



MASTERING YOUR MARKET UNDER AFCFTA - REPUBLIC OF THE DJIBOUTI

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OVERVIEW OF DJIBOUTI

Djibouti is a sub-Saharan East African country with a combined land area of about 23,200km² (Wikipedia). It is located in the East African region, bordering countries like Somalia, Eritrea, Ethiopia, Yemen, Gulf of Aden and the Red Sea with its capital in Djibouti city. It is not a land-locked country, it is blessed with a coastline of about 314km² that houses one liner ports and a terminal port. About 80% of Djibouti's annual port traffic is tied to Ethiopia, Djibouti can benefit from its neighbour's continued economic recovery, but the downside is that Djibouti will also remain vulnerable to possible disruptions due to political instability in the Tigray region (Coface).

Main agricultural products include Fruits, Vegetables, sheep, goat camels and animal hides. In Djibouti, Industry accounts for a fifth of the Djibouti gross domestic product as agriculture plays a much lesser impact on the economy. The tertiary activity contributes to more than 80% of Djibouti's wealth (world bank).

ECONOMIC SNAPSHOTS

Djibouti has just one port, housed on the coastline of 314km². It is predominantly a Muslim nation, Sunni (94%), Christians and others (6%). French (official), Arabic (official) Somali and Afar are the languages spoken in the country. It is a lower middle income country with a GDP per capita income of about \$3,426 (2020). The GDP was about \$3.38 Billion (2020). Inflation and unemployment rate is 5.3% (2020) and 28.4% respectively (trading economics), while about 50.29% of the country's population is between 1-24 years of age. The major products exported from the country include Chlorides (\$45.9M), Palm Oil (\$45M), (\$11.6M), Vegetables (\$10.9), Sheep and Goats (\$9.46M). Foreign company should be looking at producing



ECONOMIC SNAPSHOTS

or exporting the following products to Djibouti, as its major imports are Petroleum products(\$374M), Fertilizers (\$246M), Palm Oil (\$232M), Sunflower seeds (\$200M), Palm oil (70.3M) and Cars (\$69.4) (OEC 2020).



MARKET CHALLENGES

Djibouti is a lower middle income country, this suggests that the average person living in the country earns less than \$1000/annum. Ease of doing business index (world bank 2019) ranked Djibouti at 112 out of about 190 countries. It is the 158th economy in the world and 42nd in Africa by GDP. A trade balance of \$-686.0M(Countryeconomy.com). Djibouti is a poor country with extreme and widespread poverty in the land, Poverty rate is alarming, reaching 70.20% in 2017 according to the World Bank. The country ranked 166th in the world on the 2019

Unemployment rate in Djibouti was estimated at around 28.4% in 2020 (World Bank). Foreign business can be met with difficulties in the global supply chain, as this could dampen the expansion of the growth currently being experienced in the country. According to coface, the country is riddled with challenges that includes high risk of debt distress, dependence on Ethiopia and China, large informal economy: high poverty and unemployment endemic, very dry climate and a difficult business environment.



IMPORT PRODUCTS

In 2020, the total import volume of Djibouti amounts to about \$5.37 billion. Some of the items imported and the amount include the following:

1. Metals -	\$573M
2. Textile -	\$558M
3. Machine-	\$557M
4. Chemical Prod.	\$553M
5. Animal Bi-Prod.-	\$468M
6. Mineral Product-	\$420M
7. Transportation-	\$397M
8. Veg. Product-	\$353M
9. Plastic&Rubber-	\$334M
10. Foodstuff-	\$284M
11. Stone & Glass-	\$225M
12. Miscellaneous-	\$219M
13. Foot&Headware	\$168M
14. Instruments-	\$67.7M
15. Paper Goods-	\$53.9M
16. Precious Metals-	\$31M
17. Animal Product-	\$29.9M
18. Wood Product-	\$26.4M
19. Animal Hides-	\$20.5M
20. Weapons-	\$1.28M

The total service import volume of Djibouti in 2019 is about \$626 million and some of the services imported include the following:

1. Transportation -	\$532M
2. Govt. Services -	\$31.2M
3. Travel-	\$25M
4. Insurance-	\$22.6
5. Comp.&Info syst	\$15M

MARKET OPPORTUNITIES

According to Coface, Djibouti is geographically located at the entrance to the Red Sea and attracts support from the international community, the country have now become a regional commercial, logistic and military hub, attracts significant foreign direct investment, Process is underway to modernize port and railway infrastructures, and free zones. Djibouti is at the heart of China's Silk Road project, and more importantly, it is Ethiopia's only access to the sea, through which more than 90% of its trade passes. Others include nationals and foreigners alike enjoy the same rights and the fact that its currency is pegged to the US dollars and its freely convertible. Its finan-

cial system is free from exchange controls. The telecom system in Djibouti is ranked among the best in Africa. Investments in the country are eligible for funding, insurance covers from regional and international financial institutions. Djibouti is a natural gateway to a market of over 400million inhabitants. Djibouti imports the majority of their consumer goods and products, generating a trade deficit and high external dependence for food and energy needs. The country has a potential market access due to the composition and the purchasing power of the population.

MARKET ENTRY

Djibouti have implemented many reforms that include creating a one-stop shop for business start-up, thereby making property transfer easier and more transparent, strengthening access to credit, strengthening minority investor protections, ensuring enforcement of contracts is easier by establishing a dedicated division within the court of first instance to resolve commercial cases and by adopting a new Code of Civil Procedure, and making resolving insolvency easier. Companies entering and

operating in Djibouti must first be registered with the tax authorities, social security offices and chambers of commerce. To register a business, the Djibouti office of industrial and commercial protection is the place to go. Their website www.odpic.info provides information on how to start and conclude your business registration process. The national investment promotion agency (NIPA) on the other hand, is the body saddled with the responsibility of promoting Djibouti and the preferred investment destination and attract-

ing the needed foreign direct investment. Their website www.djiboutiinvest.com, provides investors with information and guidance on investing in the country. Like in most of Africa, it is important to secure the services and expertise of a local partner who has a better understanding of the business environment. It is also worthy of note that all natural persons and legal entities are approved to conduct import and export business in Djibouti.

IMPORT DOCUMENTATIONS

In 2020, Djibouti's imports totaled the sum of \$5.37B (OEC2020). This is far more than the \$160M proceeds from exports. The above shows that the country is heavily dependent on importation. To import into Djibouti for commercial purposes, such a company must possess a registered trade company with the appropriate license and must be listed in the Trade and company register of the country. The general di-

rectorate of customs in Djibouti has been saddled with the responsibility of levying tax, facilitating legitimate trade, implementation of customs policies and protection of the society and legal economic activities.

The country of origin largely determines the type of documents required for importation, thus, having a full grasp of the peculiarity of these documents is a catalyst for a smooth import and export business. Customs process is usually efficient especially

when presented with valid documents that conveys the right and accurate information. This however, must be submitted at the appropriate time for effective and efficient clearance through the ports.



PAYMENT & EXCHANGE

It is highly recommended that a foreign business exporting to an importer in Djibouti agrees on a contract with a letter of credit as the method of payment, this is to enable both parties mitigate risks, especially when it's a first time transaction. Djibouti currently has no foreign exchange controls in place, hence businesses are free to repatriate profits. Also, no limits exist for converting or trans-

ferring funds or on the inflow and outflow of cash.



BUSINESS CULTURE

In and around the Djibouti business environment, it is a norm to exchange greetings and handshakes during meetings. Some women however, prefer not to shake hands as their religion would not permit them to do so. In this case, you would need to follow her lead and lookout for her greeting gesture. Building relationships and creating networks in Djibouti's business environment is very important. Business meetings are heralded by casual and personal discussions, with the host indicating when the business discussion will commence.

Suits and ties are usually reserved for big occa-

sions due to the hot weather conditions in the country. It is also common for women to wear traditional attire during an official meeting. By custom and law men have more rights and higher status than women. Traditional Afar and Issa culture as well as Islam tend to support a pattern of gender roles that give men predominance in public life, business, and politics. Economic necessity, conflict, and migration have made many women the sole household head



The country has a potential market access due to the composition and the purchasing power of the population.



IN CONCLUSION

As a lower middle income country with a GDP per capita income of about \$3,426 (2020) Djibouti citizens earn less than US\$1000/annum. Djibouti majorly exported from the country include Chlorides (\$45.9M), Palm Oil (\$45M), (\$11.6M), Vegetables(\$10.9), Sheep and Goats (\$9.46M). And imported Petroleum products (\$374M), Fertilizers (\$246M), Palm Oil (\$232M), Sunflower seeds (\$200M), Palm oil (70.3M) and Cars (\$69.4) (OEC 2020). Despite been faced with

these challenges, the east African nations has been able to simplify its business startup processes thereby making property transfer easier and more transparent, strengthening access to credit, strengthening minority investor protections, ensuring enforcement of contracts is easier by establishing a dedicated division within the court of first instance to resolve commercial cases and by adopting a new Code of Civil Procedure, and making resolving in-

solveny easier. Foreign Business owners and investors need not worry about its financial system as it is free from exchange controls, hence businesses are free to repatriate profits. The country has a potential market access due to the composition and the purchasing power of the population.

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