

# Ethiopia & Prospects for Regional Economic Integration in Africa



Author Markos Tekle Rike

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## Ethiopia: an Overview

Ethiopia is a country situated in the Northeastern part of Africa commonly known as the Horn of Africa. Ethiopia is an ancient state with a long history of statehood which managed to maintain its independence amid the colonial partition of Africa in the 19th and 20th centuries. The historic victory of Adwa against the invading colonial forces in 1896 immensely contributed to the spread of black consciousness and the pan-African movement across the continent. Due to its historic victory of blacks over white colonial powers and symbolic role for African liberation movements, Ethiopia managed to play a middle-ground mediation role among different blocs. It was the latter fact that entitled the country to a special place among Africans; and hence, it has been chosen to host the OAU and later African Union and become the centre for African diplomatic activity.

After the demise of the dictatorial military regime in 1991, Ethiopia became a stable and peaceful country in Africa with a progressive democratic government devoted to rapid economic development and social transformation, registering around 10% average annual GDP growth in the last eight years. In the last 10 years, it has registered remarkable success in successfully implementing its Plans for Accelerated and Sustained Development to End Poverty (PASDEP) and has launched another five-year Growth and Transformation Plan (GTP). GTP has been prepared on the basis of the experiences gained from PASDEP with clear objectives and targets through wide public participation. GTP focuses on achieving greater success in Economic and Social Sectors Development and Capacity Building and ensuring Good Governance. This is to be achieved through wider participation of public and private sectors as well as cooperation with development partners. Harnessing more reliable and clean energy is one of the GTP targets. The launching of the Renaissance Dam on the Nile River, which aimed to generate 5250MW of hydroelectric

power, sought to play the key role in transforming Ethiopia's economy from predominantly agricultural to predominantly industrial.

The sound development policies and attractive business environment of Ethiopia are currently highly evaluated by UNCTAD. Ethiopia's economy is expected to move to the third-fastest growth rate in the world in the next few years. It is due to this tangible progress that Ethiopia has been selected to host the World Economic Forum (WEF) on Africa next year. Dramatic progress in economic development and the aforementioned business environment are attracting a large number of foreign investors from around the globe. Currently, with a population of more than 80 million, Ethiopia's economic size is around USD 32 billion.

## Ethio-Japanese Relations

Since the establishment of the first diplomatic relations in 1935, Ethiopia and Japan have maintained cordial relations including both bilateral at the government level and people-to-people relations. Various exchanges through visits and cooperation in multiple aspects have strengthened the diplomatic ties between Ethiopia and Japan. Japan is the most reliable international partner supporting Ethiopia in its development endeavor.

Currently, we are witnessing the impact of Japanese support in our priority areas of alleviating poverty and enhancing productivity. Today, practical achievements in small and medium industry through the application of the *kaizen* system of Industrial Quality Improvement (which was established with the support of Japan) attracts the interest of many industries to adopt such a system to enhance industrial quality and productivity. The contribution of JICA's practical engagement in various development activities by dispatching its volunteers has also resulted in practical achievements at the grassroots level.

Ethiopia has also benefited from the TICAD process, the mutual cooperation between Africa and Japan. Inclusion of Trade and Investment in the TICAD IV process and Japan's pledge to double ODA to Africa in 2012 signifies Japan's commitment to supporting Africa's development endeavor.

## Aspects of Regional Economic Integration

The idea of integrating Africa appeared during the colonial era when Pan-African activists aspired to unite Africa against colonialists. The real attempt to establish regional economic integration schemes (REIS) began immediately after the decolonization process. Regional economic integration schemes play a significant role in accelerating economic development and improving living standards by providing access to wider markets and creating a more competitive economic environment for producers and consumers.

Currently, there are many REIS in Africa, which are at different levels of integration. The Common Market for Eastern and Southern



Photo: Ethiopian Embassy

The Grand Dam, which seeks to generate 5250MW, is currently under construction on the Blue River.

Africa (COMESA), Economic Community of Western African States (ECOWAS), Southern African Development Community (SADC), Economic Community of Central African States (ECCAC), Intergovernmental Authority for Development (IGAD), East African Community (EAC), Community of Sahel-Saharan States (CEN-SAD) and Arab Maghreb Union (AMU) are the major regional integration schemes that exist in the continent. There are overlapping memberships in some of these regional integration schemes.

The Common Market for Eastern and Southern Africa was founded in 1993 as the successor to the Preferential Trade Area for Eastern and Southern Africa (PTA), which was established in 1981. Its vision is to “be a fully integrated, internationally competitive regional economic community with high standards of living for all its people, ready to merge into an African Economic Community.” Its mission is to “achieve sustainable economic and social progress... through increased cooperation and integration in all fields of development, particularly in trade, customs and monetary affairs, transport, communication and information, technology, industry and energy, gender, agriculture, the environment and natural resources.” COMESA formally succeeded the PTA in 1994.

The establishment of COMESA fulfilled the requirement of PTA to become a common market. COMESA has 19 member states, with a population of 410 million and a total GDP of over \$360 billion. It has an annual import bill of about \$152 billion and an export bill of over \$157 billion. COMESA forms a major marketplace for both internal and external trading. (Calestous Juma, 2011, *The New Harvest: Agricultural Innovation in Africa*). Currently, COMESA is one of the most progressive regional economic integration schemes in Southern and Eastern Africa.

The Intergovernmental Authority for Development (IGAD) was formed in 1986 with the mandate to combat drought and desertification in the Horn of Africa. Later it became a forum for regional security and political dialogue. With the 1996 agreement its primary objective has switched to promote joint development strategies and gradually harmonize macro-economic policies with regard to trade, customs, transport, communication, agriculture, and natural resources and to promote the free movement of goods, services, and people and the establishment of residence. Given its achievements in political cooperation and security matters in the region, it could be one of the successful regional integration schemes if the transition to economic integration is fully materialized. IGAD has seven members, with a total population of 190 million and a GDP of over \$230 billion.

### Major Challenges for REIS

These REIS have far-reaching objectives in order to integrate the economies of the respective regions. However, there are challenges and predicaments that need to be addressed. The major challenge that affects the scheme is the lack of proper infrastructure for transportation and communication in order to integrate these economies. The big landmass of Africa requires road and railway infrastructure, which in turn requires huge investment that is unaffordable for most of the countries of Africa. The colonial legacy also contributed to such structural problems, where colonies were directly connected with metropolitan areas rather than a country's neighbors in many aspects. Overlapping memberships and political differences have impeded progress in some regional integration schemes in Africa in general and East Africa in particular.

Although there is political commitment and goodwill among most governments and the people of Africa for such integration in their respective regions, its progress so far is below expectations. However, it is worthwhile recognizing the efforts made by individual



*Aksum Obelisk: the symbol of Ethiopia's ancient civilization*

African countries to overcome the aforementioned challenges, mainly in improving transport infrastructure facilities with their respective neighbors and resolving political differences.

### Ethiopia: Prospects for RETS

Ethiopia, as a founding member of COMESA and IGAD, is working hard for possible political and economic cooperation with all its neighboring countries. However, it is among five countries yet to enter into the FTA. The government of Ethiopia is now considering opening up its economy to the regional markets. The GTP indicates plans to transform the trade negotiation process to higher levels of effectiveness by strengthening regional trade integration. Joining the FTA of COMESA and accomplishing the World Trade Organization accession process is now becoming an urgent priority of the government. In spite of the pending issues to fully integrate its economy with the regional bloc, there is an appreciable level of transactions with other COMESA member states. The current 238.1 million dollars in imports from and 244.8 million dollars in exports to COMESA member states indicate this fact (Ethiopian Customs Authority Report).

As the host state of the African Union, Ethiopia has been playing a leading role for the cooperation and integration of Africa. Ethiopia is connected with all its neighbors including the newborn nation of South Sudan by road transportation and fiber optics. There is also a national program to construct railways to these neighboring countries. The current initiative of the Ethiopian government in exporting energy to neighboring countries has been successfully executed to Djibouti. The initiative will be expanded to both Sudan and Kenya in the near future, to lay the base for strong economic integration in Eastern Africa.

Finally, Ethiopia is not alone in the aforementioned achievements and success; the same prospects are also registered by other countries of Africa. The current trends and developments in opening up markets and integrating the economy in Africa attest that a bright future is coming. To this end, more efforts are needed from individual countries of Africa, and more tangible support is also required from the international community for infrastructural development in various regions of Africa in order to foster the current efforts to make Africa suitable for trade and investment.

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*Markos Tekle Rike is currently Ambassador of the Federal Democratic Republic of Ethiopia to Japan. He was a lecturer and dean of the Faculty of Social Sciences in Hawassa University, and PhD candidate in the Department of Political Science and International Relations, Addis Ababa University, Ethiopia.*