

Eritrea

A. Definitions and sources of data

Eritrea became independent in 1993 and introduced its own currency in 1996. It was only then that the government was able to exercise meaningful monetary and fiscal control. Data on foreign direct investment (FDI) are still not available from the Central Bank. The Eritrea Investment Proclamation (No. 59/1994) governs all foreign investment in the country but is silent on specific definition for FDI.

As a way of encouraging private investment, the Eritrean Government is ending all subsidies for state-run enterprises and is divesting its shares from many of these enterprises. The enterprises being privatized include those that salt, glass, leather, processed foods, cotton, knitwear and sweaters, beverages and liquors. The Government of Eritrea plans to divest shares in its previously publicly-owned ventures, particularly hotels. Sales in the past had attracted a lot of private interest. At the same time, several new factories were opened to produce marble, recycled plastics and rubber goods. Tourism, formerly a small but growing sector was the subject of a promotional drive launched by the Ministry of Tourism in April 2002. The main export items are salt, semi-processed leather goods, flowers, livestock and textiles.

Eritrea has gold reserves. Artisanal gold mining plays an important role in revealing new potential areas for mining companies. The country recently announced a very high-grade borehole results at its Bisha project, west of Asmara. Eritrea also has substantial reserves of barite, feldspar and kaolin, as well as deposits of potash, rock salt, gypsum, asbestos and marble. The marble is of high quality, and the government is encouraging investments for the export of finished or semi-finished products to the Middle East and Europe.

International companies operating in the mining sector include Anmercosa Exploration, a subsidiary of a South Africa- and United Kingdom-based company, Anglo-American, Dragon Mining (Australia), LaSource Development (France), Maiden Gold (Australia), Rift Resources (Canada) and Tan Range Exploration (Canada).

Eritrea belongs to a large number of regional integration schemes. Since independence Eritrea belonged to the seven-member Intergovernmental Authority on Development (IGAD). Eritrea is also a member of the Common Market for Eastern and Southern Africa, New Partnership for Africa's Development and the African Union. The country is an eligible member of the European Union (EU)-led Cotonou Agreement for the renegotiation of the trade and aid links between the African, Caribbean and Pacific countries with the EU and the Everything But Arms initiative. Eritrea is also among the 34 African least developed countries that have the option of entering the EU generalized system of preferences.

B. Statistics on FDI and the operations of TNCs

Table 1. Summary of FDI
(Millions of dollars)

Variable	Inward	Outward
1. FDI flows, 2002-2005 (annual average)	11.4	..
2. FDI flows as a percentage of GFCF, 2002-2005 (annual average)	6.1	..
3. FDI stock, 2005	395.0	..
4. FDI stock as a percentage of GDP, 2005	41.4	..

Source: Based on tables 3a, 4 and UNCTAD, FDI/TNC database.

Table 3a. FDI flows, by type of investment, 1996-2005

(Millions of dollars)

Year	Inward investment				Outward investment			
	Equity	Reinvested earnings	Intra-company loans	Total	Equity	Reinvested earnings	Intra-company loans	Total
1996	..	..	..	36.7	..	..	..	..
1997	..	..	..	41.1	..	..	..	..
1998	148.5	0.1	..	148.5	..	..	..	..
1999	83.2	..	..	83.2	..	..	..	..
2000	27.9	..	..	27.9	..	..	..	..
2001	..	..	..	12.1	..	..	..	..
2002	..	..	..	20.0	..	..	..	..
2003	..	..	..	22.0	..	..	..	..
2004	..	..	..	-7.9	..	..	..	..
2005	..	..	..	11.4	..	..	..	..

Source: UNCTAD, FDI/TNC database.

Note: FDI inflows: IMF for 1996-2000, IMF country report June 2003 No. 03/165, OECD 2004 and estimate for 2005.
 FDI outflows: Not available.

Table 4. FDI stock, by type of investment, 1980-2005

(Millions of dollars)

Year	Inward Investment				Outward Investment			
	Equity	Reinvested earnings	Intra-company loans	Total	Equity	Reinvested earnings	Intra-company loans	Total
1996	36.7	..	..	..	..
1997	77.8	..	..	..	..
1998	226.3	..	..	..	..
1999	309.5	..	..	..	..
2000	337.4	..	..	..	..
2001	349.5	..	..	..	..
2002	369.5	..	..	..	..
2003	391.5	..	..	..	..
2004	383.6	..	..	..	..
2005	395.0	..	..	..	..

Source : UNCTAD, FDI/TNC database.

Note: FDI inward stock: Estimated by accumulating inflows since 1996. FDI outward stock: Not available.

Table 6. FDI flows, of the United States in Eritrea, 1998-2004

(Millions of dollars)

Economy	1998	1999	2000	2001	2002	2003	2004
Germany	..	..	..	0.9	..	..	..
United States	-3.0	-7.0	-15.0	-15.0	-15.0	-13.0	-8.0

Source: UNCTAD, FDI/TNC database.

Note: Data are based on information reported by the economies listed above.

Table 12. FDI stock in the host economy, by geographical origin, 1997-2004

(Millions of dollars)

Economy	1997	1998	1999	2000	2001	2002	2003	2004
Canada	..	..	1.4	2.0	1.3	1.3	..	..
Slovenia	..	..	0.1	0.2	..	..	..	..
United States	2.0	-1.0	12.0	-3.0	-17.0	-32.0	-45.0	-53.0

Source: UNCTAD, FDI/TNC database.

Note: Data are based on information reported by the economies listed above.

Tables 23, 30, 35, 40 and 45. The number, assets, employment, wages and salaries and sales of affiliates of United States TNCs in Eritrea, 1997-2003

(Number, thousands of employees and millions of dollars)

Table no.	Variable	1997	1998	1999	2000	2001	2002	2003
23	Number	1	1	3	3	3	3	3
30	Assets	..	..	..	28	30	31	32
35	Employment	..	..	0.3	0.3	0.3	0.3	0.3
40	Wages and salaries	1	..	..	1	1	1	1
45	Sales	..	..	..	22	24	24	27

Source: UNCTAD, FDI/TNC database.

Note: Data are based on information reported by the United States.

Table 88. Largest affiliates of foreign TNCs in the host economy, 2004

(Millions of dollars and number)

Company	Home economy	Industry	Sales	Employees
A. Industrial				
..
B. Tertiary				
Perenco Eritrea	France	Wholesale trade	46	10 ^a
Eritrean Maritime Shipping Services Enterprise	Denmark	Transport	..	120 ^b
Ericel	South Africa	Telecommunication	..	..
C. Finance and Insurance			Assets	Employees
..

Source: Who Owns Whom database (<https://solutions.dnb.com/wow>).

^a 2003. ^b Estimate.

C. Legal frameworks for transnational corporations

The national instruments that regulate the activities of the foreign direct investors and transnational corporations in Eritrea include:

I. National framework

Investment Proclamation, No. 59/1994.

Source: Gazette of Eritrean Laws published by the Government of Eritrea on 24 August 1994.

Land Proclamation, No. 58/1994 of 24 August 1994.

Source: Gazette of Eritrean Laws published by the Government of Eritrea on 24 August 1994.

Advocates Proclamation, No. 88 (1996),

Source: Gazette of Eritrean Laws published by the Government of Eritrea in 1996.

Proclamation to Regulate the Registration of Eritrean Ships, No. 77 (1995).

Source: Gazette of Eritrean Laws published by the Government of Eritrea on in 1995.

Communications Proclamation, No. 102 (1998).

Transitional Commercial Code, effective 15 September 1991

Source: Gazette of Eritrean Laws published by the Government of Eritrea in 1991.

Transitional Maritime Code, effective 15 September 1991

Source: Gazette of Eritrean Laws published by the Government of Eritrea in 1991.

Transitional Civil Procedure Code, effective 15 September 1991

Source: Gazette of Eritrean Laws published by the Government of Eritrea in 1991.

Transitional Civil Code of Eritrea, 15 September 1991

Source: Gazette of Eritrean Laws published by the Government of Eritrea in 1991.

Business Licensing Proclamation No. 72/1995.

Source: Gazette of Eritrean Laws published by the Government of Eritrea in 1995.

Income Tax Proclamation, No. 62/1994

Source: Gazette of Eritrean Laws published by the Government of Eritrea in 1994.

Income Tax Regulations, Legal Notice No. 20 (1995).

Source: Gazette of Eritrean Laws published by the Government of Eritrea in 1995.

II. International Framework

A. Eritrea is a party to the following multilateral and regional instruments:

Convention Establishing the Multilateral Investment Guarantee Agency of 1985, entered into force on 12 April 1988.

Treaty Establishing the Market for Eastern and Southern Africa (COMESA), 1993.

Partnership Agreement between the Members of The African, Caribbean and Pacific Group of States, of the one part and the European Community and its member states, of the other part signed in Cotonou, Benin on 23 June 2000.

B. Bilateral treaties

- 1. Bilateral investment treaties for the protection and promotion of investments: Italy 1996.**
- 2. Bilateral treaties for the avoidance of double taxation: ...**

D. Sources of information

Official

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Secondary

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