currency accounts, and operate them freely, without any restrictions or limitations," Weldemariam pointed out. "They are also entitled to full repatriation of the profits they make and to retain their export revenues and proceeds in their foreign currency accounts."

Given the political and social upheavals in neighboring countries Eritrea offers stability and security for investors. They also benefit from



**Central Bank of Eritrea**

excellent road and sea links, and Eritrea's strategic location on the Red Sea trading route — one of the busiest trading routes in the world.

The country's free zones, at Massawa and Assab, provide excellent facilities for Chinese trade, shipping and logistics companies including the use of warehouses, which can be utilized as distribution centers for Middle Eastern and African countries. Investors can also use the free zones to export items manufactured within the country to other nations, and to establish shipping lines in Massawa or Assab to transport goods throughout Africa by land or by sea.

Almost 20,000 vessels a year pass Eritrea loaded with some 700 million tons of cargo — more than 9 percent of the estimated 7.7 billion tons carried by global shipping. The Massawa free trade zone encompasses about 5,000 hectares, including the port and airport. Authorities have invested tens of millions of dollars in preparing the infrastructure.

### A strong trading bond

Chinese and Eritrean trading relations go back as far as its independence, with China showing the will to partner and establish a friendly relationship with Eritrea. As Weldemariam explained: "China understands Eritrea's needs and development

policies, and because of that, we have developed a close relationship with them.

"Respect for other nations and non-interference in the internal affairs of other countries is one of the important principles on which China bases its foreign policy. Eritrea believes in that too."

In the last few years, China has made significant contributions to Eritrea's development, especially in infrastructure, such as hospitals, roads, schools and other buildings. China also supports Eritrea in developing its industrial, agricultural and mining sectors. Trade between the two countries continues to grow.

To conclude, Weldemariam said: "I would say to Chinese traders and businessmen that Eritrea is a virgin country and that every aspect, be it the security, the friendliness and openness of our people, or the climate, is conducive to foreign investment."

"There is a great opportunity for Chinese investors to participate in developing Eritrea's global reach in tourism, fisheries, infrastructure, and agriculture."



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## A commercial success looks to increase competition

A universal bank that caters for all sectors of the economy, including agriculture, domestic trade, finance, transport and fisheries, the Commercial Bank of Eritrea is committed to a dynamic financial sector in Eritrea.

With a mission to provide credit facilities for Eritreans to realize their business dreams, the Bank enjoys an 85 percent share of the market, making it the largest commercial institution in the country.

General manager Yemane Tesfay is convinced that Chinese participation will add extra value and efficiencies to the bank and its clients, and bring much-needed competition to the banking sector.

"As a banker for 30 years, I am pro-competition, so a Chinese investor taking control of the management of the bank would

be good for Eritrea and good for the investor.

"We have a network of branches all over the country, even in the rural areas, so there is a solid base laid. The infrastructure is there, the reputation is there, public confidence is there and on top of all that, we have a young and educated workforce and can communicate in different languages. Taking China's general interest in Africa into account, I am optimistic it will be beneficial for both sides."

### Internationally minded

Tesfay believes it is the bank's asset base and capitalization under the Basel II agreement that secured its inclusion as one of The Banker magazine's Top 100 African Banks.

The bank also prides itself on

having relationships with around 30 correspondent banks in Europe, the US and the Far East, and on being a member of the SWIFT family.

These factors, along with a computerized banking system and systematic training programs for staff, all point to an internationally minded institution. "We would like to establish more links with China," Tesfay said. "If there are goods and services going back and forth between the two nations, there is no reason why we cannot have a strong relationship."

"Being State-owned, our banks are not as efficient as they could be. Chinese investors can enjoy the first-bird advantages if they come and participate now. It will be a pleasure to serve their investments."

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