**Eritrea: Northern Red Sea region gateway to prosperity**

**By: Berhane Woldu**

If there is ever a region that epitomizes the economic future of Eritrea, it’s the Northern Red Sea Region. A frenzied sprawl of 1 million people it’s the second largest region in Eritrea. It’s also a place where you will find six ethnic groups live together in harmony. At one recent colloquium conducted by the Governor of the region it was explained the various economic developments and the exploitation of natural resources such as agriculture, fisheries, tourism and mining.

All this speaks to Eritrea’s new growth path, one that is defined by Eritrean’s and Eritrean demand, rather than outsiders. The epicenter of the new growth is the country’s vast coastal expanse and the vast plains that are conducive for agricultural investment. While economist inside and outside Eritrea are bearish on Gold export from Bisha, Gash- Barcka region, it will be extremely bullish on the prospects of the Northern Red Sea Region which enjoys higher growth rates, favorable government policy, and the possibility of a huge consumption binge. Northern Red Sea Region also happens to be where the free zone ports of different size, 220 coral reefs and over 1000 fish species and virgin natural resources; oil, natural gas, iron ore, and lime stone are located. Mineral resources embedded on various areas of the region such as copper, gold, gypsum, granite, marble and ceramics. But while foreign firms are salivating over the potential gains to be had from all this, it’s the Eritreans themselves, rather than outsiders, who will tap them.

State-owned industries are an important factor in the nation’s economy. The basis for public intervention in the economy is the system of state holdings regulated by the ministry bearing that name, established in 1991; it representing a necessary tool by means of which the state can exercise control over, and act directly in, the country’s development, causing it to reach those results dictated by state economic policy. The state’s political authorities thus assign the economic policy objectives deemed necessary, and the agencies autonomously see to their desired outcomes. These agencies are: Ministry of Fisheries, Massawa Port Authority, Ministry of Education and many more who jointly work with the regional administration to implement the set goals and achieve the desired outcome in the domains of agriculture, fisheries, tourism, trade and industry, social services and infrastructural developments.

Development policies have now been put in place. The construction of Massawa airport, the Free Economic Zone, the expanding and reconstructing of ports, construction of oil jetty and the construction of cement fabric that is expected to produce 10,000K per day are some of the developments that have been achieved in the region.

Last year the government announced new Massawa infrastructure projects totaling 1 billion nakfa, even more than the 2009 figure. But unlike in the 2002 to 2008, Eritrea has the financial resources, experience, expertise and confidence it gained to build the country from zero economy to where it is today on its own. What’s more, the fact that the region is rich in natural resources and borders politically troublesome areas like Ethiopia, Sudan and Yemen means that the regional government is more likely to want to exert greater control in commercial affairs.

The central government has given the coast more investment in the domains of agriculture, fisheries, tourism, trade and industry. The development of the Northern Red Sea region is a study in state-led capitalism. Over the next 5 years, there’s going to be a huge shift in the nature of private investment in Eritrea; much more of the money is going to come from Eritrea rather than foreigners. In the wake of the 2009 world financial turmoil and still mired in fiscal retrenchment and tighter credit conditions, capital is becoming scarce and more expensive; hence, mobilization of internal capital as an alternative source of capital is essential to Eritrea. Eritrea’s current emphasis on balancing its economy towards domestic demand also means less of a golden handshake for foreign companies.

The sectors such as telecommunication, agriculture, and electricity are off limits to foreigners. Now, with the focus on agriculture, over 90,000 hectares have been utilized and a number of agricultural infrastructure programs have been implemented which increase domestic consumption. Local firms will have leg up in the growing region where no multinationals have yet to venture. Foreign firms’ relative lack of business experience in a region where culture, equality, mutual interest, ideology, trust, and relationship with the local bureaucracy play an even larger role is a major disadvantage. Even if all things were equal, basic geography will always favor costal area development. Transport costs are much higher for foreign firms than they are for domestic firms, and the proximity and cultural similarity of countries like Yemen and Arabia favor regional partnership rather than ventures run by Western multinationals.

In a highly stressed global economy, it’s wise to look internally and focus on Northern Red Sea Region long-term competitive advantages.