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INTERNATIONAL TRADE COMMODITY STRUCTURE OF AFRICAN REGIONAL INTEGRATION COMMUNITIES

Despite the regional integration efforts African regional integration communities (RECs) still depend strongly on the outside world for trade. The study analyses the development of trade flows of selected RECs and then focuses on the commodity structure of international trade of each selected REC over the last decade.

JEL: F15; N77

Despite the positive economic growth, observed in Africa in the last three decades, the continent's share in world exports fell from about 6% in 1980 to 3% in 2011, and its share of world imports - from about 4.6 to 3% in 2011. This phenomenon is due to the changing patterns of the structure of international trade and the composition of Africa's merchandise trade and the trade policies applied on the continent in the past 30 years.

During the colonization and the period immediately after, the structure of external trade of African countries was mainly determined by the needs of the colonial masters (Malhassian, 1979, p. 43). African countries mainly exported natural resources such as timber and minerals and imported manufactured goods. About six decades later, this structure of trade has not been significantly altered. Invariably, African countries have continually and consistently not managed to diversify trade into manufactured products although world trade has undergone changes due to liberalization and globalization. According to Afari-Gyan the reasons for the lack of export diversification include a lack of sound macroeconomic policies, high tariffs and supply-side constraints (Afari-Gyan, 2011).

Most African countries depend on two to three main primary commodity exports for most of their foreign trade earnings, thus they face the problem of short-term instability of primary commodity prices, which is greater than that of prices for non-primary tradable commodities (Kaldor, 1987). Export revenues are a major determinant of these countries' balance of payments position, external indebtedness, fiscal difficulties, levels of savings and investment, and hence their welfare. According to the skewed production base of African economies towards primary products and a limited range of consumer goods reduces the potential for intra-regional trade (Aryeetey and Oduro, 1996, p. 36) which according to the customs union theory is the measure of the success of regional integration efforts.

African regional economic communities (RECs) still depend on the outside world for trade because the continent largely produces goods that it does not consume and imports goods that it does. Moreover there is a limited product diversity since most exports are primary commodities (fuels, minerals, food) that are little used in value-added activities. To satisfy demand for many products, particularly for manufactures, countries therefore have to resort to outside markets. The study analyses the commodity structure of RECs' trade to trace current trends and exemplify Africa's export and import dependencies – respectively on primary and on manufactured goods.

Methodological notes

The selected time period is 2002-2011. The presented RECs are those which are recognized by the African union as pillars of the African economic community. Commodities are selected based on data availability and significance for the goals of the analysis.

All trade data are extracted from the United Nations Commodity Trade Statistics Database for the World Integrated Trade Solution. Import data are CIF, export data are FOB. Trade values are in current price USD. All product groups are defined according to Revision 3 of the Standard International Trade Classification (SITC) as data by the newer Revision 4 covers only the period since 2007.[1]

The calculated shares sum more than 100%. The reason in the case of RECs is the overlapping membership of many African countries in more than one REC. In commodities this is because some of the selected commodities are subgroups of others (foods are part of agricultural products, fuels – of fuels and minerals, and machinery and equipment, textiles and clothing – of manufactures).

Main characteristics of selected RECs

Currently there are 16 African regional economic communities, 7 of them are recognized and serve as pillars for the establishment of an African Economic Community.[2] These are the Community of Sahel-Saharan States (CEN-SAD), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Inter-Governmental Authority on Development (IGAD) and the Southern African Development Community (SADC). The different RECs are at different stages of the integration. In Table 1 are presented the main data for the selected RECs.

CEN-SAD is an integration and harmonization framework aiming to become the leading REC in Africa. COMESA has the mandate to create a fully integrated and internationally competitive REC in which apply freedoms of movement of goods, people, services and capital. The stated goal of EAC is the development of a prospering, competitive, secure and politically united Eastern Africa. Concentrated in ECCAS are 4/5 of African forests, there are lots of minerals and fuels, but frequent conflicts hinder the unfolding of the community's potential. The main goal of ECOWAS,

[1] Agricultural products include SITC sections 0, 1, 2, 4 minus 27 and 28. Food are SITC sections 0, 1, 4 and division 22. Fuels and mining products include SITC section 3 and divisions 27, 28 and 68. Fuels are SITC section 3. Manufactures include SITC sections 5, 6, 7, 8 minus division 68 and group 891. Machinery and transport equipment are SITC section 7, Textiles - SITC division 65, and Clothing - SITC division 84.

[2] The Magreb Union (UMA) has still not signed the AEC relations Protocol and since 2012 is not considered a pillar of the Community.

where leading is the economy of Nigeria, is to encourage regional economic cooperation and to face the development challenges. IGAD's activities are aimed at sustainment of peace and security, as well as at development and integration issues. The goals of SADC, with leading economy Republic of South Africa (RSA), are not limited in the field of trade although it is the main engine of integration processes there.

Table 1

Main data on selected RECs (2011)

Indicators	CEN-SAD	COMESA	EAC	ECCAS	ECOWAS	IGAD	SADC
Member-states*	29	19	5	10	15	7	15
Area (thousand sq. km)	15 289	11 602	1822	6612	4188	5209	9862
Area (% of Africa)	50.9	38.6	6.1	22.0	13.9	17.3	32.8
Population (Million)	540	433	137	134	142	205	273
Population (% of Africa)	53.5	42.9	13.6	13.3	14.1	20.4	27.0
Population density (people at sq. km)	35.3	37.3	75.6	20.3	34.0	39.5	27.7
Employment (% of population over 15)**	33.1	38.0	43.3	38.3	33.4	40.1	36.7
GDP (Million USD)	910 628	518 792	82 839	188 122	127 768	140 894	654 778
GDP (USD p.c.)	1685.3	1197.2	601.2	1400.0	897.4	684.1	2396.1
Merchandise trade (Million USD)	399 429	158 415	25 435	7539	258 536	19 299	287 294
Merchandise trade (% of Africa)	47.8	19.0	3.0	0.9	30.9	2.3	34.4
Imports (% of GDP)	27.7	25.8	33.6	27.0	26.9	25.2	28.6
Exports (% of GDP)	29.0	29.9	13.8	53.9	36.4	14.2	30.9
Trade balance (Million USD)	27 636	-50 553	-10 907	-3036	64 546	-9751	-26 691

*For information on RECs member-states, see the Annex.

** No data for Seychelles, Mauritius and Djibouti.

Source. World DataBank, UNcomtrade and own calculations.

African trade patterns

Though the continent is relatively weakly influenced by world crises and recessions, they have a significant impact on economic growth and trade volumes. The dependence of African countries on revenues from the export of primary commodities led to shortfalls in export revenues (respectively with about 190 Billion USD in 2009 and 70 Billion USD in 2010 compared with 2008), current and budget deficits. According to Collier (2002, p. 2), three quarters of developing country exports in 1980 were primary commodities while in the beginning of the 21st century about 80 percent were manufactures. However, Africa hardly benefited from the boom in manufactured exports – the continent's share of world merchandise exports has been declining while the share of fuels and mining products in primary exports and total merchandise trade has been increasing both compared to raw materials ant to the total export values.

Gayi (2010) shows that the 49 classified by the UN least developed countries in Africa have become more commodity-dependent over the 2000-08 period. As a share of total merchandise exports, in 2008 primary commodities made up 82 percent, up from 69 percent in 2000. This increasing commodity dependence has negative effects for the countries as negative macroeconomic shocks arise from volatile commodity prices, thereby worsening the already existing low standard of living.[3]

Just a few African countries have managed to diversify their trade into manufactured goods such as electronic components and textiles. Examples for this are RSA with 33.5% share of Africa's manufactures exports, Tunisia with 12.2%, Morocco with 12% and Egypt with 11.7% which together represent more than 2/3 of the combined Africa manufactured goods exports.

Some African countries have diversified into non-traditional exports, especially fruits and vegetables. Kenya and Uganda export large amounts of cut flowers and vegetables while Ghana has increased exports of pineapples. However, according to Afari-Gyan (2011, p. 66) a major barrier to Africa's trade in non-traditional exports, hindering an increase in market share and export destinations, is compliance with strict Sanitary and Phytosanitary Standards.

Table 2

Africa trade flows by selected commodity (Million USD)

Commodity	Export			Import			Total trade		Balance
	2002	2011	Share of Africa, 2011, %	2002	2011	Share of Africa, 2011, %	2011	Share of Africa, 2011, %	2011
Total	151 543	591 712		129 837	499 371		1 091 082		92 341
Agricultural products	24 859	58 985	10.0	21 935	84 502	16.9	143 487	13.2	-25 518
Foods	19 517	47 396	8.0	19 648	77 476	15.5	124 871	11.4	-30 080
Fuels and minerals	76 115	393 952	66.6	8661	76 742	15.4	470 694	43.1	317 209
Fuels	64 824	333 324	56.3	6504	64 458	12.9	397 782	36.5	268 867
Manifactures	44 355	105 351	17.8	94 688	318 661	63.8	424 013	38.9	-213 310
Machinery and transport equipment	10 928	31 214	5.3	48 164	161 388	32.3	192 602	17.7	-130 174
Textiles	1495	2703	0.5	7092	18 624	3.7	21 327	2.0	-15 921
Clothing	8952	12757	2.2	2656	7740	1.6	20 497	1.9	5017

Source. UNcomtrade for WITS and own calculations.

Africa's overall exports value in 2011 is 592 Billion USD and the import's value is 500 Billion, while the increase in both for the selected period is almost the same – just over 3 times or an average annual increase by 16%. The continent's main export commodities are fuels and minerals with 2/3 share in exports and about 85% of this are fuels. Moreover the average annual growth of exports is the highest among all goods (20%) and the export value increases over 4 times for 2002-2011. Fuels are also the main reason for Africa's positive trade balance

[3] The negative macroeconomic effects of the increase in price of crude oil include the increase in inflation movements, the devaluation of national currencies, the excessive borrowing on international markets, etc. (Jelyazkova, 2010, p. 125-126).

because besides them a slight positive balance is observed only in clothing (5 Billion USD). As already stated Africa is highly dependent on manufactures import which represents nearly 2/3 of the total export value and almost half of it is import of machinery and transport equipment (45%). However there is a positive trend – manufactures and machinery and transport equipment imports increase slower than overall exports (respectively 13, 14 and 16% average annual growth). Textiles and clothing have a relatively low share in the continent's trade – under 2% and lowest growth (7 and 11% average annual increase respectively), while exports increase significantly slower than imports (4 percentage points for both).

Market sizes and resource bases are small in most African states, hence the need for regional integration - to make them internationally competitive, achieve high economic growth and reduce poverty. Such integration enables countries to combine their efforts and resources so as to create large markets for dealing with the challenges that they cannot overcome alone. According to economic integration theory among positive effects of integration are increase in interregional trade, income growth, development of competition, increase in economies of scope and enterprise restructuring (Panusheff, 2003, p. 38-39). Chauvin (2002, p. 37) noted that with regional arrangements, the presumption is that country groupings that have a narrower range of revealed comparative advantage in similar products are less likely to find grounds for sustained exporting as a result of a regional trade arrangement. International trade theory states that the gains from trade come from specializing in a country's area of comparative advantage, that is, sectors in which a country produces relatively more efficiently. Thus through regional integration arrangements the commodity structure of African trade flows could be improved towards diversification and utilization of the comparative advantages of individual countries.

Table 3

International trade of selected RECs (Million USD)

REC	Export			Import			Total trade		Balance
	2002	2011	Share of Africa, 2011, %	2002	2011	Share of Africa, 2011, %	2011	Share of Africa, 2011, %	2011
Total	5 979 479	16 055 542		6 373 306	16 967 620		33 023 162		-912 077
Africa	151 543	591 712	3.7*	129 837	499 371	2.9*	1 091 082	3.3*	92 341
CEN-SAD	66 716	252 463	42.7	75 244	273 817	54.8	526 281	48.2	-21 354
COMESA	30 763	94 627	16.0	33 679	118 419	23.7	213 046	19.5	-23 792
EAC	3381	9325	1.6	4998	23 751	4.8	33 076	3.0	-14 425
ECCAS	17 722	107 422	18.2	8167	38 571	7.7	145 994	13.4	68 851
ECOWAS	27 991	136 348	23.0	29 320	123 724	24.8	260 073	23.8	12 624
IGAD	5345	22 707	3.8	6942	30 653	6.1	53 361	4.9	-7946
SADC	57 810	227 084	38.4	36 885	154 072	30.9	381 157	34.9	73 012

* Africa share in world.

Source. UNcomtrade for WITS and own calculations.

The Community of Sahel-Saharan States – largest in area and population, has also the highest share in international trade of Africa – almost 48% (526 Billion USD). It is followed by the Southern African Development Community (35%, 381 Billion USD) and the Economic Community of West African States (24%, 260 Billion USD) which include the two biggest economies in Africa – respectively RSA and Nigeria. The Common Market for Eastern and Southern Africa has a share of about 20% in international trade of the continent (213 Billion USD). The last three RECs – ECCAS, IGAD and EAC, have a relatively low share in international trade – 13, 4 and 3% respectively.

CEN-SAD is the leading REC both in imports and exports - respectively 55 and 43%. Second is SADC with 31 and 38%. ECOWAS follows with a 25% share in imports and 23% - of exports. ECCAS, the second largest exporter of fuels is fourth in exports with 18%, followed by COMESA (16%). The situation is different in imports – COMESA has a relatively high share of manufactures imports, thus has a share of 24% of the Africa's total imports while ECCAS together with IGAD and EAC have relatively lower shares (8, 6 and 5%).

The overall increase in total international trade value of the continent for the 2002-2011 period is nearly 3 times with an average annual growth of 16% which is with nearly 5% higher than this of global trade. Noticeable is the significant growth of trade flows of ECCAS (21% annual average) where the value of exports increase more than 5 times for the reviewed time period. The rest of the RECs have similar average annual growth rates (15-18%) and the increase in exports is a little higher for CEN-SAD and ECOWAS. This could be explained by the high ratio of exports in fuel-exporting countries that are members of both communities.

The commodity structure of international trade of the selected RECs will be explored in the next two sections.

Commodity structure of African international trade

Most of the goods traded by African RECs have low value added, as they include mainly raw materials (mostly fuels and agricultural products). Africa imports manufactures from countries from outside the continent thus supporting their industrialization instead of its own.

Globally highest increase is observed in the value of trade with fuels – 37%, followed by agricultural products (26%) and minerals (25%). This is largely due to the significant growth of prices of raw materials in 2011 (WTO, 2012, p. 53).

The total value of world's exports of *agricultural products* increases by 21% in 2011. This is partly due to the rise of prices of food and agricultural raw materials which have an unseen growth – respectively with 20 and 23%. Markets are extremely sensitive to changes in production and consumption data, the balance between supply and demand is extremely limited. Consumers have to deal with the extreme price risks that the market offers. (Kostadinov, 2013) Every one of the 10 main exporters of agricultural products has an increase by more than 15% in 2011. Foods have a 82% share of agricultural products exports in 2011, and an increase by 21% compared with the previous year (WTO, 2012, p. 54).

The share of Africa in global agricultural products exports is 3.8% (59 Billion USD), and in imports – 5.1% (85 Billion USD). Continent's trade is dominated by CEN-SAD (58%), COMESA (31%), SADC (27%) and ECOWAS (27%). In the case of the first two imports are significantly more than exports, while in SADC and ECOWAS the values are almost equivalent. As a whole Africa has a higher growth rate in trade of agricultural products compared with the global trend – over 13% average annual growth. This trend is valid also for 2011 (22%). Noticeable is the lower average growth of exports of ECCAS and SADC (by 3 percentage point less) compared with Africa's growth and the higher growth rate of imports of IGAD and EAC (5 and 3 percentage points respectively).

Table 4

Selected RECs' trade in agricultural products (Million USD)

REC	Export			Import			Total trade		Balance
	2002	2011	Share of Africa, 2011, %	2002	2011	Share of Africa, 2011, %	2011	Share of Africa, 2011, %	2011
Total	558 128	1 541 900		599 222	1 566 405		3 108 304		-24 505
Africa	24 859	58 985	3.8*	21 935	84 502	5.4*	143 487	4.6*	-25 518
CEN-SAD	12 467	32 850	55.7	13 425	51 683	61.2	84 533	58.9	-18 832
COMESA	6871	15 858	26.9	6949	28 618	33.9	44 477	31.0	-12 760
EAC	2209	5768	9.8	731	3499	4.1	9267	6.5	2269
ECCAS	1918	3579	6.1	1815	8067	9.5	11 646	8.1	-4488
ECOWAS	6487	18 279	31.0	5020	17 971	21.3	36 249	25.3	308
IGAD	2651	6975	11.8	1193	6478	7.7	13 453	9.4	498
SADC	9960	19 795	33.6	5014	18 845	22.3	38 641	26.9	950

* Africa share in world.

Source. UNcomtrade for WITS and own calculations.

In Africa *foods* are a significant portion of the trade with agricultural products as well – about 87% in 2011 and this share has declined with nearly 5 p.p. compared to 2009. There are significant differences in this share in exports and imports (90 and 80% respectively) and these shares are relatively constant during the whole reviewed period. Interesting differences can be seen in the trade patterns of individual RECs – in the import of IGAD, ECOWAS and ECCAS the share of foods in agricultural products reaches nearly 92%, while in the export of ECCAS it is under 40% mainly due to the high value of exports of raw rubber which is one of the main export goods of the community member-states.

The high growth of *fuels and mineral* trade value globally in 2011 (nearly 30%) is linked to the significant increase in prices, similar to the situation in 2008. The relatively slower growth in exports of fuels and mining products from Africa (11%) is due to the Libyan crisis in 2011 which has curtailed crude oil production and exports. (WTO, 2011, p. 51-52). In some RECs (COMESA, EAC, ECCAS и IGAD) in 2011 there is a significant decrease in exports (and only in ECCAS it corresponds to the decrease in imports) and the retention of the positive trend (while in 2002-2010 the share of Africa in world exports is over 9% and in imports – 2-2.5%, in 2011 it is respectively 8 and 1.8%) is due to ECOWAS (with growth of over 70%) and SADC (30% increase). SADC and ECOWAS which dominated by the largest economies on the continent (RSA and Nigeria) are among the main importers of fuels and minerals (respectively 50 and 17.5% share of Africa) and the significantly lower share of ECOWAS is based on the fact that the community produces these products. The trade value of CEN-SAD, which dominates the continent (50% share of Africa) shows a slight increase in 2011 (3%). Insignificant shares of Africa trade have the three small RECs ECCAS, IGAD and EAC. For the whole reviewed period African RECs show higher than the global increase in fuels and minerals trade value, reaching nearly 6 times (24% annual average) in ECOWAS and SADC. Exceptions from this trend are ECCAS and IGAD in which there is a slight decrease.

Table 5

Selected RECs' trade in fuels and minerals (Million USD)

REC	Export			Import			Total trade		Balance
	2002	2011	Share of Africa, 2011, %	2002	2011	Share of Africa, 2011, %	2011	Share of Africa, 2011, %	2011
Total	729 058	3 321 587		780 970	3 903 043		7 224 630		-581 456
Africa	76 115	393 952	11.9*	8661	76 742	2.0*	470 694	6.5*	317 209
CEN-SAD	34 133	171 475	43.5	5422	49 577	64.6	221 053	47.0	121 898
COMESA	15 758	58 741	14.9	2144	12 913	16.8	71 654	15.2	45 827
EAC	444	1034	0.4	502	2586	3.4	4023	0.9	-1148
ECCAS	13 734	82 735	25.7	467	4031	5.3	105 403	22.4	97 342
ECOWAS	17 780	113 164	28.7	2484	27 822	36.3	140 986	30.0	85 342
IGAD	1882	13 173	3.3	355	1565	2.0	14 738	3.1	11 608
SADC	18 742	119 192	30.3	2403	18 427	24.0	137 619	29.2	100 765

* Africa share in world.

Source. UNcomtrade for WITS and own calculations.

In Africa the share of *fuels* in fuels and minerals trade is extremely high (average 85%) and in some RECs (ECOWAS, IGAD, CEN-SAD, ECCAS) it reaches over 95%. Fuels amount for over 56% of Africa's overall export revenues while their share in imports is significantly lower – 13%. Highest exports show ECOWAS and CEN-SAD (respectively 110 and 160 Billion USD) as the biggest producer on the continent – Nigeria, responsive for over 1/3 of Africa's exports, is a member of both RECs. Following are ECCAS and SADC (95 and 70 Billion USD) where the main producer is Angola (nearly 1/5 of Africa). All RECs (except EAC with a less than 1% of African trade) have a positive trade balance in fuels as well as a significant increase in trade values over the 2002-2011 period (3 to 6 times). Noticeable is even the higher growth of import values (20-32% annually compared to 20% globally) which reaches over 10 times in ECOWAS.

Table 6

Selected RECs' trade in manufactures (Million USD)

REC	Export			Import			Total trade		Balance
	2002	2011	Share of Africa, 2011, %	2002	2011	Share of Africa, 2011, %	2011	Share of Africa, 2011, %	2011
Total	4 436 147	10 493 873		4 752 329	10 910 093		2 1403 965		-416 220
Africa	44 355	105 351	1.0*	94 688	318 661	2.9*	424 013	2.0*	-213 310
CEN-SAD	18 036	45 498	43.2	53 699	168 223	52.8	213 721	50.4	-122 725
COMESA	7393	18 122	17.2	22 886	73 501	23.1	91 623	21.6	-55 378
EAC	684	2069	2.0	3573	16 949	5.3	19 018	4.5	-14 881
ECCAS	2027	2236	2.1	5744	25 708	8.1	27 943	6.6	-23 472
ECOWAS	2421	4061	3.9	20 904	76 610	24.0	80 671	19.0	-72 550
IGAD	721	2054	1.9	5037	21 392	6.7	23 446	5.5	-19 338
SADC	25 487	57 489	54.6	27 979	105 133	33.0	162 622	38.4	-47 643

* Africa share in world.

Source. UNcomtrade for WITS and own calculations.

The share of *manufactures* in world trade decreases from 75% in 2000 to 65% in 2011 (WTO, 2012, p. 53). In Africa their share in imports is almost 2/3 and in exports – under 1/5. All RECs as well as all countries on the continent have a growing negative trade balance in manufactures trade – for the reviewed period imports grow 2-4 times and exports – just 1-1.9 times. The main importers are CEN-SAD, SADC, ECOWAS and COMESA, main exporters – SADC(55% with RSA having a 43% share of total African exports) and CEN-SAD(43% with main exporters Egypt, Morocco and Tunisia – together with 38% share of continent's exports).

Almost half of Africa's trade in manufactures is with *machinery and transport equipment* but this share is a little lower than the global one (45 and 50% respectively). Here as well there is a trend the export to increase slower than the import. The distribution of trade among different RECs is similar to this of manufactures. Globally the export of clothing in 2011 has the highest growth since 2000 (WTO, 2012, p. 58). In Africa the share of *textiles* and *clothing* in manufactures is significantly higher than the global one (respectively 16 and 6%) and in some RECs it reaches nearly 30% (CEN-SAD, COMESA). Main contributors here are the North African exporter-countries. However here as well imports grow quicker (2-4 times) than exports for the period 2002-2011.

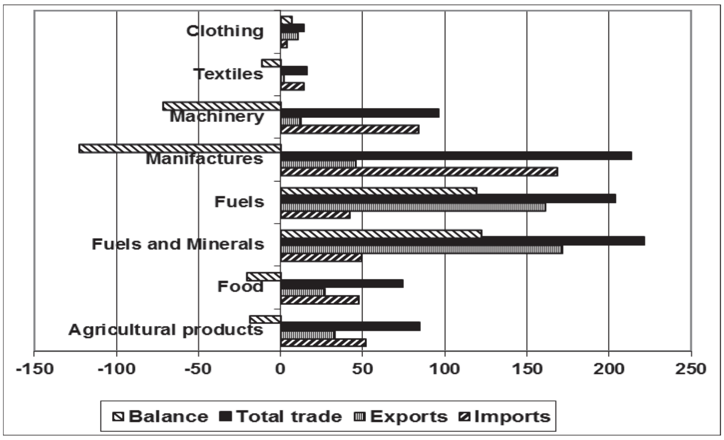
Trade patterns of selected RECs

The capability to export could be used as indication for the strength of the region's economy and its sectors. It indicates the capability to produce goods and services that pass the test of international competition. Therefore it is important to identify sectors with larger export shares indicating the regions competitive advantages.

Leading place in CEN-SAD Trade in 2011 (Fig. 1) have fuels in exports (161 Billion USD, 64%) and manufactures in imports (16 Billion, 61%). The total trade balance is negative as besides fuels the only commodity in which export is greater than imports are clothing (6 Billion). There is a growth over the observed period 2002-2011 both in imports and in imports and the only decrease is in 2009. Highest increase shows the trade in fuels (nearly 9 times in exports and about 4 times in imports), and lowest – in manufactures (respectively 1.5 and 2 times) and especially in clothing (with only about 5% average annual growth). The values of imports and exports in agricultural products are about equivalent over the period while in 2011 imports are nearly double than imports. The share of fuels in fuels and minerals exports is about 95%, the share of machinery and transport equipment in manufactures – about 50% (close to Africa's average.

Figure 1

Trade of CEN-SAD (2011, Billion USD)

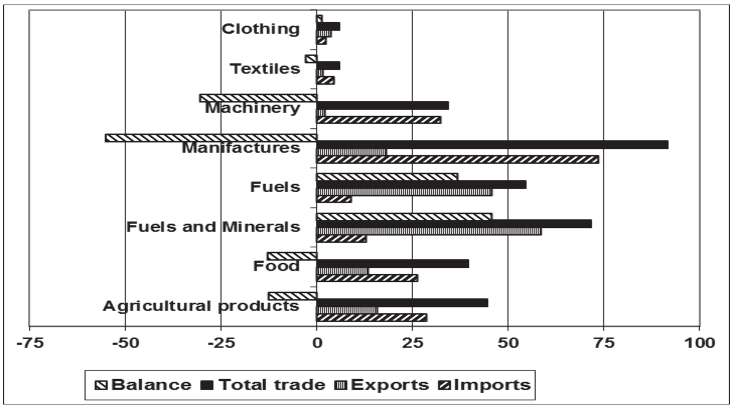


Source. UNcomtrade for WITS and own calculations.

Fuels are the main export commodity in 2011 of COMESA (Fig. 2) as well (46 Billion USD, 46%). However here they have a relatively low share in exports of fuels and minerals – about 75%. In imports dominating are manufactures (75 Billion USD, 62%) in which machinery and transport equipment have a 6 percentage points lower share than the continent average – 44%. Over the reviewed period highest growth both in exports and in imports show fuels, while manufactures and agricultural products have similar growth rates – nearly 10% annual average increase in exports and about 15-16% - in imports.

Figure 2

Trade of COMESA (2011, Billion USD)



Source. UNcomtrade for WITS and own calculations.

In EAC, the smallest of the examined RECs with a relatively low share of African trade (3%) greatest share in exports have agricultural products (6 Billion USD, 62%) and in import – manufactures (17 Billion, 71%) in which machinery and transport equipment have relatively low share - 40% (Fig. 3). Over the period 2002-2011 imports of all examined commodities increases significantly quicker than exports (with 5-8 percentage points yearly) and the biggest difference is observed in fuels – export remains the same while imports grow nearly 5 times.

Figure 3

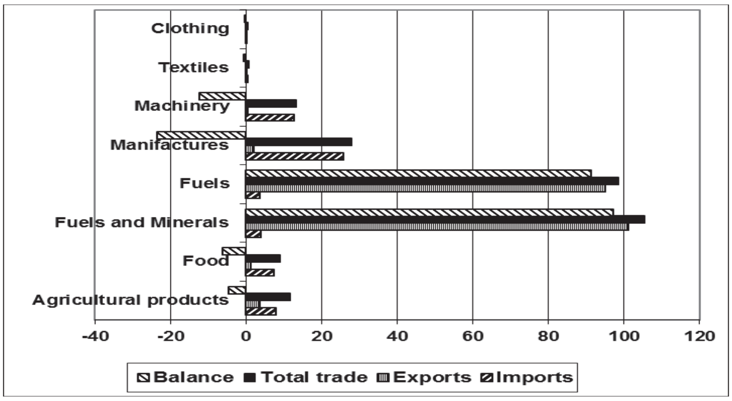
Trade of EAC (2011, Billion USD)

Source. UNcomtrade for WITS and own calculations.

Trade of ECCAS (Fig. 4) is dominated by the export of fuels and minerals (95% of all exports) in which fuels have a share of 94%. Fuels and minerals have also the highest growth rate over the examined period – nearly 6.5 times. Main contributor is the economy of Angola with 18% of all African fuel exports. Unlike other RECs imports of manufactures and especially of machinery and transport equipment in ECCAS is relatively low in value (25 Billion USD). This difference with the other RECs is the reason for the community's positive trade balance of almost 70 Billion USD in 2011.

Figure 4

Trade of ECCAS (2011, Billion USD)



Source. UNcomtrade for WITS and own calculations.

Figure 5

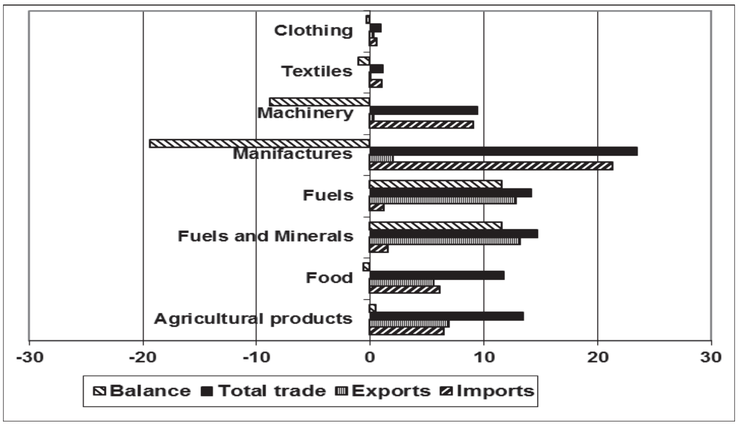
Trade of ECOWAS (2011, Billion USD)

Source. UNcomtrade for WITS and own calculations.

In 2011 nearly 80% of the exports of ECOWAS (see Fig. 5) is due to the continent's largest producer – Nigeria (with nearly 1/3 of all fuels exports in Africa). In ECOWAS export of fuels amounts for nearly 98% of fuels and minerals exports. For the reviewed period fuels have also the greatest increase – about 6 times. In 2011 largest import share have manufactures and nearly 2/3 of it are machinery and transport equipment (this is the highest share in Africa). Here besides Nigeria (37%) serious place have Liberia (22%) and Ghana (12%) Both imports and exports of agricultural products have relatively low values (16-18 Billion USD in 2011).

Figure 6

Trade of IGAD (2011, Billion USD)



Source. UNcomtrade for WITS and own calculations.

Agricultural products and foods have a relatively high share in IGAD's exports – 31 and 25% in 2011 while fuels have a relatively low one – 57% (Fig. 6). Here as well manufactures are the most imported commodity – 70% but machinery and transport equipment have a lower than the continent's average share in them (40%). Trends in imports and exports of all goods are close to the continent average.

SADC is the largest exporter of manufactures (58 Billion USD) and the largest contribution for this is of RSA with 45% of all African exports (see Fig. 7). High export share have also metal ores and minerals while fuels have a share of under 60% of fuels and minerals exports. Trade with agricultural products and foods is relatively balanced. In SADC too the trends over the examined period are close to the continent average – the value of imports of almost all commodities increases quicker than that of exports (with 8-10 percentage points annual average). Positive trend is observed in fuels and minerals where imports and exports have almost equal growth rates.

Figure 7

Trade of SADC (2011, Billion USD)

Source. UNcomtrade for WITS and own calculations.

Conclusion

Africa's heavy dependence on primary commodities as a source of export earnings, that, as seen above, continues in the last decade. It is higher than in all other developing regions and makes the continent remaining vulnerable to market vagaries and weather conditions. The analysis confirms the thesis that price volatility, arising mainly from supply shocks results in decrease in incomes, investment and development pace and increase in indebtedness and poverty in Africa. (UNCTAD, 2003, p. 1-2).

The relatively static export commodity structure of African countries illustrates the lack of significant economic restructuring not only in the last decade but during the whole postcolonial period. Some countries attempt to diversify their international trade patterns and to reduce their export dependency on just a few primary goods. Some developing countries have succeeded to reduce their dependency on their primary export commodities by developing new, untraditional export goods (Morocco and Tunisia in North Africa, Ghana, Senegal and Côte d'Ivoire in Western Africa, Kenya, Tanzania and Zimbabwe in Southern Africa). For all mentioned countries currently the main export commodity brings less than 1/3 of international trade revenues. Practically in all countries the number of export goods was increased significantly in the last decade, but nevertheless these remain a negligible share of export value and revenues (especially in fuel-exporting countries like Nigeria and Gabon). Besides the issues of price volatility, primary commodity dependence is also associated with higher risk of civil war,[4] which in the case of Africa is strongly undesirable.

Manufactures and especially machinery and equipment remain with high shares in imports and although this is positive as this goods are investment assets, it reflects two main weaknesses in Africa's economies structure. The first is the continuous strong dependency on import of producer goods which shows that although necessary African countries still have not managed to undergo a technological transformation. The second is the failure of the manufacturing sector to take its rightful place in consumer goods import which, as stated by Ali-Dinar, proportionally remains at the same levels as in the beginning of the 1970-ies (Ali-Dinar, 1995, p. 30).

The effects of the creation of international trade associations favor small and poor counties as they have the opportunity to concentrate their efforts in a small number of export goods without overburdening the market absorption capacity (Graham, 1948, p. 183). Economic theory states that economic integration results in productivity and prosperity growth through optimization of spatial organization of production factors and production specialization which increases the comparative advantages of member-states (Panusheff, 2003, p. 38). Empirical analysis however shows that in all African RECs are observed the same trends that are typical for the continent as a whole – export of primary commodities and import of manufactures, and moreover – one and the same. This is an evidence that the RECs do not utilize the merchandise trade benefits of economic integration in terms of the opportunities for restructuring their economies so that they could use their comparative advantages.

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[4] For a comprehensive study of the relation between primary goods export dependency and the risk of civil war, see Collier, 2002.

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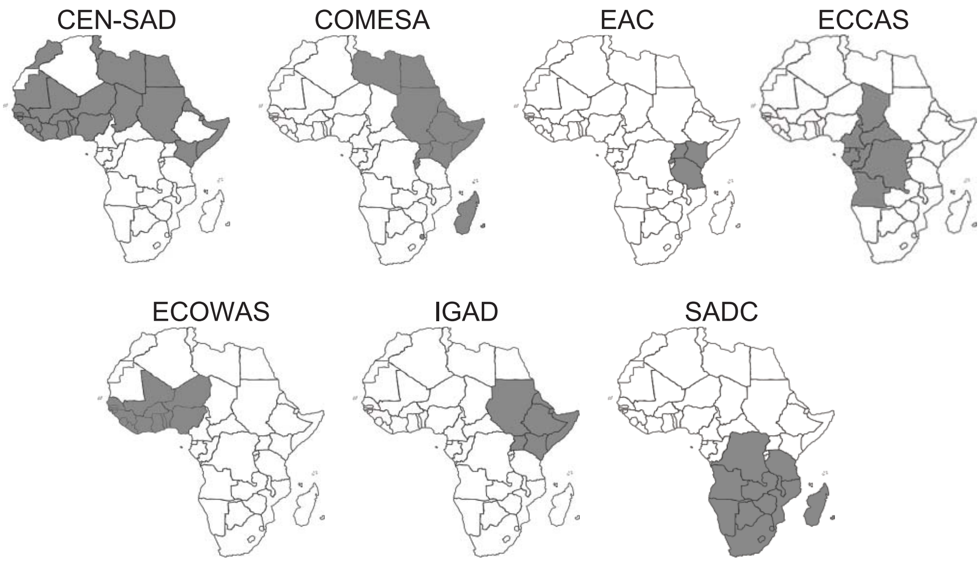
Annex

Regional economic communities in Africa



Member-states of selected RECs:

Community of Sahel-Saharan States (CEN-SAD): Benin, Burkina Faso, Cape Verde; Central African Republic, Comoros, Côte d'Ivoire, Chad, Djibouti, Egypt, Eritrea, Gambia, Ghana, Guinea-Bissau, Guinea, Kenya, Liberia, Libya, Mali, Mauritania, Morocco, Niger, Nigeria, São Tomé & Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia.
Common Market for Eastern and Southern Africa (COMESA): Burundi; Comoros; Democratic Republics of Congo; Djibouti; Egypt; Eritrea; Ethiopia; Kenya; Libya; Madagascar; Malawi; Mauritius; Rwanda; Seychelles; Sudan; Swaziland; Uganda; Zambia; Zimbabwe
East African Community (EAC): Burundi, Kenya, Rwanda, Tanzania, Uganda
Economic Community of Central African States (ECCAS): Angola; Burundi; Cameroon; Central African Republic; Chad; Democratic Republic of Congo; Equatorial Guinea; Gabon; Republic of Congo; São Tomé and Príncipe
Economic Community of West African States (ECOWAS): Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
Inter-Governmental Authority on Development (IGAD): Djibouti; Eritrea; Ethiopia; Kenya; Somalia; Sudan; Uganda
Southern African Development Community (SADC): Angola; Botswana; Democratic Republic of Congo; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Namibia; Seychelles; South Africa; Swaziland; Tanzania; Zambia; Zimbabwe