Ethiopian Industrial parks are economic development tools that are mentioned in the recent UNCTAD report on African Special Economic Zones (SEZs) as one of the most successful experiences in Africa in terms of attraction of foreign direct investment and stimulation of economic activity. These sites offer to firms that relocate within them a combination of fiscal incentives, duty reductions and administrative facilitation (e.g. one-stop shops for business registration or for dealing with other administrative formalities) that are typical of SEZs. Some of these parks specialise in garment and textile production and are equipped with standard pre-built factory units that the Ethiopian Investment Commission (EIC) makes available for rent to firms so that they can immediately start operations in a plug-and-play set-up. However, after an initial expansion of textile-specialised industrial parks in the country, it seems now that they are entering into a crisis due to the removal of Ethiopia from the list of the countries beneficiary of the African Growth and Opportunity Act (AGOA).

The AGOA is a trade initiative launched by the U.S. Congress with the Public Law 106-200 of 18 May 2000, that gives qualifying Sub Saharan African countries a duty-free access to the US market for approximately 6,500 tariff lines (at the HS8-digit level), and for other additional apparel sector tariff lines, provided they met specific criteria defined in the Public Law n. 106 and commonly known as “apparel visa requirements”, consisting in the adoption of a system for tracking fabric and other materials used in the production of apparel and of records of imported fabric. Ethiopia was admitted to the AGOA on 2 October 2000, while on 2 August 2001 the US declared the country to meet the apparel visa requirements.

Following the admission to the AGOA, many foreign textile companies, especially from Asia, have settled in the textile-specialised Ethiopian Industrial Parks, like Hawassa, to gain a duty-free access to the United States market and to benefit from the cost of labor that the country offers, which is among the lowest in Africa (textile industry is a typical a labor-intensive industry). Ethiopia exports of textiles to the United States felt down from $257 million in 2021 to $191 million in 2022.

On 1th January 2022, the U.S. Government suspended Ethiopia from the AGOA program together with Mali and Guinea due to alleged “gross violations of internationally recognized human rights” in relation to the recent internal conflict in the Tigray region. This ultimately raised a worry in the country by some observers , considering that Ethiopia has actively leveraged AGOA to attract foreign investment and to expand its manufacturing export output via the development of industrial parks specialised in textile production .

After the delisting of Ethiopia from AGOA, some of foreign companies in Industrial Parks that used to export high shares of their products to the US, are reporting now to face a steady reduction of profits due to the loss of preferential access to the US market. The consequence is that many of them are progressively disinvesting from Ethiopia. Only one week after the announcement of the termination of the AGOA benefits, a first company announced its retreat from the Ethiopian market and the intention to sell off its assets in the country. In July 2022, two Asian garment factories announced their layoff plans to exit from Ethiopia. Now an additional company, a Hong Kong-based textile company , is reported to have departed Bahir Dar Industry Park as a result of Ethiopia’s suspension from the AGOA.