

**Draft CONCEPT NOTE-**

**1<sup>st</sup> CBC MANUFACTURERS' FAIR AND PARTNERSHIPS CONFERENCE.**

***LINKING MARKETS; PROMOTING THE MANUFACTURING SECTOR IN THE  
COMESA REGION .***

|                          |                 |
|--------------------------|-----------------|
| Host Country;            | Kigali, Rwanda. |
| Period:                  | July , 2013 .   |
| Partnerships Conference; | 2 days.         |
| Manufacturers' Fair;     | 5 days.         |

## **1. INTRODUCTION;**

Manufacturing development in Africa is viewed as an opportunity to lessen dependence on commodities and engage in economic diversification as way to boost competitiveness in the region. In spite of this, the continent still accounts for a very low share of global manufacturing and global manufacturing exports. Recent research indicates that economic development requires structural change from low to high productivity activities and that the industrial sector is a key engine of growth in the development process, most particularly the growth of manufacturing development.

When one looks at the Industrial sector, it has been defined as composed of manufacturing, mining and construction, however, the manufacturing sector is the component of industry that presents greater opportunities for sustained growth, employment and poverty reduction in Africa. It should also be noted that manufacturing as part of the development process has contributed to many crucial ties of development, ranging from it being the main source of innovation and technological advances. It has provided the advantage of the strong backward and forward linkages and, spill-over effects associated with manufacturing activities. Manufacturing also offers significant opportunities for export market expansion and therefore is a key driver for growth in merchandise trade. Manufacturing also has a high potential for employment creation relative to agriculture and traditional services.

## **2. COMESA AND THE MANUFACTURING SECTOR .**

COMESA region is composed of over 450 million consumers, with an increased GDP of 450 Billion US\$ as of 2011. Intra COMESA trade has increased to 18.4 BN US\$ as of 2011. The region is dominated by Small and Medium Scale enterprises(SMEs) who constitute about 90% of the private sector of the member states in the COMESA region, just as is the case in many economies of the world. SMEs provide most of the employment in the economies of member states especially among vulnerable sectors of society and are crucial players in the attainment of the public policy objectives of poverty eradication and wealth creation. The prevalence of SMEs in COMESA economies and the promise they hold for promoting the attainment of key public policy objectives mean that SMEs will be a focus as major beneficiaries of the major areas of cooperation in COMESA. The development of SMEs is therefore an important priority in COMESA. SMEs in manufacturing have a presence in the following sectors- food and beverages, tobacco, wood, paper, refined petroleum and coke, rubber and plastics, glass and other non metallic metals, basic metals. In Resource Based Manufactures, there are textiles and Apparel, Leather, Publishing and printing, Fabricated metal products, Furniture. In low technology manufacturing there are in chemicals, machinery and equipment, office machinery, electrical machinery, Radio, TV and communication equipment, medical , precision and optical instruments, motor vehicles.

When looking at the challenges in the manufacturing sector, empirical analysis revealed that African countries are very dependent to resource based manufacturing. In 2009, it accounted for about 49% of both total Manufactured Value Added and Manufacturing Exports in the region. This dependence makes the sector vulnerable because it involves relatively low value addition, exporting countries are exposed to external price shocks, exhibits low productivity growth and there are fewer linkages with the sector and the rest of the economy. Secondly, the manufacturing sector in Africa is dominated by small firms who also very weak in terms of numbers and average size. Thirdly, domestic firms also have weak technological capabilities and are embedded in fragmented learning and innovation systems.

Most important to note is that within the SME based firms, one finds low interaction at firm level. This is with the exception of firms that are involved in industrial clusters. It is for this reason that clusters are now viewed at firm level as important to enhance firms' competitiveness, cooperation, innovation, learning and skills development and the overall promotion of Small and Medium Size Enterprises. Based on international experience, industrial clusters play a key role in manufacturing because they make market access easier, are characterized by pooling of labor, facilitate technological spill-overs, and create a more conducive environment to joint actions.

Regional Integration has been seen as critical to fostering manufacturing development. Building robust, competitive regional markets in COMESA and the larger Africa, unlocks manufacturing potential. How is this done? When African countries, especially those who trade within a single market or customs union target their regional markets as buyers of their manufactured products, this approach permits firms in the region to exploit economies of scale and garner the experience needed to successfully face global competition. Through the Regional platform the COMESA offers, facilitation of development of other markets that are complimentary to industrial development becomes critical to boosting competition in the region. These markets are financial markets, transport and infrastructure, ICT, science technology and innovation among others.

### 3. THE 1<sup>ST</sup> CBC MANUFACTURERS' FAIR AND PARTNERSHIPS CONFERENCE, 2013

Under the COMESA Business Council, the 1<sup>st</sup> Regional Manufacturers' Fair and Partnerships Conference is to be held in one COMESA member state. In response to unlocking the potential in the manufacturing sector, the CBC will invite Industrial firms from the 19 COMESA Member states, across 19 sectors in manufacturing<sup>i</sup>, to one trading platform where they can explore opportunities of regional market expansion, partnerships and expanding distribution circuits and lines. The Manufacturers' Fair will be held alongside the Member country's International Trade Fair, for five days. It will target companies within COMESA and International markets who wish to do business within COMESA, and facilitate the deals brokered within the trade and customs incentives provided under the COMESA Customs Union<sup>ii</sup>.

The Gala will also hold a 2 day Manufacturers' Partnerships Conference to dialogue on key constraints facing the sector and adopt common positions on the key issues addressed. The positions will then be advocated for by CBC at the Industry, Trade and Customs Policy organ meetings.

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<sup>i</sup> (food and beverages, tobacco, wood, paper, refined petroleum and coke, rubber and plastics, glass and other non metallic metals, basic metals. In Resource Based Manufactures, there are textiles and Apparel, Leather, Publishing and printing, Fabricated metal products, Furniture. In low technology manufacturing there are in chemicals, machinery and equipment, office machinery, electrical machinery, Radio, TV and communication equipment, medical, precision and optical instruments, motor vehicles.)

<sup>ii</sup> COMESA launched its Customs Union on 7 June 2009 in Victoria Falls, with a transition period of three years, now extended for two more years up to 2014. By 2014, COMESA will have in a common external policy that will apply to all imports from third countries. Under the principle of variable geometry, those member states that will not be ready to implement the CET will be eligible to ask for more time for adjustment to the CET.

The Common External Tariff (CET) of COMESA has three bands: imports of raw materials and capital goods attract a 0% duty rate, imports of intermediate products attract a 10% duty rate, and imports of finished products a 25% duty rate.

These rates were determined after a very rigorous exercise based on the industrial development needs of the region. Raw materials and capital goods are important inputs for production, and their cost affects the competitiveness of products especially in terms of price. This is why a rate of 0% was set. Finished products attract a rate of 25% in order to provide a certain degree of protection to domestic industries that produce the products that would face still competition from imports. This doesn't mean that importation of finished products is prohibited; it is encouraged but with the important consideration that domestic industries should have the policy space to grow and become vibrant, so they can create jobs to provide employment and incomes and so they can provide a deep and wide taxable base for government revenue. Another important consideration is that such a rate can attract tariff-hopping foreign direct investment, which seeks to locate in the region in order to benefit from the regional market while enjoying the protection of the tariff from certain imports. Tariff-hopping investment into the European Union has been significant. The rate of 10% intermediate products reflects a balance of the fact that some of the products are largely imported though there is a degree of regional products and it is to be encouraged.

#### **4. OBJECTIVES**

General Objectives;

- Promote intra- trade within the COMESA region, through trade, investment and private sector competitiveness.

Key objectives of the Partnerships conference is to ;

- Establish business linkages within the manufacturing chain across COMESA;
- Address business constraints and harmonise common recommendations for advocacy to policy organs;
- Promote products of various industrial sectors in the region through the fair;
- Initiate joint ventures, partnerships, contracts and Investment within the region.

#### **5. EXPECTED RESULTS;**

- A number Business linkages made;
- Networking among businesses in various sub-sectors in manufacturing across the region;
- A number of contracts, joint ventures, partnerships initiated from the event;
- Increased trade within COMESA region.
- Formation of an advocacy platform for manufacturing sector within the CBC.

#### **6. CO-HOSTS AND VENUE ;**

The 1<sup>st</sup> CBC Manufacturers' Fair and Partnerships Conference will be co- hosted by the CBC and the Private Sector Foundation of Rwanda.- RPSF.

It will be held together with the key annual event- the Rwanda International Trade Fair- 2013.

#### **7. EXPECTED PARTICIPATION FROM BUSINESSES IN:**

*See Table Below*

|  |  |  |  |
|--|--|--|--|
| Advertising Sign Manufacturing   | Consumer Electronics Manufacturing                                       | Manufacture of tanks, reservoirs and containers of metal                                   | Pump, Valve & Compressor Manufacturing   |
| Alumina and Aluminum Production and Processing   | Cosmetics and Perfume Manufacturing                                      | Manufacture of weapons and ammunition  | Railway Locomotive & Rolling Stock Manufacturing   |
| Battery and Accumulator Manufacturing  | Creative, Arts & Entertainment Activities                                | Manufacture of wooden containers   | Rubber Products Manufacturing  |
| Building of pleasure and sporting boats  | Domestic Appliance Manufacturing   | Modular Buildings Construction   | Safety Products Manufacturing  |
| Casting of iron and steel  | Fabricated Metal Product Manufacturing                                   | Non-metallic Mineral Product Manufacturing   | Ship and Boat Building   |
| Cement and Concrete Product Manufacturing  | Footwear Manufacturing   | Plastics Product Manufacturing   | Soap and Other Detergent Manufacturing   |
| Clay Building Material Manufacturing   | Forging, pressing, stamping and roll-forming of metal; powder metallurgy | Porcelain and Ceramic Product Manufacturing  | Steel Product Manufacturing from Purchased Steel   |
| Computer and Electronic Product Manufacturing  | Furniture Manufacturing  | Water Filtration Equipment Manufacturing   | Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing |
| <ul style="list-style-type: none"> <li>Manufacture of communication equipment</li> </ul> | General Manufacturing  | Wire & Cable Manufacturing   | Manufacture of grain mill products   |
| Manufacture of cutlery, hand tools and general hardware                                  | Glass and Glass Product Manufacturing                                    | Wood Product Manufacturing   | Manufacture of measuring, testing, navigating and control equipment                          |
| Manufacture of builders' carpentry and joinery   | Iron and Steel Manufacturing   | Manufacture of electric motors, Manufacture of basic precious and other non-ferrous metals | Manufacture of military fighting vehicles  |
| Manufacture of cement, lime and plaster  | Jewelry and Watch Manufacturing  |  | Manufacture of other electrical equipment  |
| Manufacture of electric lighting equipment   | Lifting and Handling Equipment Manufacturing                             |  | Manufacture of other fabricated metal products n.e.c.  |
|  | Generators, transformers and electricity distribution and control ap     |  | Manufacture of sports goods  |
|  | Manufacture of electronic components and boards                          |  | Manufacture of starches and starch products  |



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