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**BRIEFING NOTES ON DEVELOPMENT IN
THE EASTERN AFRICA SUBREGION**

-INDUSTRIAL AND TRADING STRATEGIES FOR THE IGAD* SUBREGION-

IGAD: Intergovernmental Authority for Development

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I. INTRODUCTION

The adoption by the IGAD Summit of Heads of State and Government of the Declaration on Revitalization (18 April 1985) and the new charter (21 March 1996) extending its scope of activity conferred on IGAD a new mandate to address the challenges facing IGAD member States. By transforming itself from a drought and desertification control organization into a subregional development institution, IGAD was responding to several factors including:

- (a) The need for a regular consultative framework for conflict prevention and management;
- (b) The similarity of socio-economic problems and the need for a subregional and comprehensive approach to finding appropriate solutions;
- (c) The entry into force of the Abuja Treaty establishing the African Economic Community whose implementation strategy is essentially based on convergence or gradual unification of the integration schemes of the subregional economic communities; and
- (d) The emergence/consolidation of regional trading blocs world-wide both as a response to and an instrument for managing the globalization and liberalization of the world economy.

The revitalization and expansion of IGAD's scope of activity through the signing of its revised charter has taken place in a changing subregional economic and international environment whose main feature are:

- (a) A rapid acceleration in the liberalization of the world economy following the signing of the WTO agreements which will unleash even fiercer competition among various international trading partners and actors;
- (b) State withdrawal from most productive sectors and the preponderant role that the private sector is being asked to play in the production of goods and services; and

(c) The urgent necessity for African countries both to diversify production, achieve productivity gains in order to reduce commodity dependence, consolidate their traditional trading positions and to conquer new market shares in world trade.

Anxious to find solutions to all these problems at the subregional level, the Heads of State of the subregion mandated IGAD to coordinate and harmonize the various policies on development infrastructure; food security; environmental protection; conflict prevention, management and resolution; and humanitarian questions.

In this connection, IGAD requested the Eastern Africa subregional centre to prepare the papers on the Industrial and Trading strategies.

II. INDUSTRIAL STRATEGY

Africa's industrial sector, more than any other, has suffered from the liberalization/restructuring/divestiture policies initiated by member States under structural adjustment.

For IGAD and its member States, the issue is one of adopting to this new economic environment by pursuing a subregional industrialization policy which best blends the factors described above and corrects the structural imbalances of the subregion's economies which are largely dependent on the primary sectors of agricultural and other commodities for their GDP.

The revitalization declaration adopted on 18 April 1995 and the new IGAD charter adopted on 21 March 1996 both extend IGAD's cooperation arrangements into new areas, including:

(a) The promotion of joint development strategies and the harmonization of macro-economic policies and programmes;

(b) The harmonization of the production and marketing structures of the member States; and

(c) The creation of an environment conducive to foreign, transborder and domestic investment as well as the gradual harmonization of investment policies.

Achieving these general objectives will depend, among other things, on the formulation of an appropriate strategy and of subregional instruments for pursuing that strategy.

The request for assistance submitted by IGAD's secretariat to ECA's East African SRDC should be considered from this perspective as should the preparation of an industrial sector strategy which forms the object of the study to be conducted under the following Terms of Reference.

- (a) Conduct a summary of national policies and strategies as reflected in national development plans and structural adjustment programs.
- (b) Describe the essential features of the national industrial structures:
 - national industrial priorities and potentials;
 - national industrial fabric (characteristics and degree of development).
- (c) Identify alternative strategies for developing the sub-regional industrial fabric:
 - * import substitution
 - * industrial export drive towards third countries
 - * integrating sub-regional industries through a specialization policy
 - * other strategic option
- (d) Highlight the scope and limitations of each strategy within the context of IGAD's economic space.
- (e) Propose a sub-regional strategy for industrial cooperation which best harmonizes national objectives and constraints.

- (f) Identify national and sub-regional instruments to be forged in order to pursue the set objectives:

Nationals	Sub-regionals
i) business creation agencies	- One-stop business creation agencies
ii) business laws	- harmonized business laws
iii) investment codes	- harmonized investment codes
iv) investment guarantee funds	- joint investment guarantee funds
v) SME-SMI promotion funds	- joint SME-SMI promotion funds
vi) training and research programs	- joint training and research programs
vii) other instruments...etc.	- other instruments

- (g) Define the respective roles of Member States, IGAD Secretariat, Consular Offices and professional business concerns in the implementation of the strategy and the management of the proposal instruments.

III. TRADING STRATEGY

In addition to its original mandate of food security and environmental protection, IGAD's scope of activity has been expanded to other areas of cooperation such as the harmonization of national macroeconomic, trading, energy, agricultural, transport and communications policies.

This change means that IGAD secretariat must design, implement and manage subregional policies in each of the aforementioned areas.

To define a credible subregional macroeconomic or sectoral policy, IGAD must base its thinking on three main factors:

- (a) A clear identification of the objectives to be attained;
- (b) The design of a strategy for (or a rational, flexible and effective approach to) achieving those objectives; and

- (c) Making a judicious choice of cooperation machinery and instruments it will use to pursue that strategy.

In article 7 and 13 (a), the revised charter of IGAD defines the main sectoral objectives of subregional cooperation.

In the matter of trade, those objectives cover:

- (a) The harmonization of trading and customs policy;
- (b) The removal of tariff and non-tariff barriers with a view of achieving an integrated subregional economic space;
- (c) The promotion of the free movement of goods and services;
- (d) The creation of an enabling environment for transborder trade and investment; and
- (e) The pursuit of COMESA and AEC objectives.

While most of these objectives can be found, in varying degrees, in all the subregional economic integration schemes, it nevertheless, remains true that the implementation strategies and instruments differ from one subregion to another because of the national socio-economic realities they have to reflect. This is what makes it imperative for the IGAD secretariat to design and pursue a rational and coherent strategy that best incorporates the objectives to be attained and the realities of the subregional space.

Based on the objectives assigned to IGAD in the matter of trade, the study to be undertaken by the Eastern Africa Subregional Development Centre will:

- (a) Analyze national trading policies;
- (b) Identify alternative strategies for achieving IGAD's trading objectives: (i) the establishment of an IGAD marketing system with a view to creating a preferential trade area, free trade area or customs union; (ii) the adoption and joint management of the COMESA marketing system; (iii) other alternatives;
- (c) Analyze and highlight the advantages and constraints of each alternative scenario;

(d) Propose the most workable approach for the IGAD space and identify the major implications relating to: (i) national strategies; (ii) national commitments under World Trading Organization (WTO) agreements, the COMESA Treaty and the Abuja Treaty;

(e) Identify the legal, fiscal, commercial, institutional and other instruments/machinery to be forged in pursuit of the strategy: (i) negotiated preferential regime; (ii) linear or gradual tariff removal; (iii) total or partial community taxation; (iv) rules of origin; (v) tariff and statistical nomenclature; (vi) transit regime; (vii) compensation fund; (viii) documents and formalities to be harmonized or standardized (customs codes and regimes, customs declaration forms, certificates of origin); (ix) promotional activities (trade fairs, salons, exhibitions, trade missions); (x) sharing of trade and other information.

(f) Define the respective roles of the IGAD secretariat and the member States in the implementation of the strategy and the management of the proposed instruments and machinery;

(g) Submit an indicative time-frame for implementation, taking into account national commitments under the COMESA Treaty, the Abuja Treaty and WTO agreements; and

(h) Formulate draft protocols on the implementation strategy and instruments.