Eduard Marinov, PhD

INTRAREGIONAL TRADE AS AN INDICATOR OF THE EFFECT OF INTEGRATION PROCESSES – THE CASE OF AFRICAN REGIONAL ECONOMIC COMMUNITIES

The paper analyses the dynamics of trade flows and the trends in trade patterns of intraregional trade of African countries and regional economic communities. The study presents the main import and export destinations both in inter- and intraregional terms thus outlining the trends in African countries' and Regional economic communities' export and import for the period 2003-2012 and trying to draw some conclusions on the realization of potential benefits of integration.

JEL: F15; N77

African countries and their regional economic communities (RECs) try to achieve integration through free trade, creation of customs unions and organization of common markets. The ultimate goal is the merger of these integration communities in an African common market and the creation of the African Economic Community (AEC) with economic, monetary, social and sectorial policies common for the whole continent. The creation of such a market would strengthen the economic independence and the position of African economies within the global economy.

In this regard, African countries and the institutions of their integration entities must work to expand the volume of total trade, as well as the trade flows among themselves, using the means of trade liberalization. The establishment of functioning free trade areas and customs unions is compulsory. This shall be done through common strategic actions to remove tariff and non-tariff barriers to trade and through the adoption of common customs tariffs to third countries.

Trade is a major contributor to the revenues of most developed and developing countries. It allows them to specialize and to export goods produced more efficiently at the expense of other products that could be imported cheaper than their own production costs. International trade is also a way for acquisition of fixed assets, equipment, materials and processed goods that are critical to economic growth. Trade is one of the main drivers of growth and a means to achieve development, thus the elimination of barriers to it would only help increase its positive effects. These are the reasons why free trade is regarded as an important tool to overcome such barriers and to promote higher levels of interexchange among African countries.

Currently there are 16 RECs in Africa. The study discusses those regional economic communities that are recognized by the African Union (AU) as building blocks of the African Economic Community[1] – the Community of Sahel-Saharan

[1] For information on the member countries of each REC, see the Annex.

States (CEN-SAD), the Common Market for Eastern and Central Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Intergovernmental Authority on Development (IGAD) and the South African Development Community (SADC).[2]

The time frame of the study is a 10 years' period – 2003-2012.[3] Data on international trade are from IMF's Direction of Trade Statistics. Import data are CIF, export data are FOB. There are no data for the international trade of Botswana, Eritrea, Lesotho, Namibia and Swaziland – the total share of those countries in African trade is 2,5%, it varies in the different RECs, being higher only for SADC – 7,6%. All shares, growth rates, the total volume of trade and the total data on RECs are calculated by the author based on import and export data for individual countries.

The main aim of the paper is to prove that in the case of African RECs there is a relation between the stage of integration among member states (i.e. how deep the integration process is) and the volume and share of intraregional trade (i.e. if the positive effects of regional integration are effectively utilised) based on the dynamics and volume of intraregional trade. The article does not have an ambition to formally demonstrate the strength or the direction of this causal relation, but just to show that there is one in the case of African RECs.

The process of regional economic integration in Africa

Although it is a stated priority goal of state and government leaders since the early year of independence in the middle of the XX century, the process of political integration in Africa is progressing slowly, mainly due to lack of political will on the part of African countries. In the sphere of economic integration, which has a much shorter history, achieved results, albeit insufficient against the stated objectives, are significantly more.

The Treaty for establishment of the African economic community (TAEC) is signed in 1991 and comes into force in 1994. It establishes the AEC as a part of the African union (AU). The Treaty defines six stages that should be completed for the gradual creation of the AEC for a period of 34 years (TAEC, Art. 6). The Treaty adopts an integration approach that to a great extent depends on the success of integration processes of the regional economic communities. The Treaty explicitly states that the AEC will be established mainly based on coordination and gradual integration of the activities of existing RECs. Thus RECs are defined as the building blocks of the AEC. The idea of this stage approach is that integration should firstly

[2] As the Maghreb Union (UMA) in fact is not a part of the AEC (for it has not signed the Protocol on Relations yet) even though it is officially recognized as such, it will not be discussed in the current paper.

[3] For IGAD 2012 will not be considered as there is no data for the fully independent South Sudan as of 2011 which it is the main fuel exporter in the community and thus the lack of data biases the statistical picture with over 10 Billion USD, of which over 90% is in exports.

be provided at a regional level through the creation and strengthening of the RECs which in a certain moment will merge into the AEC.

The *first* stage includes the strengthening of existing RECs and creation of new ones where there are no existing RECs and should last till 1999 (TAEC, art. 6). At the time when the TAEC came into force in Africa existed UMA, COMESA, ECOWAS, ECCAS and SADC which included all countries on the continent. Until 2001 the General Assembly of AU accepted three more communities – IGAD, CEN-SAD and EAC. In 2006 a decision was made that no other RECs will be acknowledged as building blocks of the AEC.

The *second* stage was meant to last 8 years with the objective RECs to decrease or abolish tariffs, quotas and other restrictions to intraregional trade. Together with this is envisaged coordination of policies in the areas of trade, finance, transport, communications, industry and energy as well as coordination and harmonization of the activities of existing RECs (TAEC, art. 6). There is a progress in the strengthening of many REC sectors and despite the challenges the efforts are directed towards the requirements of the second stage of AEC establishment.

The *third* stage should be completed till 2017 and envisages all trade barriers to be abolished through the creation of free trade areas in the RECs and the enforcement of common customs tariffs through the creation of customs unions (CU). Almost all RECs have completed the third stage to some extent except UMA, IGAD and CEN-SAD. Differing from all other RECs, the CU is the first step of the creation of the EAC (in 2005). Progress towards the accomplishment of the third stage of the establishment of AEC is satisfactory, though for the communities that have not accomplished the set goals in periods of relative tranquillity the future accomplishment will be hampered by the current conflicts as in the case with UMA.

The *fourth* stage is to be completed until 2019 and the goal is the establishment of an African Customs Union through harmonization of the common customs tariffs of all RECs. As a positive step towards the completion of this objective could be seen the creation of the tripartite FTA between COMESA, SADC and EAC in 2008 through which the three communities abolish trade barriers among themselves.

No progress has been made in completing the *fifth and sixth* stage – the establishment of an African common market and of a continental economic and monetary union. These stages should be completed respectively in 2023 and 2028. The seven recognised by the AU as pillars for the establishment of an African Economic Community are at different stages of the integration – some of them still cannot form Free trade areas (FTA) and remain only with acting Preferential trade agreements (PTA) (CEN-SAD, ECCAS, IGAD), others have acting FTAs and acknowledged obligations for the creation of Customs unions (CU) that are partially functioning (COMESA, SADC), ECOWAS has an almost compete common customs tariff, while the EAC which was created as a CU has an almost complete Common market (CM) (see Table 1).

Table 1

Main data on selected RECs

Indicators	CEN-SAD	COMESA	EAC	ECCAS	ECOWAS	IGAD	SADC
Stage of integration	PTA	FTA	CM	PTA	CU	PTA	CU (partial)
Member states	23	19	5	10	15	7	15
LCDs	16	11	5	6	12	6	8
Area (mln. sq. км)	13 427	11 603	1823	6640	5115	5210	9862
Area (% of Africa)	50,9	38,6	6,1	22,0	13,9	17,3	32,8
Population (mln.)	508	459	149	121	340	226	286
Population (%of Africa)	53,5	42,9	13,6	13,3	14,1	20,4	27,0
Population density	37,8	39,5	81,5	18,2	66,4	43,3	29,0
Employment	33,1	38,0	43,3	38,3	33,4	40,1	36,7
GDP (mln. USD)	934 084	577 740	98 396	200 737	419 150	166 164	648 253
GDP (USD p.c.)	1838,4	1259,6	662,1	1662,6	1233,9	736,4	2269,6
GNI (mln. USD)	891 064	561 737	94 761	173 503	392 322	160 629	624 503
Trade (mln. USD)	562 755	303 298	50 735	171 910	267 585	61 006	421 429
Trade (% of Africa)	45,8	24,7	4,1	14,0	21,8	5,0	34,3
Imports (% of БВП)	29,7	29,9	36,7	24,8	26,5	27,5	33,0
Exports (% of БВП)	30,5	22,6	14,9	60,8	37,3	9,2	32,0
Trade balance (mln. USD)	7609	-41 868	-21 473	72 298	45 414	-30 318	-6370

Source: World DataBank, UNcomtrade and own calculations.

The great differences among the countries within the *CEN-SAD* as GDP per capita and as general economic conditions (GDP, GNI) and population are not encouraging for the successful development of integration processes. This conclusion is reinforced by the fact that the countries within the community demonstrate radically different degrees of integration in international trade and openness of their economies. Moreover, CEN-SAD is somewhat burdened by the large differences in the cultural and historical development of the countries within it. The conclusion regarding the weak prospects for the development and deepening of integration has been confirmed, as besides the lack of political will, the membership of all member states other, in most cases more developed integration communities only emphasizes the differences in their economic goals.

COMESA does not have great prospects for success of the integration process due to significant differences in the levels of GDP per capita. This conclusion is confirmed by the size of the countries - both as population and as economies. The data show that there is a varying degree of openness of the countries in COMESA to trade and integration in international trade, which is a prerequisite for various benefits of integration for each of them, and this in turn is a major barrier to the development and deepening of the integration process. Opportunities for success of integration within COMESA are weak as the aims of individual countries are similar, but not identical, and the political will to implement them cannot be assessed as strong.

EAC is the community where integration processes are the most thorough and most developed. This confirms the hypothesis that countries with similar GDP per capita have higher chances of successful integration among them. Moreover, the countries of the community are close as cultural and historical heritage, which further supports the integration process. EAC is the only community in Africa in which the member states have identical economic objectives and strong political will to achieve them, which can be also supported by the fact that with few exceptions the stated political and economic objectives are met on time.

ECCAS is the community that perhaps most clearly demonstrates that size matters for the integration process. Differences in the size of countries (both physical, demographic and economic) are so large that the process of integration in the community is almost stopped. The many conflicts in the region in recent years also contribute to this, which shift the attention of governments from achievement of economic integration goals towards making the ECCAS a peacekeeping organization and forum for negotiations. This shift of policy efforts and the distancing from the economic objectives set the ECCAS gives it little potential for success.

Although the countries in *ECOWAS* can hardly be described as identical both as size (population, GDP per capita), as well as as trade features, the process of integration in the community is one of the fastest developing in Africa. Although there have been some delays, here, as in the case of EAC, there is a strong political will to achieve the objectives, which helps deepen the integration process despite linguistic and historical differences between countries.

Overall the countries in *IGAD* are quite closed and unintegrated in international trade, but unlike the situation in ECCAS, they are close from the point of view of size of economies. Nevertheless, here the integration process has stopped in general. This is due to the fact that the member states of IGAD are part of more advanced integration communities – COMESA and EAC, which leads to weak political will to develop integration within the community. Hence the conclusion that perhaps the most important factor for the development of integration among developing countries is the political will. The lack of such and the participation of countries in other communities with different goals and levels of development are the two reasons for IGAD to have weak potential for deepening and development of integration processes.

Within *SADC* there are more countries that are at a relatively higher stage of economic development (comparable to other RECs). That, together with the fact that the two largest economies (South Africa and Angola) produce interdependent products, are good prerequisites for the deepening of the integration processes. This contributes to the common, though not too pleasant, history, especially in terms of administrative and institutional culture. The stable development of the integration process within the SADC does not confirm the hypothesis of the relationship between the size of the integrating countries (as economies and population), the uniformity of the characteristics of consumption (GDP per capita) and the success of integration.

The member countries of SADC have close or identical economic objectives and political will to implement them, which gives it a high rating in terms of the opportunities for success of the integration scheme.

Main trends of international trade of African RECs

Africa's overall exports value in 2012 is 637 Billion USD and the import's value is 527 Billion USD, while the increase of both for the selected period is almost the same – just over 3 times or an average annual increase of 15%. 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 highest among all goods (19%) and the export value increases over 4 times for 2002-2011. Fuels are also the main reason for Africa's positive trade balance because besides them a slight positive balance is observed only in clothing (2,5 Billion USD). 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 (48%). However there is a positive trend – manufactures and machinery and transport equipment imports increase slower than overall exports (respectively 13 and 12% average annual growth). Textiles and clothing have a relatively low share in the continent's trade – below 2% and lowest growth (5 and 9% average annual increase respectively), while exports increase significantly slower than imports (with over 5 percentage points for both).

Africa's heavy dependence on primary commodities as a source of export earnings of that continues in the last decade is higher than in all other developing regions and leads to 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 of incomes, investment and development pace and increase of indebtedness and poverty in Africa. 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.

This is obvious from the fact that only in 14 African countries the top three trade products have a share of under 1/2 of exports and only in 4 – Uganda, Tunisia, Morocco and Madagascar – this share is under 1/3. On the contrary, in 17 countries the top three products have a share of over 80% of all exports, of which in 9 it is over 94%.[4]

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. In all African RECs the same trends are observed, 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

[4] These are Algeria, Congo, Eritrea, Equatorial Guinea, Gabon, Guinea-Bissau, Libya, Angola and South Sudan, and in the last two the most traded product (crude oil) has a share of 99% of all exports.

in terms of the opportunities for restructuring their economies so that they could use their comparative advantages.[5]

African countries' and RECs' main trade flows are highly dependent on their historical ties with the rest of the world and especially with Europe. Over 80% of all African exports are directed towards markets outside the continent. Similar is the share of imports coming from external sources.

Although the EU is the main trading partner of African economies its share in their trade flows declines from 48 to 33% for the period under consideration. The value of trade increases from 170 to 400 Billion USD but the average annual growth is by almost 5 percentage points lower than the average for the continent (respectively 9,9 and 14,6%). Imports for the EU increase with 1 p.p. slower than exports. The trade balance is positive for the whole period and increases from 35 to 47 Billion USD in 2012. For the same year the value of imports and exports are respectively 176 and 224 Billion USD. The only moment in which the share of both imports and exports remains the same is in the crisis years 2008 and 2009 (about 40%). In the following year (2010) however with the beginning of the EU sovereign debt crisis both values decrease with 5 p.p. and until the end of the analysed period they decline to respectively to 32 and 34%.

China has the highest growth in the value of trade for the period (10 times, 180 Billion) and by 2012 it reaches 198 Billion USD. Here imports increase more slowly than exports – by 5 percentage points annual average (respectively with 75 and 105 Billion USD), and the values for 2012 are respectively 85 and 113 Billion USD. The increase both of imports and exports is constant throughout the period – both as values and as a share of trade flows, which in 2012 rose to respectively 15 and 17%. During this period, the trade balance of African economies with China has certain interesting features – for 2003-2010 it is almost zero (positive and negative values up to 5 Billion USD), while in 2011 it rose sharply to reach a positive dimension of 28 Billion in 2012.

The share of intra-continental trade in Africa during the period remains almost unchanged (9-10%), reaching a value of 120 Billion USD in 2012. Imports and exports are fairly well balanced in terms of value – respectively 62 and 58 Billion USD, as well as of growth, although imports grew slightly faster than exports – respectively 28 and 32% average annual growth. These values are close to the average growth of both indicators for the continent. Until 2009 the balance is negative (1-4 Billion USD), and since 2010 it has a positive dimension of about 4 Billion USD each year.

Trade with the United States decreases by 4 percentage points reaching 8,4% in 2012. This is mostly due to the change in the share of exports – from 18% in 2003-2004, 21% in 2004-2006, to only 10% in 2012, which is generally greater than that of imports (about 6% for the whole period). While imports have increased from 10 to 33 Billion USD, growth in exports is from 34 to 69 Billion, with significantly higher values in

[5] For an analysis of African RECs' international trade commodity structure and the processes of production structure change and trade and production diversification and their impact on integration processes, see *Marinov, E.* (2013). International trade commodity structure of African regional integration communities. - Economic Thought Journal, N 4, p. 135-151.

2006-2008 and 2009-2010 (84-97 Billion USD, reaching 112 Billion in 2008). The trade balance is positive throughout the period, with highest value in 2008 – 89 Billion USD, but in 2012 it fell to 35 Billion. The average annual growth rate of trade is 9,6%, and imports increased by 5 percentage points faster than exports.

Trade with India grows significantly – from 7 to almost 70 Billion USD. Here exports increased by 7 percentage points annually faster than imports (with values of respectively 42 and 28 Billion USD). This is reflected in the trade balance which has minimum negative levels for 2003-2005, and reaches a positive value of 14 Billion in 2012. The share of trade with India increased from 2 to 6%. Until 2005 exports have twice lower share than imports, but in recent years exports even surpassed imports – in 2012 they were respectively 5,1 and 6,5% of the total import and export of the continent.

Trade with Japan and Russia has a relatively smaller share of total trade flows (respectively 3 and 1%) – import values are 13 and 10 Billion USD, and exports - 21 and 2,5 Billion. It should be noted that exports to Japan grew almost as fast as those to China – 33% annual average, and the balance increased to nearly 14 Billion USD, while with Russia it has a negative value of 7 Billion.

The total value of trade with the rest of the world is growing at a rate close to the average for the continent, and in 2012 it reaches respectively 146 and 120 Billion USD for imports and exports. For the entire period, the share of trade is about 20%. Imports have a 7-8 percentage points higher share than exports (respectively 23-26 and 16-19%), but in 2006-2008 the difference increased up to 11 p.p.

The main trends observed in all RECs are the shift of trade flows from the EU and the U.S. to China and India, although in almost all communities the EU maintains its leading position as trade partner. In some communities this affects more the exports (ECCAS, SADC), in others – the imports (CEN-SAD, EAC, ECOWAS), and in third – both (COMESA, IGAD). There is a decline in trade during the crisis years (2009-2010) which, however, is subsequently compensated. The overall growth in the value of trade in all RECs with all major trading partners in 2012 is higher than the world average.[6]

Intraregional trade

The goal of economic integration is the creation of a larger market in which factors of production are more efficiently used and where member states derive more benefits from mutual trade. The most obvious indicators of the success of an integration scheme are the volume and the increase in intraregional trade flows. They show how effective are the regimes for trade liberalization within the community and the extent to which integration itself contributes to the development of the member states, as well as how much and what are the benefits realized from trade creation

[6] For a comprehensive study on RECs' direction of trade and main trade partners, see *Marinov, E.* (2014). International Trade Geographic Structure of African Regional Economic Communities. - Economic Studies Journal, Book 2, p. 69-98 (*in Bulgarian*).

and trade diversion effects. Therefore this section analyses the intraregional trade of the regional economic communities in Africa that are recognized as building blocks of AEC– in terms of the contribution of the member states of the respective RECs as well as of trends for the period 2003-2012.

Community of Sahel-Saharan States (CEN-SAD)

For the period 2003-2012 the share of intraregional trade of EN-SAD remains generally the same – about 6%, and for 2012 it is 6,6%. There is no significant change both in imports and exports – 6,2 and 6,9% for 2012, both indicators increasing by 15,5% on average to reach the 2012 levels of respectively 18 and 19 Billion USD (Table 2).

Table 2

CEN-SAD intraregional trade

Country	Exports				Imports				Total trade	
	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2012 (Mln USD)	Share of country's total trade (%)
Total	*5215*	*19 283*	*6,9**	*15,6*	*4994*	*18 112*	*6,2**	*15,4*	*37 395*	*6,6**
Benin	193	585	3,0	13,1	49	145	0,8	12,8	730	9,9
Burkina Faso	348	821	4,3	10,0	278	122	0,7	-8,8	942	33,7
CAR	7	22	0,1	13,7	2	6	0,0	16,1	28	5,3
Chad	18	80	0,4	18,3	9	14	0,1	5,1	94	2,2
Cote d'Ivoire	601	2863	14,9	18,9	961	2720	15,0	12,3	5583	27,8
Djibouti	6	155	0,8	42,9	125	426	2,4	14,6	581	14,3
Egypt	113	624	3,2	20,9	370	2899	16,0	25,7	3523	3,4
Gambia, The	74	137	0,7	7,1	1	4	0,0	17,7	141	13,3
Ghana	856	3140	16,3	15,5	144	462	2,6	13,8	3602	13,5
Guinea-Bissau	60	71	0,4	1,8	13	67	0,4	20,2	137	27,7
Liberia	37	122	0,6	14,3	10	45	0,2	18,2	167	1,1
Libya	564	3013	15,7	20,5	421	1070	5,9	10,9	4083	5,4
Mali	299	835	4,3	12,1	12	29	0,2	10,0	864	29,4
Morocco	306	941	4,9	13,3	249	1058	5,8	17,4	1999	3,2
Niger	171	442	2,3	11,1	82	212	1,2	11,1	654	34,6
Nigeria	355	1717	8,9	19,2	1100	5516	30,5	19,6	7233	4,6
Senegal	441	1063	5,5	10,3	364	759	4,2	8,5	1822	18,0
Sierra Leone	53	115	0,6	8,9	2	9	0,1	19,9	124	5,2
Somalia	0	21	0,1	64,0	6	21	0,1	14,9	42	2,0
Sudan	126	692	3,6	20,9	69	193	1,1	12,1	885	6,2
Togo	83	312	1,6	15,9	236	441	2,4	7,2	753	7,7

* Of REC total trade.

Note: No data for Eritrea (share of total REC trade 0,3%)

Source: IMF DOTS and own calculations.

The largest contribution to intraregional trade of CEN-SAD have Nigeria (19%), Côte d'Ivoire (15%), Mali, Ghana, Egypt and Tunisia (about 10%) – together these six countries carry out about 3/4 of the total intraregional trade. Leaders in imports are Nigeria, Egypt and Côte d'Ivoire (60%) and in exports – Ghana, Libya and Côte d'Ivoire (47%). Interestingly, the share of imports in Nigeria is over 30% and this in exports – only 9%, thus the trade balance of the country's trade with the rest of the CEN-SAD is about minus 4 Billion USD. Fastest-growing volume of trade is observed in Egypt (29,4% average), Somalia (22%), Libya (20%), Morocco and Djibouti (17%), while slowest – in Burkina Faso and Gambia (under 4%).

Although it has the largest contribution to intraregional trade (7,2 Billion USD in 2012) Nigeria's share of intraregional trade in the total trade of the country is quite low – only 4,6%. In 9 member states this share is above the average for the continent being highest in Niger (35%), Burkina Faso (34%), Mali, Ivory Coast and Guinea-Bissau (28-29%) – all of these countries are also members of ECOWAS, and of one of the monetary areas in it (the West African Economic and Monetary Union – UEMOA).

CEN-SAD fails to realize the potential benefits of integration in terms of intraregional trade. Although it is more than two thirds of all trade with Africa, trade between member states remains relatively weak and there is no tendency for it to increase. This suggests that the trade liberalization policies of the community are not applied or are ineffective. Most of the countries that have a large share of trade with other members of the CEN-SAD are also members of other RECs (ECOWAS, COMESA), where integration processes are deeper, thus they trade mainly with partners in them.

Common Market for Eastern and Central Africa
(COMESA)

Here the volume of intraregional trade for the period increased five times, and its share – by 2 percentage points, reaching 7%. The same increase of share and values is observed both in imports and exports, both indicators increasing by about 19% annually and by respectively 7,5 Billion and 8,5 Billion USD. In this community, intraregional trade is more than half of all intra-African trade (53%) (see Table 3).

Around two thirds of intraregional trade in 2012 is carried out by Zambia (17%), Egypt (16%), the DR Congo (15%) and Kenya (13%). Egypt, Kenya and Zambia are the most active in imports (62% total) while Zambia, Congo and Libya – in exports (47% total).

The fastest increase on intraregional imports is observed in DR Congo (55%), where the volume of trade rose from 170 million in 2003 to nearly 3 Billion USD in 2012, the Seychelles (69%), Zambia, Egypt and Burundi (by about 30% annually). Several countries experienced a decline, the largest in Djibouti (about 5 times), which is the only country in the community where the volume of trade decreased – from 205 million USD in 2003 to 136 million in 2012. In exports the most significant increase was observed in Zimbabwe (42%), Libya (32%), DR Congo (31%), Zambia (24%) and Kenya (19% average annual growth).

Most benefits of the integration process (as a share of intraregional of total national trade) obtained Rwanda (38%), Uganda and Burundi (by 26%), Zambia and DR Congo (25%).

Table 3

COMESA intraregional trade

Country	Exports				Imports				Total trade	
	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2012 (Mln USD)	Share of country's total trade (%)
Total	*2203*	*10 890*	*6,9**	*19,4*	*2004*	*9403*	*7,1**	*18,7*	*20 292*	*7,0**
Burundi	42	139	1,3	14,1	3	31	0,3	28,6	170	25,9
Comoros	13	27	0,2	8,8	1	1	0,0	2,8	28	9,3
Congo, DR	145	1661	15,3	31,1	25	1285	13,7	54,7	2946	24,5
Djibouti	141	123	1,1	-1,5	64	13	0,1	-16,1	136	3,3
Egypt	225	835	7,7	15,7	237	2480	26,4	29,8	3315	3,2
Ethiopia	116	325	3,0	12,1	130	100	1,1	-2,9	425	4,3
Kenya	155	714	6,6	18,5	810	1823	19,4	9,4	2537	10,8
Libya	126	1576	14,5	32,4	35	153	1,6	18,0	1729	2,3
Madagascar	69	202	1,9	12,7	52	38	0,4	-3,3	240	5,6
Malawi	74	299	2,7	16,8	59	190	2,0	13,8	490	17,8
Mauritius	93	155	1,4	5,9	149	216	2,3	4,2	371	5,1
Rwanda	123	476	4,4	16,2	3	121	1,3	52,0	598	38,4
Seychelles	14	43	0,4	13,4	0	39	0,4	68,8	82	5,8
Sudan	202	782	7,2	16,2	96	381	4,0	16,5	1163	8,1
Uganda	379	973	8,9	11,1	142	587	6,2	17,1	1560	26,5
Zambia	257	1873	17,2	24,7	88	1503	16,0	37,0	3376	24,7
Zimbabwe	29	687	6,3	42,1	109	441	4,7	16,8	1127	16,7

* Of REC total trade.

Note: No data for Eritrea and Swaziland (share of total REC trade resp. 0,5 and 1,3%).

Source: IMF DOTS and own calculations.

The share of intra-continental trade in COMESA is still low, but it shows a steady upward trend, which is faster than the average growth of trade flows for the community. The impact of the deepening of the integration process is obvious – more than half of the increase in the volume of intraregional trade takes place after 2009, when the community begins to act as a customs union.

East African Community (EAC)

Although it is the smallest REC in terms of volume of trade flows, the community is a leader in Africa in terms of the share of intraregional trade – 11,1%

in 2012. For the period however there is a decrease of 3,6 percentage points. Particularly high is the proportion of intraregional imports – nearly 1/5, while exports accounts for only 8%, and their decrease compared to 2003 is by 3 percentage points greater. Unlike other RECs however, here the value of intraregional trade is increasing more slowly than that of total trade (respectively 2 and 3 times), and in turn, imports grew more slowly than exports – 11,6 and 14,1% annually (Table 4).

Table 4

EAC intraregional trade

Country	Exports				Imports				Total trade	
	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2012 (Mln USD)	Share of country's total trade (%)
Total	*787*	*2582*	*8,0**	*14,1*	*879*	*2355*	*19,8**	*11,6*	*4937*	*11,1**
Kenya	51	147	5,7	12,5	3	16	0,7	20,7	163	25,0
Rwanda	32	359	13,9	30,9	711	1567	66,5	9,2	1926	8,2
Tanzania	118	495	19,2	17,3	1	29	1,2	41,6	524	33,6
Uganda	218	636	24,6	12,6	48	325	13,8	23,7	961	7,5
Burundi	369	944	36,6	11,0	115	418	17,7	15,4	1362	23,1

* Of REC total trade.

Source: IMF DOTS and own calculations.

Kenya has the largest share of intraregional trade (39%), followed by Uganda (28%) and Tanzania (19%). Uganda and Rwanda traded most actively with other member states. Compared to their share in the EAC total trade, Uganda carries out 16% of total and 28% intra-EAC trade while Rwanda – respectively 4 and 11%. Kenya has a share two thirds of imports into the community and the biggest exporters are Uganda (36,6%), Tanzania (24,6) and Rwanda (19,2%). The highest growth in imports is observed in Rwanda (42% annual average), while in exports – in Kenya (31%).

Leaders in the share of intraregional to total trade are Rwanda (33,6%), Burundi (25%) and Uganda (23,1%), while in the larger and more open economies of Tanzania and Kenya it is only about 8%.

EAC is the community in which the integration process is the most thorough – created as a customs union, it is the only REC where there is an operational common market. This is evident from the higher levels of intraregional trade compared to other RECs. The decrease of the share of intraregional trade could be associated with the fact that with the creation of a tripartite free trade area all members of the community have access to an even larger market as member states of either COMESA or SADC. Thus the share of intra-continental and especially interregional trade with these RECs increases, being the highest in Africa – more than one fifth of the total EAC trade.

Economic Community of Central African States (ECCAS)

ECCAS is an exception to other RECs in terms of intraregional trade. Its member states' trade with each other is extremely small – only 0,7% of their total trade. Imports and exports are close in value (respectively 690 and 526 million USD for 2012), but the share of the latter is slightly higher (respectively 0,4 and 1,5%). The growth rate of intraregional trade flows is almost twice slower than that of the total trade of ECCAS (Table 5).

Table 5

ECCAS intraregional trade

Country	Exports				Imports				Total trade	
	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2012 (Mln USD)	Share of country's total trade (%)
Total	*234*	*690*	*1,5**	*12,7*	*164*	*526*	*0,4**	*13,8*	*1216*	*0,7**
Angola	10	56	8,1	20,7	2	6	1,1	13,1	62	0,1
Burundi	1	5	0,7	15,6	0	10	1,9	45,4	15	2,3
Cameroon	19	15	2,2	-2,1	111	336	63,8	13,1	351	3,0
CAR	21	69	10,0	14,1	4	14	2,7	14,4	83	15,7
Chad	50	171	24,8	14,6	0	0	0,1	16,4	171	4,1
Congo, DR	16	64	9,2	16,6	6	11	2,1	5,9	74	0,6
Congo	38	39	5,7	0,4	19	81	15,4	17,7	120	0,8
Equatorial Guinea	2	8	1,2	16,6	0	1	0,1	3,6	8	0,0
Gabon	75	256	37,1	14,6	21	68	12,9	14,0	324	2,4
Sao Tome	2	7	1,0	14,5	0	0	0,0	14,6	7	6,8

* Of REC total trade.

Source: IMF DOTS and own calculations.

The largest share of intraregional trade has Cameroon (29%), which is also a leader in imports (64%) and Gabon (27%), which in turn is the leader in exports (37%) with the highest growth in this indicator (more than 3 times). Strong growth in exports has Chad (35% average) and in imports – Burundi (45%) and Congo (18%).

The only countries in the community, where the share of intra-African trade is above 5% are Sao Tome and Principe (6,8%) and the Central African Republic (15,7%) while in 4 of the other countries this share is below 1%.

Frequent conflicts (internal and external), political instability and mistrust between ECCAS member states can be considered as the main reasons for the extremely inefficient and unsuccessful policy of trade integration in the community. Although a partial free trade area and customs union exists in the region, the exceptions are so many, that ECCAS is apparently not considered by member countries as a potential framework for the realization of the benefits of integration.

Economic Community of West African States (ECOWAS)

In ECOWAS the share of intraregional trade is relatively high – 8,3% for 2012. Here alike the EAC it decreases (from 10,6% in 2004 to 8,3% in the end of the period), with a marked decline in 2011 – 8,8% in 2010 to 6,8% in 2011. A decrease was observed both in imports and exports – in imports the share is 9,2% in 2004, only 5,9% in 2011 and 7,2% in 2012, while in exports – 12,3, 7,9 and 9,6% for the respective years. The value of intraregional trade is growing, albeit with 3 p.p. annually slower than the average for the community, and here too exports outpace imports by half a percentage point (Table 6).

Table 6

ECOWAS intraregional trade

Country	Exports				Imports				Total trade	
	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2012 (Mln USD)	Share of country's total trade (%)
Total	*3474*	*11 384*	*9,6**	*14,1*	*3298*	*10415*	*7,2**	*13,6*	*21 799*	*8,3**
Benin	187	541	4,7	12,5	45	142	1,4	13,7	682	9,2
Burkina Faso	342	767	6,7	9,4	278	117	1,1	-9,2	884	31,6
Cape Verde	10	6	0,1	-5,4	0	0	0,0	17,1	6	0,8
Cote d'Ivoire	570	2719	23,9	19,0	957	2772	26,6	12,5	5491	27,4
Gambia	65	117	1,0	6,6	1	4	0,0	18,4	121	11,4
Ghana	822	2923	25,7	15,1	139	446	4,3	13,8	3369	12,6
Guinea	61	229	2,0	15,8	57	14	0,1	-14,6	242	5,1
Guinea-Bissau	59	64	0,6	0,8	14	68	0,6	18,9	131	26,6
Liberia	30	116	1,0	16,3	10	23	0,2	9,4	139	0,9
Mali	280	780	6,9	12,1	4	28	0,3	23,0	808	27,5
Niger	157	402	3,5	11,0	82	211	2,0	11,1	613	32,5
Nigeria	362	1427	12,5	16,5	1092	5311	51,0	19,2	6738	4,3
Senegal	398	939	8,3	10,0	388	843	8,1	9,0	1783	17,6
Sierra Leone	53	114	1,0	8,9	1	8	0,1	26,2	122	5,1
Togo	77	240	2,1	13,4	230	429	4,1	7,1	668	6,9

* Of REC total trade.

Source: IMF DOTS and own calculations.

Largest contribution to intraregional trade have Nigeria (31%), Côte d'Ivoire (25%) and Ghana (15%). More than half of the regional import is carried out by Nigeria, followed by Côte d'Ivoire (27%). The most significant export share has Ghana (26%) followed by the large economies of Côte d'Ivoire (24%) and Nigeria (13%). The fastest are growing imports of Sierra Leone (26% average annual growth), Mali (19%) and Nigeria (19%) and exports – of Côte d'Ivoire (19%) and Nigeria (17%).

Most active in intraregional as a share of total national trade are the member states of the UEMOA – Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger and Senegal (18-33%), except for Benin and Togo (9 and 7%). In the member countries of the West African Monetary Zone, the share of regional trade is much lower (1-7%) being highest in Gambia and Ghana (12%).

The volume of intra-ECOWAS trade is gradually increasing, while as a share it slightly decreases. Particularly effective in carrying out the commercial benefits of integration are the member states of the older and more developed Monetary Union of the Francophone countries within the community - UEMOA. It is obvious that the measures undertaken toward trade liberalization associated with the creation of a common market and the free movement of factors of production yield results. The planned merger of the two monetary unions in the community would contribute even more to the development of the integration process.

Intergovernmental Authority on Development (IGAD)

Despite all the stated intentions to integrate trade of countries in the region, for the period 2003-2012 the share of intraregional trade in IGAD declined slightly – from 8 to 7,2% (see Table 7). This is true both for exports (from 8,4 to 5,2%) and imports (from 14 to 11,9%), the latter having a higher share throughout the period. For 2003-2011 it is about 50% greater than that of exports, and in 2012 it exceeded more than double. Exports grew slightly faster than imports (by 1,5 percentage points per year on average) and in 2012 reached a level of around 2,3 Billion USD.

Table 7

IGAD intraregional trade

Country	Exports				Imports				Total trade	
	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2012 (Mln USD)	Share of country's total trade (%)
Total	*870*	*2296*	*5,2**	*12,9*	*970*	*2288*	*11,9**	*11,3*	*4585*	*7,2**
Djibouti	138	81	3,9	-6,5	182	433	20,0	11,5	514	12,6
Ethiopia	93	368	11,6	18,7	128	65	3,6	-8,1	433	4,4
Kenya	21	124	8,8	24,5	543	1343	54,9	12,0	1467	6,2
Somalia	187	636	31,4	16,5	1	3	0,1	16,9	639	31,1
Sudan	73	151	4,9	9,6	23	305	11,8	38,4	456	3,2
Uganda	357	937	39,5	12,8	94	138	9,6	5,0	1075	18,2

* Of REC total trade.

Note: No data for Eritrea (share of total REC trade 2,3%)

Source: IMF DOTS and own calculations.

The most significant contribution to intraregional trade has Kenya (32%), which accounts for more than half of imports (55%), followed by Uganda (23%) and Somalia (14%) who in turn are the biggest exporters in community (total 71%). Although still with a relatively small share (9% in 2012), Kenya has the highest growth (25% annually) in exports, while imports grew fastest in Sudan (38% annual average).

The largest share of intraregional trade compared to total national trade show Somalia (31%), Uganda (18%) and Djibouti (13%), while in the major contributor for intraregional trade in terms of value - Kenya this share is only 6%.

IGAD fails to realize the potential benefits of integration in terms of intraregional trade. Although more than half of all trade is with Africa, the share of trade between member states remains relatively small and there is no tendency to increase, which is a sign of failure or ineffectiveness of the trade liberalization policies of the community. Most of the countries that have a high share of trade with the other members of IGAD are also members of other regional integration communities (EAC, COMESA, SADC) having reached a higher degree of integration and trade mainly with partners in them.

South African Development Community
(SADC)

The value of intra-community trade here is the highest of all RECs in Africa – nearly 45 Billion USD in 2012, its share is also high – 10,9% - almost as much as in the leader in this indicator EAC. The share of intraregional exports is the highest in Africa – 13,5%, while that of imports is 9%. Both indicators are increasing faster than the average for the community – by 19 and 16% annually. A decline in imports and exports by about 25% compared to 2008 is observed here as well, which, however, is compensated as early as in 2010 for both indicators to reach values of respectively 22 Billion and 23 Billion USD in 2012 (see Table 8).

The most significant share in intraregional trade has the largest economy - South Africa (38%), which is the leader both in exports (25%), but particularly in imports (53%). Second in share of trade is Zambia (16%), which is second in exports (20%) and third in imports surpassed by 165 million USD by Angola (respectively 12,1 and 12,8% share). With a relatively high share of intraregional trade (8-10%) are also Zimbabwe (third in exports with 15% share), Angola, Mozambique and Congo. The largest annual growth in exports recorded DR Congo and South Africa (29% on average) and Zimbabwe (26%) and in imports – Angola (120%), DR Congo (59%) and the Seychelles (47% average annual growth).

The leader among the economies in the community in share of intraregional compared to national trade with over two-thirds is Zimbabwe's (66%), followed by Zambia (53%) and Malawi, Mozambique and Congo (respectively 38, 36 and 32%). None of these countries is a member in the scheme of increased integration in the community – the South African Customs Union. In fact a common market operates within the SADC (formally it is postponed to the end of 2015) and an economic and monetary union – on the territory of SACU.

Table 8

SADC intraregional trade

Country	Exports				Imports				Total trade	
	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2003 (Mln USD)	2012 (Mln USD)	Share (%)	Average annual growth (%)	2012 (Mln USD)	Share of country's total trade (%)
Total	*4880*	*23 211*	*13,5**	*18,9*	*5663*	*21 633*	*9,0**	*16,1*	*44 844*	*10,9**
Angola	496	1543	6,6	13,4	2	2774	12,8	120,1	4317	4,7
Congo, DR	253	2556	11,0	29,3	19	1218	5,6	58,9	3774	31,4
Madagascar	148	389	1,7	11,3	66	96	0,4	4,4	485	11,4
Malawi	368	800	3,4	9,0	86	243	1,1	12,2	1043	38,0
Mozambique	698	2717	11,7	16,3	256	1444	6,7	21,2	4161	36,0
Mauritius	369	450	1,9	2,2	165	424	2,0	11,0	874	12,1
Seychelles	54	86	0,4	5,2	1	29	0,1	46,8	115	8,2
South Africa	598	5801	25,0	28,7	3613	11357	52,5	13,6	17158	7,3
Tanzania	447	891	3,8	8,0	94	358	1,7	16,1	1249	9,8
Zambia	1018	4602	19,8	18,2	423	2609	12,1	22,4	7212	52,8
Zimbabwe	431	3377	14,5	25,7	939	1080	5,0	1,6	4457	65,9

* Of REC total trade.

Note: No data for Botswana, Lesotho, Namibia and Swaziland (share of total REC trade resp. 3,3; 0,9; 2,6 and 0,9%).

Source: IMF DOTS and own calculations.

SADC, in which the largest economy on the continent – South Africa, is a member, is the leader in intraregional trade in the continent as a value and very close to the first REC – EAC, as a share. During the period the volume of trade increased dramatically. Members in the community are the countries with the highest levels of intraregional compared to national trade. SADC is the only community that was not only able to quickly overcome the crisis of 2009, typical of all the RECs, but also to increase both the value and the share of regional trade by more than 50% in the next period to 2012. The clear political commitments dictated by the central place of South Africa and the clearly specified allocation schemes for the benefits of integration contribute to the more rapid deepening of the integration process and the effective use of the mechanisms of trade liberalization as well as for the implementation of the benefits of integration, especially in their aspect of trade creation.

*

In general, the levels of intraregional trade of African RECs are relatively low (1-11% of total trade) which indicates a not so good implementation of member-states' obligations to eliminate tariff and non-tariff barriers. The main reason are their concerns about the distribution of the integration benefits. Most actively involved in intraregional trade are the major economies across RECs. The analysis clearly shows that the more advanced and deep the integration process is (i.e. the larger institutionalized political commitments made by member states), the higher are the levels of intraregional trade, and hence – the more effective are utilised the benefits of integration.

An increase the intraregional trade can be achieved through structural diversification of production that has been already successfully implemented by some countries, reorienting to production of processed products (the strongest example is RSA). This can be considered as a beginning of restructuring of production, required for the expansion of a mutually advantageous trade between African countries and RECs.

References:

ECA. (2010). Assessing Regional Integration in Africa IV. Enhancing Intra-African Trade. Addis Ababa.

ECA. (2011). Progress on Regional Integration in Africa. Adis Ababa.

ECA. (2012). Assessing Regional Integration in Africa V. Towards an African Continental Free Trade Area. Addis Ababa.

ECA. (2013a). Economic Report on Africa 2013. Adis Ababa.

ECA. (2013b). Best Practices in Regional Integration in Africa. Adis Ababa.

ECA. (2013c). Report on International and Intra-African Trade. Adis Ababa.

OECD. (2013a). Development Aid at a Glance, Statistics by Region, Africa. OECD Publishing.

OECD. (2013b). OECD Economic Outlook 2013. OECD Publishing.

UNCTAD. (2013). The Least Developed Countries Report 2013. United Nations Publications.

WTO. (2013). International Trade Statistics 2013. WTO. Geneva.

Statistical sources:

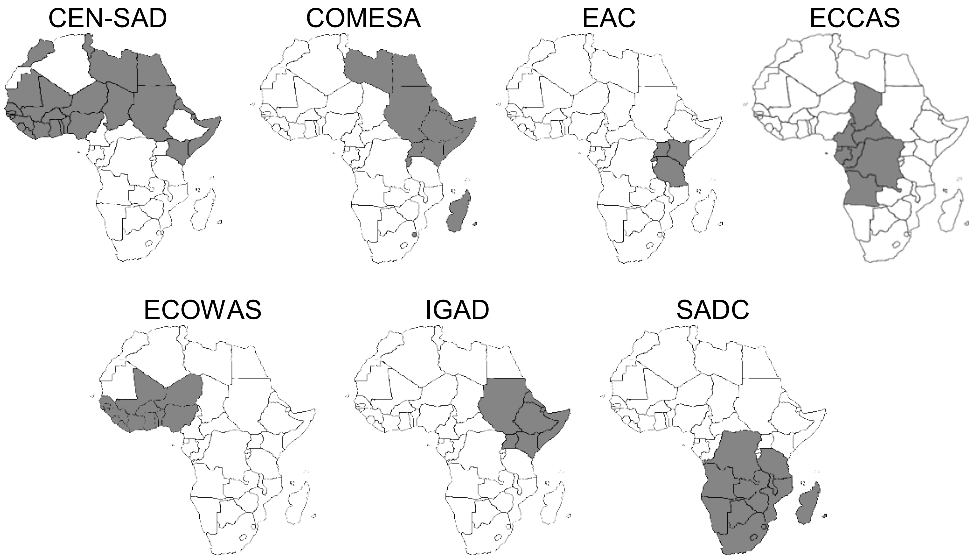
World Bank, http://databank.worldbank.org/

UNcomrade for WITS, http://wits.worldbank.org/

IMF DOTS, http://elibrary-data.imf.org/

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

26.V.2014