



**SECRETARY GENERAL'S STATEMENT
AT THE THIRTY-SIXTH MEETING OF THE COUNCIL OF MINISTERS**

Our Guest of Honor, Your Excellency Mr. Solonandrasana Mahafaly Olivier, Prime Minister of the Republic of Madagascar

Your Excellency Ato Ahmed Shide, State Minister for the Ministry of Finance and Economic Development of the Federal Democratic Republic of Ethiopia and Chairman of the Council of Ministers and Members of your Bureau

Honorable Ministers

Heads of Delegations

Your Lordship, Justice Mrs. Lombe Chibesakunda, Judge President of the COMESA Court of Justice

The Representative of the African Union Commission

My Colleagues, the Assistant Secretary Generals and Heads of COMESA Institutions

The Commissioner of Trade and Industry of the ECOWAS Commission

Representatives of Regional and International Organizations,

Excellencies Ambassadors and Members of Diplomatic Corps

Invited Guests

Distinguished Ladies and Gentlemen

Our Guest of Honor

I would like to take this opportunity on behalf of the Member States and indeed on my own behalf to thank the Government and the people of Madagascar for hosting this meeting and for offering to provide leadership as Chair of COMESA for the coming twelve months. Please convey our gratitude to His Excellency the Republican President. Indeed, I vividly recall meeting His Excellency soon after the elections a couple of years ago in his house, as he had not moved to State House. The fact that His Excellency could offer to host the Summit before he even settled down is evidence if any was needed of the commitment of His Excellency in particular and the entire people of the Government of Madagascar to the cause of regional integration not only in COMESA but in the African continent.

Our Guest of Honor

Members of the Bureau of the COMESA Council of Ministers

Honorable Ministers

When COMESA Member States negotiated the COMESA Treaty which came into force on 8th December, 1994 they were conscious that the integration of their economies was but one small step towards the integration of the African continent, socially, politically, physically and economically. The evidence of this is to be found in Article 3 sub paragraph (f) of the COMESA Treaty that the aims and objectives of the Common Market are and I Quote" to contribute towards the establishment, progress and the realization of the objectives of the African Economic Community". It is against this background that COMESA is contributing to the implementation of the program of our mother continental body the African Union of Agenda 2063 and in particular the first ten year program under the rallying cry of the "Africa we Want".

Our Guest of Honor

Honorable Ministers

The COMESA market integration strategy is based on trade and investment as the catalyst for realizing the pillars of Market integration, Industrial Development, Infrastructure Development and the creation of single market for services , to mention but a few.

This morning I will not address all the pillars which have been comprehensively addressed by the Inter Governmental Committee whose report will be presented to the Council meeting later today. Instead, I will my telescope with laser precision on the theme of the Summit of " Inclusive and Sustainable Industrialization". Industrialization has been an existential issue since the independence of our countries, yet with the exception of a few countries the vision and dream of realizing industrialization has remained a mirage . We need to ask ourselves a very simple and basic question why are we not industrializing? What should we do with respect to policies and institutions? And why is it, that there are countries that in recent years have successfully achieved industrialization?

Our Guest of Honor

Honorable Ministers

On the lessons to be learnt from the late comers who have successfully industrialized I would like to mention one of our Member States , Mauritius which has moved from labour intensive industrialization to knowledge intensive driven industrialization and services. Today Mauritius is part of the global production network for the celebrated Swiss Watches and for the Boeing industry for certain types of avionic components. There are other COMESA member States that are on the cusp of realizing the same. The reason I have used the example of Mauritius is because when I was a student of Economics

almost 45 years ago one of the first lectures I received from a late Nobel price Laureate on Development Economics was on why there countries that will never develop and Mauritius was one of the case studies . The logic and justification then of these eminent Economists was that Mauritius was dependent on one commodity Sugar and as such would be trapped in low value production and subjected to the vagaries of the price fluctuations which are normal for commodities. I am happy today to observe that Mauritius has proved conventional economic theory wrong, as it has migrated from being a country economists thought would never develop from low to a middle income country. As I speak today, in couple of years from now Mauritius will have moved up the value chain with respect to sugar by having the largest sugar refinery in the Southern Hemisphere. Thanks to nano technology, which I consider to be the technology of the poor, it is now possible for any country to leap frog and produce hundreds of value added products from sugar. I will later on in my address show why it is important for COMESA member States to move away from the traditional model of industrialization as it is like a road that leads to no destination.

Our Guest Honor

Outside our region, particularly from Asia and South East Asia , Vietnam is a striking example of what a country can do by adopting policies and establishing support institutions for an industrialization path based on labor intensive industries. It is indeed, remarkable that between 1989 and 2016, Vietnam is now moving from labour intensive industries to high tech and knowledge driven industries. For Example, Vietnam is emerging as the largest ship building country in the world and accounts for 85 percent of global production of Samsung phones that are assembled in Vietnam. Last but not least, the Gross Domestic Product of Vietnam has grown from United States Dollars of 3.4 Billion in 1989 to United States Dollars 168 Billion by 2014. Imagine if ,as

COMESA our countries had industrialization policies and strategies similar to Vietnam the COMESA GDP would by now have grown in 1994 from 285 Billion United States to one (1) Billion United States Dollars by now instead of the current GDP of 525 million United States Dollars .

Our Guest of Honor

Honorable Ministers

Allow me now to turn to our COMESA regional integration and throw up some figures on how we have performed and are performing as a region. Our Intra regional trade since the COMESA Free Trade Area was launched in 2000 increased from United States Dollars 3.2 billion to United States Dollars 20 billion and still accounts for less than 10 percent of trade with the rest of the world.

Your Secretariat has done a study which has established that although intra COMESA trade is low, there is a potential of intra trade worth US\$82.3 billion based on 2014 statistics. The paradox is that these products are produced and exported to the rest of the world and at the same time imported from the rest of the world into the region. The products include, textiles, wooden furniture, horticulture, house hold items, confectioneries, hides and skins, foot wear and leather products, sugar confectioneries, tobacco and precious metals. The study has shown the member States with the highest potential in producing and exporting the products whose total value is approximately ten times that of existing trade.

Our Guest of Honor

Honorable Ministers

The same study has identified transport and logistic challenges that have to be addressed to make the region competitive. Of fundamental importance to the COMESA agenda of "inclusive and sustainable industrialization" is the absence within the region of cross border production networks which would result in intra industry trade between and among firms. In Europe intra - industry trade approximately accounts for 45 percent of trade, whilst in Asia is it slightly above 34 percent. We all have heard of "factory Asia". These production networks do not happen automatically but are a result of clear micro, macro and institutional policies . It is against this background that I would urge member States to expeditiously review the current rules of origin and conclude negotiations and implement the COMESA Common Investment Area Agreement.

Our Guest of Honor

Honorable Ministers

Ladies and Gentlemen

I wish to inform you that the the study that I cited has revealed that raw material imports account for the bulk of the US\$ 82 billion trade. The raw material inputs sourced from the rest of the world are for the following industries : textiles , footwear and leather products , sugar confectionary and copper alloys . I wish to illustrate with confectionaries that the COMESA region imports raw materials that are used in producing confectionaries . This suggests that there is something defective with the region's trade and industrial policy in that the focus has been on trade in Sugar instead of addressing the value chain aspects of the sugar sector which require the establishment of factories in COMESA to manufacture industrial sugar. In the same vein, raw materials inputs that are

used in the textile industry are largely imported from outside the region due to the high cost of fibers manufactured in some COMESA member States compared with imported fibers from Asia.

Our Guest of Honor

Honorable Ministers

What are the lessons that we can learn from other countries and other regions as we implement our agenda on "inclusive and sustainable industrialization " ?
. I would humbly suggest the following approaches:

Firstly, that given the vast resource endowments, the region should adopt a natural resource lead industrialization strategy and that for the region to achieve global competitiveness the focus should be on effecting those structural changes in our economies that will through skills development, technology and innovation improve the productivity of our producers who include the farmers , industrialists and service providers to mention but a few. Secondly, that given the huge demand for housing due to rapid urbanization the COMESA region should adopt a metal fabrication led industrialization path. This ,as in the case of natural resource lead industrialization requires the training of technologists and artisans. And for this to happen the region has to agree that the current trend of converting technical colleges and Polytechnics into Universities will defeat the objective of metal fabrication led industrialization and industrialization in general. At this point ,I wish to share with Council a remark that was made the President of General Electric of the United States when he was asked by a journalist why General Electric was making massive investments in Vietnam and not in other countries. His remark was succinct and to the point that General Electric was investing in Vietnam because Vietnam produces from their technical colleges 100, 000 welders a

year and the challenge for his company was to recruit the very best from the very best.

Our Guest of Honor

Honorable Ministers

This brings me to my last point that for the COMESA policy and strategy on industrialization to be rapidly and effectively implemented we need a paradigm shift in regional integration that recognizes and accepts that it is not the mere adoption of policies and strategies that will make things happen , but rather that we need robust institutional and governance structures that are member States owned and led. In this regard, Council will be requested to review and pronounce its self on the proposed structure considered by the Inter Governmental Committee which envisages member States taking the lead in championing sectors and sub sectors .

Our Guest of Honor

Honorable Minsters

I would be remiss in my responsibility of I did not acknowledge and applaud the sterling contribution by our COMESA financial and technical Institutions in advancing the implementation of regional programs and projects. In the same vein my thanks go to our cooperating partners whose support has made our countries and the region make remarkable achievements in the creation of a single market .

I thank you for your kind attention