



**International Conference on the State of Affairs
of Africa (ICSAA)**

October 26th, 27th, and 28th of 2006

**Prospects for Peace, Development and Cooperation in the Horn of
Africa**

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ABSTRACT: The purpose of this paper is to present some critical issues related to the challenges and prospects for regional economic cooperation in the Horn of Africa. The central thesis of the paper is that the current states of the Horn of Africa need to overcome internal structural and institutional challenges to democratization and development before they can pursue a viable regional economic and political integration. The most serious challenges to peace, development and economic cooperation are problems of civil and political conflicts at the inter-state and intra-state level, as well as lack of democratic governance within the individual states that drives instability, poverty and destitution within the states. The paper also discusses the current political realities of the Horn, including some of the recent efforts in conflict resolution and peace building, the regional implications of the current global war against terrorism, and the prospects and the challenges for economic cooperation in the long run. After discussing some of the challenges for integration, the paper concludes by suggesting a move toward a Horn of Africa Free Trade Area and Regional Confederation, which can build on an existing regional initiatives as the first step for regional economic integration of the Region , peace, and development in the long run.

Prospects for Peace, Development and Cooperation in the Horn of Africa:

The Horn of Africa: Background, Scope & Regional Initiatives

The Horn of Africa is one of the most important and strategic areas of Africa and the global economy. It is a bridge between Africa and the Middle East, as well as a gateway to the oil fields of the Persian Gulf. It is a culturally and historically rich region of the world with great natural resource potential. Specifically, the Region is endowed with rivers, lakes, forests, livestock, and high agricultural potential including untapped potential of petroleum, gold, salt, hydro-power and natural gas. The Horn is also a region of diverse ethnicity, languages, and religious practices. It is a region where two of the world's major

religions- Christianity and Islam have co-existed peacefully for generations. This is especially true in Ethiopia with some exceptions. For example, it has been historically reported that a group of Islamic followers from Arabia took refuge in the 7th century in the Ethiopian highlands, where they were well treated and practiced their religion freely. As a result, the Prophet Mohammed concluded that Ethiopia should not be targeted for *Jihad* or Islamic religious wars. There are, however, historical exceptions such as the invasion of Ahmed ibn Ibrahim al-Ghazi (known as “the left handed”) until he was defeated in 1543. The last Islamic threat to Ethiopia was in 1888, when Sudanese Mahdists attacked the former capital of Gondar, and were defeated at the Battle of Metema on the Ethio-Sudanese border (Shinn, 2002).

In this paper, the Horn of Africa is defined broadly to include the current states of: Djibouti, Ethiopia, Eritrea, Somalia and Sudan, including Kenya and Uganda (see figure A1). The Greater Horn covers an area of 5.2 million sq.km with a population of 165 million that constitutes about 25 percent of the entire population of Africa. The narrower conception of Horn of Africa excludes the states of Kenya, Sudan, and Uganda. The broader definition is both purposive and more appropriate for successful economic integration that reflects the diversity and greater economies of scale that is possible from the Greater Horn than the narrower conception of the sub-region. It is also consistent with the existing regional development initiative established by the states of the Region.

Three regional initiatives that can serve as the basis for regional cooperation have been established. These include the Common Market for Eastern and Southern Africa (COMESA), the Intergovernmental Authority for Development (IGAD), and the New Partnership for African Development (NEPAD).

IGAD was first founded in 1986 under the name of the Intergovernmental Authority on Drought and Development (IGADD), reflecting the need for partnership to combat the widespread famine, ecological degradation and poverty in the Region. The Organization was reconstituted under its current

name of the Inter-Governmental Authority for Development (IGAD) in 1996, and given broader mandate for regional development activities. IGAD's membership includes seven countries: Djibouti, Ethiopia, Eritrea, Kenya, Sudan, and Uganda.

IGAD's primary stated mission is "to achieve regional cooperation and economic integration through the promotion of food security, sustainable environmental management, peace and security, intra-regional trade, and development of improved communications infrastructure (IGAD, 2000). While the general goal of IGAD is to achieve economic integration and sustainable development for the sub-region, its specific objectives include the: 1. Creation of an enable environment for cross-border domestic trade and investment, and the 2. Harmonization of policies with regard to trade, customs, transport communications, agriculture, and natural resources, and the promotion of free movement of goods and services, and people within the region. IGAD has played an important role in the area of conflict resolution, including in the Sudan and Somalia peace processes. Thus, IGAD is a natural organization with institutional and human capital, and experience invested by the states of the region and the international community, on which to build a workable economic cooperation based on 16 years of experience.

COMESA is a larger regional economic cooperation of 20 member states that includes the 7 IGAD countries plus an additional 13 states in Eastern and Southern Africa. It was first established in 1981 under the name of Preferential Trade Area for Eastern and Southern and Africa (PTA) within the framework of the Lagos Plan of Action. COMESA was formed from its original name of PTA in 1994. It has plans to become a Customs Union in 2004. Although the total population of COMESA states is about 400 million, the total economy is about the size of Belgium, a small country in Europe of about 10 million people.

NEPAD is the latest initiative that was established by a group of African states in 2001, and subsequently adopted as the continents main development framework at a July 2001 summit meeting of African heads of state. According to NEPAD, Africa's long term development goals can only be achieved if African

peoples can “extricate themselves and the continent from the malaise of underdevelopment and exclusion in a global economy”. It calls for new partnerships between Africa and the global economy, in which non-African partners seek to complement Africa’s own efforts. NEPAD calls for three necessary conditions for Africa to develop: 1. peace, security, democracy, and good political governance, 2. improved economic and corporate governance, and 3. regional cooperation and integration. Thus, NEPAD correctly places the critical issues of governance at center stage of both political and economic reforms in Africa. It further identifies priority areas such as human development, agriculture, physical infrastructure, and export promotion and diversification for transforming African economies.

Recent and Current Political Realities of the States in the Horn of Africa

The Horn of Africa is one of the most conflict-ridden and unstable sub-regions of Africa and the World. Decades of war, destructive state intervention by dictatorial regimes that ruled the Sudan, Uganda, Ethiopia, and Somalia in the 1970s and 1980s have caused massive de-capitalization, brain drain, environmental degradation, poverty and famines. The conflict and instability of the Region has both intra-state, inter-state, and global dimensions.

For instance, there has been a raging civil war in the Sudan for 22 years that has claimed about 2 million lives and destroyed the country’s resources. The Sudan peace agreement with the SPLA was included in June 2005, and Unity Government was signed by the Sudanese Government in Khartoum, and the late Dr. John Garang, the SPLA leader. Garang became Vice President of the country as a part of that agreement, which gave Southern Sudan an autonomy for six years transition period after which Southern Sudanese will vote to remain part of Sudan as an autonomous state or become independent state. Ethiopia and Eritrea concluded a two-year vicious war in 2000 that claimed about 100, 000 lives, and destroyed the resources of both countries.

Somalia can be regarded as a collapsed as a nation-state in 1991, with a de facto independence of Northern Somaliland and Puntland. The collapse of the

Somali state, the only one in Black Africa with a common national, ethnic and religious identity raises a serious question for theorists of ethnic nationalism (Markakis, 1996). If ethnicity or tribal differences are the primary reasons that prevent Africans to peacefully live together as claimed by some scholars of Africa, why did the Somali state disintegrate? The Somali has reverted to the pre-colonial pattern of clan autonomy during post-Cold War period. During the long rule of Siad Barre (1969-1991), the main beneficiaries were the clans that supported his regime.

Post-Barre Somalia emerged with a raging violent political struggle as clans sought to confiscate resources and land previously expropriated by the late Dictator's supporters, and terrorized the local population. The clans see the state as source of revenue, much of which is derived from abroad through foreign aid, and each demands a share through violent means (Markakis, 1996). The Somali state disintegrated when certain clans acquired a virtual monopoly of state power and resources, prompting others to take up arms to redress the balance. It is a classic case of conflict driven collective failure among political elite, preceded by a dictatorship and arbitrary use of state power. Amidst the collapse of the state, the clans now contend for whatever resources and wealth is still available; food aid, port levies, road tolls, and taxes on trade (Ibid).

Uganda has engaged in internal war in the North with a fundamentalist Christian group known as the Lords Army, as well as a conflict in the western part of the country. Kenya, although one of most successful economies of the Region has some political problems of transition that need to be resolved democratically. Kenyans changed the one party rule of former President Moi of Kenya by free elections in 2004, ending the rule of the Kenya African Union (KANU) which ruled since independence. The tiny state of Djibouti went through a civil war after independence from France in 1976, and which has set back its fragile economy back (World Bank, 2002).

Ethiopia is experimenting with a unique form of ethnic federalism, following the demise of the vicious dictatorship of Colonel Mengistu 1991.

Ethiopia's experimentation with ethnic federalism, has not led to the collapse of the Country so far as predicted by some. However, it cries for an urgent need for reform due to its incompatibility with a viable democracy and mobility of labor and capital required for market based development in the long run. Ethiopia is facing potential inter-ethnic and intra-ethnic conflicts that follow from the politicization of ethnicity, including the demand for secession by some ethnic groups. Some ethnic groups claim that they have constitutional rights provided in Article 39 of the current Constitution that allows for "the right of self-determination of ethnic nationalities including session".

The primary cause of these intra-state and inter-state conflicts in the Horn of Africa is the problem of concentration and arbitrary use of power which still continues to be practiced by the states of the Horn of Africa with the various degrees. The recent Ethio-Eritrean war that resulted is a classic case of arbitrary and reckless use of concentrated political power. Such exercise of power exists in other states of the Horn such as the Sudan, both at the state and within state regional and local levels in the form of ethnic and clan-based war-lordism, and creates havoc and atrocities on the local population. In the Sudan, the reckless exercise of power is manifested in the hegemonic imposition of Fundamentalist Political Islam on the southern peoples of the Sudan by the Government of that country in Khartoum. This religious hegemony is one of the primary causes of the long civil war in the Sudan. One of the best ways of overcoming these inter-state and intra-state conflicts in the Horn is, by promoting democratization and political reconciliation among the political elites of the region in a secular fashion. Here secularism is defined as a non-religious and non-ethnic system of domestic state governance. The separation of politics from religion and ethnicity is a crucial element for building successful democracies. It is also major feature of working democracies around the world.

In addition to the monopoly and arbitrary use of political power, the politicization of religion and ethnicity (including clanism) is one of the major causes of inter-state and intra-state conflict in the Horn states. The political

manipulation of ethnic, clan, and religious sentiments by the elites and rebels of the Region, for the purpose of controlling resources and gaining or retaining power, and their refusal to create a democratic institutional framework to diffuse power and decision-making to the local population in a secular (non-ethnic& non-religious) fashion is a major factor of the conflicts.

Each of the Horn states needs a peaceful national domestic political reconciliation before they can move forward to form any viable regional political confederation. Such inter-state re-conciliation must be, inclusive, and free of religion and ethnicity or clanism, and democratic.

It must be based on inclusive, open and peaceful participatory dialogue among civil society groups, elders, farmers, and traders, and other stakeholders within each state. Specifically, the role of elders with long-institutional memory, as well as independent academics is crucial to begin a constructive dialogue that may lead to a viable political reconciliation at the inter-state and intra-state levels.

There is also an external dimension to the conflict and poverty of the Horn of Africa. For about three decades, regional conflicts in the Region were fought under the shadow of the Cold War.

Before the collapse of the former Soviet Union, both the Soviet Union and the United States considered the region of great strategic importance. They took turns supplying successive regimes of Ethiopia and Somalia with military hardware to support their internal and regional wars. For example, the former Soviet Union supported the Barre regime of Somalia against Ethiopia prior to 1974/75, and the United States was a major supporter of Ethiopia during the long rule of the late Emperor Haile Selassie that ended in 1974. During the rule of Colonel Mengistu of Ethiopia, 1974-91, the U.S. and Soviet Union switched sides. Ethiopia became a client state of the Soviet Union during Mengistu's rule that ended in 1991, and the US moved next door to support the Somali government. After the disintegration of the former Soviet Union in 1991 that ended the cold war, the United States abandoned the Barre Regime in Somalia, and the Soviet Union did the same with the Mengistu Regime in Ethiopia. As a result, both

regimes of Ethiopia and Somalia collapsed in 1991 driven by rebel forces, about the same time as the disintegration of the former Soviet Union into the current 15 independent states.

New Post- Cold War Challenges in Ethiopia and the Horn of Africa

The U.S. has emerged as the only remaining world super-power since the end of the Cold War and the Horn of Africa is facing new challenges and realities. One of these challenges includes the rise of militant fundamentalist movements in the Horn based on religion, ethnicity and clanism. Many of these are organized groups directed and financed from abroad. Examples include, the National Islamic Front (NIF) in the Sudan, which has been accused of masterminding a campaign aimed at destabilizing its neighbors. NIF has intentions to impose Islamic rule in the Sudan and the entire Horn region. There are also fundamentalist groups in Somaliland, Southern Somalia, and Djibouti. Islam is traditionally not a problem here. In Ethiopia for example, Islam and Christianity have coexisted in countries such as Ethiopia, in a relatively peaceful harmony for generations.

The penetration of Islamic Fundamentalism or Political Islam is both recent and external to the Horn of Africa. For much of history the two major world religions of Christianity and Islam have co-existed in relative harmony in the Region. An example of this recent penetration is the overthrow of Sadiq-Al-Mahdi's democratically elected government in the Sudan in 1989 supported by Iran and guided by National Islamic Front (NIF) and its ideologue Hassan El-Tourabi. For example, Tourabi is reported to have wished neighboring "*Ethiopia will self-destruct in the near future, thus paving the way for the establishment of an Islamic state and resulting in a chain of Islamic polities extending from the Sudan to the Indian Ocean*" (Africa Confidential, 1995, Tekle, 1996).

What is needed is the reconstitution of the Ethiopia and the other states of the region under democratic and secular (non-ethnic/non-religious) lines to bring about stability and sustainable development to themselves and to benefit from

regional cooperation. Ethiopia, as the most populated country in the Horn is the lynchpin of the region.

A democratically re-constituted and free Ethiopia can become an anchor or focal point for economic and development in the Horn of Africa. It is noteworthy to point out the best days of the Horn of Africa were the 1960s, during the period when Ethiopia was strong and united. Although Ethiopia was not a democratic state during this period, the Country was gradually evolving toward a viable economy and society to which African states and black people elsewhere looked up to for leadership and inspiration. For example, the first political Union of African states following independence, the Organization of African Unity (OAU), as well as the Economic Commission of Africa (ECA) were established in Addis Ababa in the 1960s. The 1960s were also the period when the Ethiopia's institution of higher education, the former Haile Selassie First University, was a leading institution of higher learning in Africa, along the other Universities of the region such as Makerere University and the University of Nairobi. Moreover, the Country's national airline, the Ethiopian Airlines, was unmatched in the rest of the Africa and the developing world and still continues to provide an excellent service connecting Africa to the rest of the world.. The economy, especially the manufacturing sector, was dynamic.

Indeed in 1960s, the prospects for Ethiopia and Africa in general were so promising that, leading scholars of the time such as Swedish economist Gunnar Myrdal forecasted a promising scenario for African states such as Ethiopia and Ghana, and a dismal future for Asia and India. Thirty years later that forecast was wrong. Asia was moving forward, and African economies were stagnating or declining. This is not a call to move backward in history, but to take constructive lessons for the future based on past experiences in order to face up to new challenges and realities. It is also view for ponder and reflection on the consequences of elite driven politicization of history, ethnicity, and religion, which may have implications for re-constructing the economies and societies for

sustainable development and economic cooperation in the Ethiopia and the Horn of Africa.

For example, the “problem” of ethnicity or ethnic nationalism in Ethiopia and the other states of the region is highly politicized. The key problem is not a problem ethnicity or tribalism. It is a basic democratic problem that can best be solved peacefully through a true constitutional form of democracy that diffuses political power in a non-ethnic fashion through constitutional and democratic means to regional and local levels. In particular, it is a problem of absence of representative democracy based on majority rule with the protection of the rights of minorities and individuals.

Several studies show that ethnic diversity and democracy can co-exist in harmony. But, ethnic inequality and dominance becomes problematic only under dictatorship. Ethnicity or ethnic nationalism is a symptom not the root cause of the problem. The root causes include poverty, destitution and lack of democracy based on personal rights (not group or ethnic rights). They also include some hegemonic cultural traits that cut across ethnic groups, but can only change over time with democratization and education. The problem is then how to establish democratic governments. The best way to advance democracy is by developing democratic institutions of governance that protect individual rights which also insures the protection of ethnic and other group rights. The reverse is not true. Protection of ethnic group rights does not insure the protection of the rights of individuals in that group under dictatorships. It is likely to leads to mini (ethnic) dictatorships that promote inter-ethnic intra-ethnic conflicts.

The sooner the states of the Horn reform politically by peacefully and democratically re-constituting themselves, the better things will become for all the peoples of the Horn of Africa. Ethiopia must take the lead in this regard as the most populated country with almost all the linguistic/ethnic groups in its current territory, including the Somalis. For example, the six million Ethiopian Somalis are the third largest ethnic group following the Oromo and the Amhara. For example, the Oromo nationalist problem is also a basic democratic problem. The

Oromo are the trunk of the greater Ethiopian state. The secession of Oromia from the rest of Ethiopia will end the modern state of Ethiopia. If the Oromos are the majority of the Ethiopian state, why would a majority want to secede? The fact is Modern Ethiopia is not ancient Abyssinia, and the Oromo people have interacted and intermingled with other peoples of the Country for generations, and have taken a crucial role in the formation of the modern Ethiopian state.

The historic formation of any nation states is neither smooth nor just. The Ethiopian state is not unique in this regard. The sooner Ethiopian political elites stop fighting among themselves over history, and focus on present and future problems by advancing the causes of secularism and true constitutional democracy with a majority rule, with proper checks and balances, and the rule of law that protects the rights of minorities and individuals, the more likely that sustainable political reconciliation, peace and development will be possible in Ethiopia. Moreover, the recent history of the Horn region shows that secessionism not only leads to fragmentation, war, and arbitrary rule, but it has a toxic and detrimental effect on the welfare of the people involved themselves. An example of this is the state of Eritrea, which broke away from Ethiopia in 1993 primarily as a result of arbitrary and reckless use of power by former dictator Colonel Mengistu of Ethiopia, 1974-91. The Eritrean movement was a minor insurgency that was mostly contained and carefully managed during the pre-1974 period.

One of the recent major threats to Ethiopia and the Horn Region is a group known as the Al Ithaa'd al Islam (Unity of Islam). The group was reportedly founded in the early 1990s by a group of Somali fundamentalists who fought against the Soviet Union in the 1980s, and financed by a mysterious network of Islamic charities (Shinn, 2002).

For example, Al Ithaa'd claimed responsibility for the bombings of two hotels in Ethiopia in 1996, and for the assassination of an Ethiopian general, as well as an assassination attempt against Ethiopia's Ambassador to the United Nations.

Another terrorist incident that took place earlier was an assassination attempt against President Mubarak of Egypt, as he was going from the airport to

attend the Organization of African Unity (OAU) summit meeting on June 26, 1995. Later evidence showed that Egyptian terrorist group with operatives in the Sudan were responsible, and that three of the terrorists escaped to the Sudan after the unsuccessful assassination attempt. That incident forced Ethiopia to terminate relationship with the Sudan at the time (Shinn, 2002). However, the relations between the two governments are now fully normalized; following the Ethio-Eritrean War of 1998-2000.

The Horn of Africa now needs an institutional framework agreed upon by the current states, aimed at the crucial area of conflict resolution, and regional security against terrorist threats. Indeed, it is impossible to bring about a sustainable (political) or even economic cooperation in the Horn of Africa, as things currently stand. The best that can be done under current realities is to strengthen the conflict resolution efforts of the existing regional institutions such as IGAD, including an ability to impose collective sanctions to enforce agreed upon rules. IGAD must have the capability to sanction and isolate rogue states of the Region which use arbitrary power to commit massive atrocities and human rights abuses on their peoples, and violate principles of inter-state and intra-state co-existence that benefit the peoples of the Horn of Africa.

For a viable political confederation to take place in the long run, some minimum conditions need to be met. First, individual states of the Horn must have their houses in order move toward democratization by taking credible political and economic reforms, before they can form political and economic integration along democratic lines at the domestic level. For example, the Sudan must remove religion (Political Islam) from governance and give a true autonomy to its Southern Region and peoples. The Government of Sudan has already signed a peace agreement with the Sudanese People's Liberation Army (SPLA), and must bring about peace with the Darfur and other rebels in the country. Eritrea, under its current ruler has unfortunately emerged to be the most destabilizing state in the Horn. For example, Isayas, Eritrea's president has clashed with almost every country of the Region. Isayas has suddenly invaded Ethiopia

in 1998. He fought with Yemen in 1996 and with Djibouti, and has picked fights with the Sudan. He has indeed emerged as bully or the “Saddam Hussein of the Horn of Africa”. It is impossible to have political confederation with behavior of such leaders. Moreover, the Somalis must work together for the common good and agree to reconcile. In Kenya, a democratic transition based on free and successful election ended 24-rule of former President Moi, which also ended the rule of the Kenya African Union (KANU), that led the country to Independence under founding president Jomo Kenyatta. Moi’s 24-year rule ended due to constitutional term limit which ended his rule in 2004. Uganda and Kenya have both placed such term limits on their top political leaders in their constitutions. Indeed, the list of African countries that have reformed their constitutions and undergone peaceful political transition during the post-Cold War period is growing. It now includes Ghana, Nigeria, South Africa, Tanzania, and Zambia. This is both positive and necessary for Africa. The other Horn of Africa states such as Ethiopia and Eritrea are still behind in this regard. They must begin an important democratic process of peaceful political transition and reconciliation.

Ethiopia should also undergo similar constitutional reforms. It should take ethnic or tribal politics out of governance in a peaceful and orderly manner. It should allow for peaceful and democratic transition of power based on constitutional term limits on key political offices. Ethiopia should also reform its ethnic based federalism built in its constitution to avoid inter-ethnic and intra-ethnic conflicts with a potential to balkanize the country, and to de-stabilize the entire region. It should also reform its existing rural land policy with the aim of reducing tenure insecurity by vesting land rights on farmers and farm communities. Land reform is critical to bring about sustained agricultural development and the reduction of poverty and land or soil degradation.

Challenges and Prospects for Economic Integration in the Region:

Toward a Horn of Africa Free Trade Area (HAFTA)

The Nigerian economist Professor Adedeji, who is a leading proponent of economic integration in Africa, has recently stated the critical the need to have

dynamic economies at the domestic level before a viable regional confederation and economic cooperation is possible as follows:

“First you must have a dynamic(democratic) state. If you have a stagnant, contracting state, forget about regional integration. When a state finds itself in a crisis and in conflict,, it does not see beyond its nose. If you can’t provide enough transport facilities at home, how can you be thinking of regional or pan-African transport facilities? There are African states that can’t even pay the salaries of their civil servants. How can you expect them...to contribute to regional organizations? If you look at the 1950s to 1970s, the European economies were moving fast, expanding. Therefore, the environment for regional integration was there. That is what has been absent in Africa. We do not have an enabling environment for integration and cooperation, because we have stagnant or declining economies” (Adedeji, A. Africa Recovery, 2002).

The current reality is that in spite of the potential in natural resources and its geo-politically strategic role, the Horn of Africa is one of the poorest regions of the World. The key economic and social indicators of the states of the region clearly point to these realities (see table A1). The primary cause of poverty in the midst of such natural resource potential is bad governance and dictatorships that produce conflicts, wars, and bad economic policies.

It is also a problem of serious conflict that leads to ‘collective failure’ among the political elites of the region, to allow the peaceful evolution of viable democratic institutions of governance and conflict resolution. While it is true that politics and economics cannot always be separated, it is possible for states of the sub-region to move forward in the area of economic cooperation with some effort and enlightened leadership based on serious internal economic reforms followed by political reforms.

This paper proposes such a move forward to begin at the lowest level of economic integration possible or at the level of free trade area. A free trade area has a potential *win-win* outcome for the peoples and states of the Horn of Africa. The rationale for the proposed free trade area is based on standard economic arguments of trade and economic integration, which include benefits gained from

economies of scale and *comparative advantage* as well as access to greater markets. For example, Ethiopia and Djibouti currently benefit from mutually beneficial economic cooperation. Ethiopia gets access to the port of Djibouti via a jointly owned railroad, and Djibouti benefits from revenues generated from Ethiopia's use of the port. Another rationale for economic cooperation is that there exists some infrastructure such as roads that connect most of the states of the Region to build on. A free trade area can also benefit from the existing initiative of IGAD established by the states and supported by international development institutions, donors, and other partners. Indeed, for a successful interregional trade to be viable, it must be complemented by public and private investment. Domestic and foreign private investment is especially crucial to maximize the benefits from a free trade area. Moreover, there is some diversity among the states of the greater Horn if Kenya, Uganda, and Sudan are included, with some complementarity for a viable inter-regional trade for the benefit of Region (see table A2). A narrowly defined "Horn of Africa" free trade area that excludes Kenya, Uganda, and Sudan may not have much inter-regional trade benefits and complementarity. For example, Ethiopia is potentially rich in agricultural and livestock products. She has *revealed comparative advantage* in such products (see table A3). The Sudan has discovered petroleum in its Southern Regions, and there are natural gas potentials in Somalia. Kenya has the most developed manufacturing base from which it can benefit. It is a major source of inter-regional trade with Ethiopia for example (table A3). Uganda is emerging as a potential "African Tiger", as it is currently implementing one of the most successful economic reform programs in Africa. Uganda, which at independence from Britain in 1962 was called the "Jewel of Africa" due to its rich soil and natural resources, went through political instability that produced eight governments between 1962-86, that included the vicious rule of former dictator Idi Amin, 1971-79. Since 1986 Uganda is experiencing a relative stability, which appears to be turning into an economic advantage. The Government and

international donors have begun to rebuild Uganda's devastated economy from years of civil war and political instability.

Indeed, an aggressive reform aimed at trade liberalization, privatization, fiscal and monetary discipline has been launched, allowing Uganda to achieve an average GDP growth rate of over 7% through the 1990s, the level required to reach the global Millennium Development Goals by 2015 for Africa. The *Global Millennium Development Goals* include the: 1, reduction of poverty and hunger by half, 2, the achievement of universal primary education, 3. the promotion of gender equality , 4, the reduction of maternal mortality rate by $\frac{3}{4}$.

A UN Millennium Declaration adopted these goals in 2000, when it declared “ the central challenge we face to day is to ensure that globalization becomes a positive force for the entire world's people”. (Asefa & Reinert, 2004)

Ethiopia is the largest country in the Horn of Africa in terms of population, and second most populated state in Africa after Nigeria. It is a multi-ethnic nation that constitutes 40 percent of the population of the Horn. It is also the current home of important pan-African organizations such as the African Union (AU) and the United Nations Economic Commission for Africa (UNECA). Ethiopia can serve as anchor on which a free trade, foreign investment, and related regional economic cooperation and development activities can be implemented in the future.

What is suggested here is a movement toward a creation of a Horn of Africa Free Trade Area (HAFTA), a first stage of economic cooperation which can be established independently or within framework of the existing regional institution such as IGAD (see figure A1). IGAD has gained significant institutional capital and experience since its inception in 1986. Currently, IGAD is organized under and an executive director and three directors of divisions focused on three key areas of development that include: Agriculture & Environment Division, Economic Cooperation Division, Political and Humanitarian Division. The organizational framework includes an important Conflict Prevention, Management & Resolution section under the Director of

Political and Humanitarian division. (See IGAD 2002 for its complete organizational chart).

The proposed free trade area can be developed within the existing IGAD framework of Economic Cooperation Division further in consultation with all states of the Horn, pan-Africa organizations, Donors, and other International Development partners, and other stakeholders. The idea should follow a series of inclusive international and regional workshops aimed at fully working out the details. It should also be noted that the Organization has a Trade, Industry & Tourism Section, which can be further strengthened and re-focused to promote trade and investment. The suggested free trade area should be regarded as the first of stage toward an *economic union* of the Region in the long run. It will have to be followed by increasingly higher level of economic integration schemes, such as *common market* and *customs union* before a full *economic union* is possible. In general, four degrees of formal economic integration schemes, from the lowest to the highest level, can be identified. They include: *Free Trade Agreement, Customs Union, Common Market, and an Economic Union.*

Each of the stages that lead to full regional economic union must evolve and they may take several years. It should be remembered that it took European countries over 50 years to reach their current final stage of economic union of Europe or the Economic Union (EU) with the common currency, coordinated or harmonized macronomic policies, standards, and regulations. HAFTA can begin as open free trade association with access by individual member states to the existing regional economic cooperation initiatives such as Common Market for Eastern and Southern Africa (COMESA) and the Nile Basin Initiative (NBI). Indeed, HAFTA/IGAD will have to coordinate activities with the existing overlapping regional initiatives in order to avoid duplication of programs. Currently, all the Horn states are members of at least three African regional schemes: COMESA, NBI, and IGAD. In addition Kenya and Uganda belong to East African Cooperation (ECA). See figure A1.

Another critical area of cooperation within the proposed IGAD/HAFTA framework is the promotion of “regional public goods ” and the eradication of “regional public bads”.

“Regional public goods” refer to regional cooperative activities that improve inter-state and intra-state physical infrastructure such as roads and communication schemes, as well as cooperation in the areas of education, research and public health and related social infrastructure, water use for needed irrigation. “Regional Public bads” are the opposite of ‘regional public goods’. They include regional drug trafficking, the spread of infectious diseases such as Malaria and HIV/AIDS, and regional terrorism that can be combated through a regional cooperation among the states.

Regional Efforts and Initiatives in Conflict Resolution and Peace Building

There are current efforts in conflict resolution and peace building in the Region that may enable the suggested economic cooperation possible. Generally, there appears to be some encouraging initiatives in conflict resolution within and among some of the states of the Region. Djibouti signed a peace pact in May 2001 with the last armed opposition against the government (World Bank, 2002). The Somalis appear to be making some progress in peace negotiations. The political reconciliation talks among the Somali factions, originally scheduled in April 2002, have just been concluded on a positive note. The Somalis have adopted “ a declaration on Cessation of Hostilities and the Structures and Principles of the Somali National Reconciliation Process” at their recent meeting in Kenya on October 27,2002, under the sponsorship of IGAD. The Sudan has signed a successful Peace Agreement with the SPLA in 2005, ending a long war that has claimed 2 million people. The United States played a constructive role when the U.S. President Bush signed the Sudan Peace Act to give the Agreement some “teeth”. The legislation is aimed at putting a sanction on the Government of Sudan if it does not negotiate in good faith with the SPLA and the other rebels. During the signing ceremony on October 21,2002, Mr. Bush stated, “ The

Government of Sudan must choose between the path of peace and the path of continued war and destruction”.

Although , the Government of Sudan has complained about this legislation noting that it will not give any incentives for the rebels to sustain the peace agreement (*Prolog, 10/22/2002,*) a successful peace was signed with efforts of US Government. On the other hand, current President Isayas of Eritrea is continuing to pick fights with the other states of the Horn that he has began soon after creation this Country in 1993. Recently, he accused Sudan, Ethiopia and Yemen of forming an alliance “to topple his regime”. (*Arabic News.com, 20/28/02*). The Ethio-Eritrean is at stalemate.

The Horn of Africa and Global War Against Terrorism after September 11, 2001

The September 11 2001 terrorist attack on the United States is likely to raise the strategic value of the Horn of Africa to the level of the Cold War period, this time due to the global war against terrorism led by the United States. David Shinn has speculated that the Horn of Africa may be the next target of global anti-terrorist campaign, noting that there are Islamic groups in Somalia with ties to Osama bin Laden and his al Qaeda organization, and that bin Laden himself lived in the Sudan until he was asked to leave in 1996. In a recent article Shinn expressed this concern as follows: “ *The (terrorist) concern from the Sudan has, is at least for the time being dissipated. On the other hand, the events of September 11, 2001, have caused Ethiopia to focus on the situation in Somalia, particularly the threat posed by hostile groups such as Al Ithaad (Unity of Islam). Ethiopia is the linchpin of the Horn of Africa. What happens there impacts the rest of the region. The importance of Islam in Ethiopia is not well appreciated by the United States, and U.S officials are well advised to pay attention to Ethiopian Islam and the way in which Ethiopia interacts with its Islamic neighbors*” (Horn of Africa News Agency, 2002). Moreover, it should be noted that Islam is a major and a growing religion in Ethiopia. A survey of Islamic populations around the world conducted by San Diego State University estimates the number of Ethiopian Muslims to be about 29 million, and that Ethiopia is tied with Morocco as the country with 11th largest Muslim population in the world. If

accurate, these estimates show that there are more Muslims in Ethiopia than in Saudi Arabia, Sudan, Iraq, and Afghanistan. Ethiopia's current population is probably about 45% Ethiopian Orthodox Christian, 45% Sunni Muslim, and the rest Protestant or indigenous religions (Shinn, 2002). As indicated earlier, Muslims and Christians have co-existed in Ethiopia in a relative harmony and peace for generations. There is no reason to believe that this will not continue in the future, short of politicization of the religions, and political and economic reform toward freedom and democratization, and reduction in poverty.

The U.S. is now sending additional forces of 800 troops to Horn of Africa (*IRIN News.Org*, 2002). These forces are being placed in Djibouti to fight against terrorism. The United States also has security agreements with the other Horn states of Kenya, Ethiopia, and Eritrea as well as Yemen. As the only world superpower, the U.S. shoulders the huge responsibility not only to defend itself, but other nations against international terrorism, and to lead a global coalition against this new threat to human freedom, peace, and development.

But, it is important for the United States to work with the international community of nations, including the states in the Horn of Africa. In the Horn of Africa, the United States should coordinate such efforts of peace building, and conflict resolution efforts with development, democratization, and poverty alleviation. In the long run, the United States should commit resources to IGAD and strengthen its autonomy and institutional capability for building sustainable peace and development and for fighting poverty in the Region. The U.S government should avoid taking sides in the regional conflicts, and promote reconciliation within and among the states of the Region. It should take a long-term view and assist those states that make significant progress in reducing poverty and conflict, and in advancing the civil and human rights of their citizens. The United States should also commit resources to help re-build the economies of the region. The current Bush Administration and future US administrations should take a non-partisan approach and build on the Greater Horn of Africa Initiative, initiated during the Clinton Administration, with a dual

approach: To help the countries to achieve food security to support their people, and to resolve conflicts in a peaceful and democratic fashion (Shinn, 2002). The global war against terrorism should move along a two-step process: In the short-run, the U.S and the World community should sustain multilateral efforts to dismantle terrorists, with a focus on destroying their financial infrastructure in particular. In the long run, the U.S and the international community should engage in a global war against poverty and injustice wherever it exists. The long run strategy for winning the war against global terror is best described by Nobel Laureate economist Joseph Stiglitz in his recent article, as follows: “ *September 11, 2001 has resulted in a global alliance against terrorism. What is needed is not just an alliance against evil, but also an alliance for something positive- a global alliance for reducing poverty and for creating a better environment, and alliance for creating a global society with greater social justice*” (Stiglitz, 2002)

Concluding Remarks

The prospects for economic cooperation, peace and development in the Horn of Africa may appear gloomy. Indeed there have been mixed views among scholars about the prospects or the merit for economic cooperation. For example, one view that strongly opposes any move toward cooperation among two the states of the Horn is as follows: “ *Confederation of Eriterea with Ethiopia will give the (Eritrean) state a free hand to plunder Ethiopian resources as happened during 1991-98 or before the war...and that Confederation will give (Eritrean political elites) a second chance..... The war was, in a way, an opportune moment for Ethiopia to get rid of a region that sucked her resources for over 40 years with no reverse benefits*” (Teketel, 2002). Regardless of one’s assessment of the merit this view, it assumes the state of Ethiopia with over 70 million people, will not be able to defend it’s national interest against an Eritrean state of less than 4 million people which it allowed to peacefully break away in 1993.

It also implies the state of Ethiopia will not be capable of re-constituting itself into a democratic and dynamic economy capable of promoting its national interests and therefore unable to benefit from fair trade and regional economic

cooperation in the future. Such assumptions are not tenable. Any way, these are challenges for the current and future generation of Ethiopians. Nevertheless, if one takes a more optimistic and dynamic view of the Horn of Africa, there may be some ground for cautious optimism, as well as new challenges in the Region.

The peoples and the states of the Horn may have an opportunity to begin the long road toward peaceful co-existence, intra-and inter-state political reconciliation and peace building, that may lead to cooperation aimed at sustainable development. However, before any viable Horn of Africa Confederation is possible among the states of the Region, they must put their internal political and economic house in order by making credible political and economic reforms along democratic lines. The States of the Horn must go through a necessary stage of peaceful and just political re-conciliation among and within themselves and their societies. To initiate any form of political confederation driven from the top with leaders that are undemocratic or do not have legitimacy among the majority of their respective peoples at this point will be pre-mature and unsustainable. It will be like putting the cart before the horse, or like expecting a child to run before he or she can sit, stand, crawl and walk.

Specifically, the following four broad policy areas are crucial to build dynamic economies in the Horn of Africa required for a future viable economic cooperation in the Horn of Africa: 1..Improving Institutions of Governance and conflict management, 2. Investing on people (i.e. on education, health, and combating HIV/AIDS pandemic), 3.Diversifying exports and enhancing global competitiveness, 4. fostering partnerships, reducing debt and dependency on foreign aid. These are all related areas that complement each other (see figure A2). If vigorously pursued and properly implemented, they are likely to lead to an equitable growth necessary to reduce poverty and to reach the other components of Millennium Global Development Goals by 2015.

It is important to realize that the process of human and economic development through cooperation is an evolutionary process of 'learning by doing'. The peoples and states concerned must first learn to live and work

together, take correct lessons from their history and cultures, and build sustainable democratic institutions that make cooperation and development possible. By sustainable democratic institutions here is meant the rules of economic and political development or maturity, and cooperation, rooted in culture or tradition, based on peaceful compromise and dialogue among diverse interest groups aimed at building trust and institutions that constrain arbitrary and destructive use of power by individuals and organizations through checks and balances. Building sustainable development institutions also involves economies and societies to: 1. *Complement* what exists-in terms of other supporting institutions, human capabilities, and available technologies, 2. *Innovate* to design institutions that work-and drop those that do not based on experiences, 3. *Connect* people and communities for markets through open trade and information flows, and 4. *Promote competition* among jurisdictions, firms, and individuals (IBRD, 2002). These include both *formal* and *informal* institutions. Formal institutions are rules written into law and codified or adopted by private and public institutions operating under public law with checks and balances (Ibid). Informal institutions are those that operate outside the formal legal system. They are unwritten codes of social conduct and behavior that evolve over time. Informal institutions are critical to consider in designing formal institutions and policies that work.

For developing societies and economies, institutions of government and markets are critical. Governments have important role in providing public goods and services, such as laws that clearly define *property rights* for markets to develop and work, and the judicial institutions that protect and fairly enforce these rights and the rule of law. Governments can also impede the development of market institutions through arbitrary exercise of state power, in the form of over taxation, corruption, short time horizons, cronyism, and the inability to uphold public order and to protect human rights and security. Indeed, it is in these regard that the states of the Horn of Africa have failed to a various degree. Thus, one of the challenges in development and poverty reduction in the Horn of Africa is how to frame or create good governance that is *capable* and *effective* in the

creation, protection, and enforcement of property rights critical to enhance markets and opportunities for people. The challenge in framing good governance also lies in creating a state that both control's itself and the (destructive) behavior of citizens, and directs it toward constructive tasks for the benefit of society. The challenge is to design *incentive-compatible* institutions with internal enforcement mechanisms that allow people to “to invest on efficient technology, increase their skills, and organize efficient markets. Such incentives are embodied in (market) institutions (IBRD, 2002).

However, while institutions determine how society and individual takes advantage of opportunities and markets for human development and welfare, they can also be the primary cause of economic failures such as hunger, poverty, war, and unemployment by providing *rational* people or actors with *incentives* to behave in a destructive rather than a constructive manner. Indeed, *rationality* does not mean people always do “good” things. It simply means that people do not *intentionally* do things that adversely affect their own wellbeing or it means that people select the best option that they *expect* may lead to a result that meets their goal *before the fact*. This is the basic idea termed as *rational expectations* in the economists jargon.

In general, this process of building democratic institutions and trust is crucial for sustainable development for all viable societies and economies. It is an evolutionary process that takes time. But, the peoples and the states of Horn of Africa, in spite of the painful experiences of the recent past, can learn from their own history and tradition of co-existence, as well as from other societies and regions that have succeeded in this regard.. Ethiopia and the Horn of Africa are facing another cycle of famine, which is estimated to be more serious than the last famine of 1984/85. While draught and lack of rains is a significant factor, poverty due to the failure or the absence of democratic institutions required to transforming the Country's economy in general and that of agriculture in particular is the most crucial factor. Such poverty reducing institutions must be one that can provide an enabling environment for massive injection of capital and

private and public investment into Ethiopian agriculture in particular, in the area of improved technology, irrigation, and agricultural research and extension. Moreover, the removal of institutions that retard the mobility of labor and capital such as ethnic based regionalism, and the need to carry out a land reform that enhances security of tenure vested in farmers, and that enable massive private investment in agriculture are among the most significant elements for reducing poverty conquering hunger and famine in the long run.

What has been suggested in this paper is a modest and a reasonable way to begin a long road toward economic cooperation, peace-building, and development based on trust that may bring about a *win-win* outcome for the peoples and states of the Horn. Skeptics may dismiss this view as naïve and wishful. But, it is worthy of serious consideration and effort. The process of rebuilding the economies and the societies of the Horn of Africa for future generations should not wait. It must begin now!

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APPENDIX

List of Variables

1. COUNAM = Country Name
2. FDIG= Ratio of foreign direct investment to gross domestic product.
3. GDPF= Gross domestic product at factor cost
4. GDPPC= Gross domestic product at factor cost.
5. LAB= Economically active labor force age 15-64
6. ILLIT= Illiteracy rate
7. TELP= Telephone mainlines per 1000 people
8. ROADP= Road density, total road in km per 1000 people
9. CPI= Consumer price index
10. DTSRE= Ratio of debt service to export
11. TMEX= Total merchandise export
12. TMEIM= Total merchandise import.
13. TSEX= Total service export
14. SEIM= Total service import
15. List of variables used in the regression.

	D j i b o u t i	E r i t r e a	E t h i o p i a	K e n y a	S o m a l i a	S u d a n	U g a n d a	S S A	L o w I n c o m e c o u n t r i e s
1989									
Population (millions)	0 . 4 7 8	3 . 0 4 7	4 6 . 0 2 2	2 2 . 8 0 4	7 . 0 8	2 4 . 3 0	1 6 . 6 8 3	4 8 . 0 4	2 9 4 8 . 4
Population Growth (1980-1989)			3 . 0	3 . 9	3 . 0	2 . 8	3 . 2	3 . 2	2 . 0
Urban Population (% of total)	8 2 . 1	1 4 . 6	1 3 . 3	2 3 . 3	2 5 . 6	2 5 . 0	1 0 . 6	2 8	3 6
Life Expectancy (years)	4 7 . 2	4 8 . 6	4 5 . 6	5 7 . 0	4 2 . 7	5 1 . 7	4 3 . 3	5 1	6 2
Infant Mortality (per 1,000)	1 2 1 . 6	1 0 9 . 2	1 2 7 . 6	7 2 . 4	1 4 5 . 2	9 9 . 4	1 2 2 . 0	1 0 7	7 0
GDP per Capita	8 5 6 . 1	-	1 2 0	3 6 0	1 7 0	-	2 5 0	3 4 0	3 3 0
GDP growth rate (1965-1989)	-	-	- . 1	2 . 0	0 3	-	- . 2 . 8	0 . 3	2 . 29 9
Export (% GDP)	-	-	1 2	2 3	8	-	6	2 5	1 4

Table A1. Economic and Social Indicators of IGAD member States

Source: Compiled from various publications of World Development Report, 1990, 2000 & 2003.

Table A2.1. Development and Integration indicators of members of IGAD/HAFTA: 1970-1999

COU NAM	F D I G	GDPF (\$millio n)	G DP PC	LAB (milli on)	I L L I T	T E L P	R O A D P
Djibo uti	0 . 4 8	0.00	86 3.3 2	0.01	5 3. 6 9	1 0. 5 0	5. 8 4
Eritre a	4 . 0 4	543.06	16 5.0 2	1.40	6 2. 1 3	4. 9 7	1. 1 0
Ethio pia	0 . 1 7	4907.79	10 4.6 6	19.68	7 6. 1 6	2. 1 9	0. 6 4
Keny a	0 . 3 5	5480.86	32 3.3 2	9.71	3 7. 6 0	6. 1 7	2. 8 3
Suda n	0 . 5 1	4742.07	23 3.9 6	7.96	5 9. 6 7	2. 7 8	0. 6 0
Ugan da	0 . 4 6	4281.46	26 7.1 1	7.51	4 9. 3 1	1. 7 7	2. 0 7

Table A2.2. Development and Integration indicators of members of IGAD/HAFTA: 1994-1999

COU NAM	F D I G	GDPF (millio n)	G DP PC	LAB (milli on)	I L L I T	T E L P	R O A D P
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Djibouti	0 . 5 2	0.00	78 9.2 7	0.01	3 9. 4 0	1 3. 1 3	4. 8 3
Eritrea	5 . 3 8	569.29	16 8.8 3	1.86	5 0. 0 2	5. 3 9	1. 1 0
Ethiopia	0 . 5 3	5884.53	10 7.3 8	25.61	6 5. 2 7	2. 5 9	0. 5 0
Kenya	0 . 2 8	7997.22	33 7.5 4	14.23	2 1. 2 0	8. 5 3	2. 3 6
Sudan	2 . 2 0	7540.05	28 0.8 5	10.73	4 6. 1 7	3. 7 5	0. 4 4
Uganda	1 . 8 2	5781.28	31 6.5 1	9.95	3 6. 6 0	2. 3 0	-

Table A2.3. Development and Integration indicators of members of HAFTA/IGAD: 1970-1999

COUNTRIES	CP	DTSR	TME EE x (\$ millio n)	TME IM (milli on)	TSE x (\$ millio n)	SEIM (\$ millio n)
Djibouti	8 1	4.7 4	32. 14	209.6 8	1 8	9 8.

	90				647	42
Eritrea	10276	0.41	0.01	0.01	2604	1241
Ethiopia	4977	18.48	0.83	690.92	2226	1570
Kenya	4858	24.99	1019.17	1623.85	73278	4570
Sudan	5517	13.04	439.40	1036.04	13574	283
Uganda	5953	27.12	344.11	236.37	5269	1574

Table A2.4. Development and Integration indicators of members of HAFTA/IGAD: 1994-1999

COU NAM	C P I	DT SR E	T M EE X (m illi on)	TME IM (milli on)	T S E X (m ill io n)	S E I M (m ill io n)

Djibouti	101.44	4.66	144.11	382.75	185.88	88.81
Eritrea	110.62	0.41	0.01	0.01	10.87	61.92
Ethiopia	97.18	19.79	486.45	1274.93	401.63	253.88
Kenya	115.28	27.02	1845.34	2747.07	982.50	768.27
Sudan	266.48	7.14	450.42	1309.28	77.92	310.61
Uganda	110.44	24.84	618.07	824.96	161.87	361.86

Source: Adopted from Asefa and Lemi (2002).

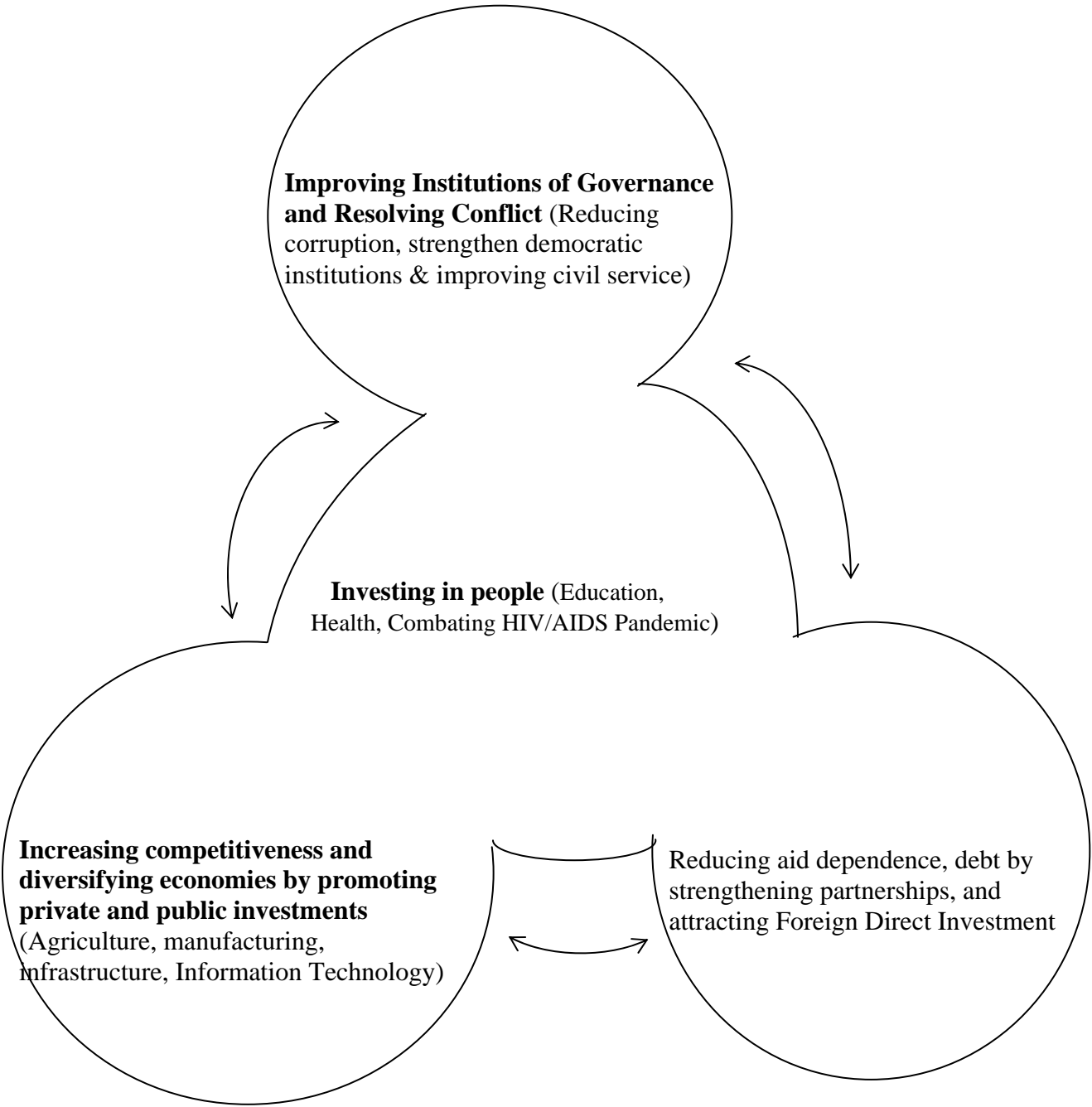
Table A3. Ethiopia's intra-Africa regional trade share, origin, destination, and revealed comparative advantage

	Share of Intra-	Share of Intra-
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	regional trade in total export (%)	regional trade in total import (%)
1989	6.6	3.6
1991	5.4	9.5
1993	4.5	6.3
1995	5.3	7.1
Destination and Origin of Ethiopia's Intra-regional trade		
	Destination of Intra- regional trade	Origin of Intra- regional trade
Chad	0.3	-
Djibouti	89.91	56.02
Gabon	-	1.18
Kenya	0.06	34.79
Senegal	-	3.44
Sudan	9.71	1.54
Tanzania	-	1.59
Zimbabwe	0.01	-
Others	0.01	1.44
Revealed Comparative Advantage of Ethiopia's export products		
Sugar Preparation	76.68	
Processed Animal and Vegetable Oil	58.60	
Non-Wheat Meal or Flour	28.25	
Petroleum Products	25.50	
Dyes and Tanning Products	21.56	
Clothing Not for Fur	1.83	
Leather Manufactures	1.77	

Source: Yates (1998), drawn from COMTRADE

Figure A1. Interrelated Factors in Creating Sustainable Development the Horn of Africa States



Source: Adapted from Gelb (2000)