

Maricov, Eduard V.

Article

Current trends in the economic development of the participating

Provided in Cooperation with:

KSP Journals, Istanbul

Reference: Maricov, Eduard V. Current trends in the economic development of the participating.

This Version is available at:

<http://hdl.handle.net/11159/254>

Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics
Düsternbrooker Weg 120
24105 Kiel (Germany)
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)
<https://www.zbw.eu/>

Standard-Nutzungsbedingungen:

Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte. Alle auf diesem Vorblatt angegebenen Informationen einschließlich der Rechteinformationen (z.B. Nennung einer Creative Commons Lizenz) wurden automatisch generiert und müssen durch Nutzer:innen vor einer Nachnutzung sorgfältig überprüft werden. Die Lizenzangaben stammen aus Publikationsmetadaten und können Fehler oder Ungenauigkeiten enthalten.

<https://savearchive.zbw.eu/termsfuse>

Terms of use:

This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence. All information provided on this publication cover sheet, including copyright details (e.g. indication of a Creative Commons license), was automatically generated and must be carefully reviewed by users prior to reuse. The license information is derived from publication metadata and may contain errors or inaccuracies.

Journal of
Economics and Political Economy

www.kspjournals.org

Volume 3

March 2016

Issue 1

**Current Trends in the Economic Development of the
Participating in the Tripartite Free Trade Area
Regional Economic Communities**

By Eduard Vasilev MARINOV [†]

Abstract. The Common Market for Eastern and Southern Africa, the East African Community and the Southern Africa Development Community are three of the eight regional economic communities that are recognized by the African Union as building blocks of the African Economic Community. The three RECs recently concluded the negotiations to establish the Tripartite free trade area on a tariff-free, quota-free, exemption-free basis by simply combining their existing free trade areas. The multiplicity of trading arrangements in southern and eastern Africa, ranging from bilateral agreements between individual countries to free trade areas and customs unions, poses a huge implementation challenge to the deepening and development of the process of economic integration thus the creation of the Tripartite free trade area can be regarded as a step in the right direction. The paper aims at presenting the economic properties of the economies in the three RECs participating in the negotiations on the Tripartite FTA with a special focus on the analysis on intracommunity trade as an indicator for the current state-of-art and the perspective of the integration process in the three RECs. It presents the aims, principles and main challenges of the Tripartite FTA negotiations. Then it examines thoroughly the three participating RECs in terms of the economic properties of their member states and the trends in their international trade. Some conclusions are drawn on the integration potential of the participating RECs as well as on the possibilities presented by the creation of the Tripartite FTA.

Keywords. Tripartite FTA, COMESA-EAC-SADC, Regional economic integration, African economy.

JEL. F15, F55, N77.

1. Introduction

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 area of economic integration, which has a much shorter history, achieved results, albeit insufficient against the stated objectives, are significantly more. The Treaty for the establishment of the African economic community (AEC) defines six stages that should be completed for the gradual creation of the AEC. The Treaty adopts an integration approach that to a great extent depends on the success of integration processes of the regional economic communities. (RECs). The Treaty explicitly states that the AEC will be established mainly based on coordination and gradual integration of the activities of existing RECs which ultimately should merge in the AEC.

[†] Economic Research Institute at BAS, 1040 Sofia, №3 Aksakov Str, Bulgaria.

☎. +359 2 8104025

✉. eddie.marinov@gmail.com

The Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Community (SADC) are three of the eight RECs that are recognized by the AU as building blocks of the AEC. The three RECs are implementing separated regional integration programmes in trade and economic development covering the establishment of free trade areas (FTAs), customs unions (CUs), monetary unions and common markets as well as regional infrastructure development programmes in transport, information communications technology, energy and civil aviation as a first step towards the realisation of continental integration.

Increased regional trade cooperation through the removal of intraregional trade restrictions (i.e. tariff and nontariff barriers) is a critical strategy to address the challenges posed by small domestic markets, limited economies of scale and the marginalization of African economies in world trade. The result was the creation of many trade blocs in Africa, aimed at reducing and removing trade barriers, with each country belonging to more than one preferential trade agreement. This has led to the problem of overlapping membership in multiple and often conflicting trade regimes that is often regarded as undermining the effective implementation of the respective for each integration scheme trade commitments. The multiplicity of trading arrangements in southern and eastern Africa, ranging from bilateral agreements between individual countries to PTA, FTA and customs unions, poses a huge implementation challenge to the business sector, customs administrations and other private and government agencies involved in managing or facilitating trade.

The three RECs came into negotiations recently to establish the tripartite FTA on a tariff-free, quota-free, exemption-free basis by simply combining the existing FTAs of COMESA, EAC and SADC. The main benefit to be secured from the Tripartite FTA is the establishment of a larger market, with a single economic space. Such economic space will be more attractive to investment and large scale production. Also, the Tripartite economic space will assist to address current challenges resulting from multiple membership by advancing the ongoing harmonization and coordination initiatives of the three organizations to achieve convergence of programs and activities. The idea of this wider market integration is viewed by many stakeholders as a positive development and as a strategy that could be more realistic than the rush to establish customs unions (Kalenga, 2013).

The paper aims at presenting the economic properties of the economies in the three RECs participating in the negotiations on the Tripartite FTA with a special focus on the analysis on intracommunity trade as an indicator for the current state-of-art and the perspective of the integration process in the three RECs. Some theoretical insights on economic integration among developing countries are presented in section 2. The history, aims, principles and main challenges of the Tripartite FTA negotiations are discussed briefly in section 3, while section 4 examines thoroughly the three participating RECs in terms of the economic properties of their member states, the trends in their international trade, and based on these outlines some conclusions on their integration potential. Section 5 discusses the main conclusions of the paper.

Data on the commodity structure of international trade are extracted from the United Nations Commodity Trade Statistics Database for the World Integrated Trade Solution. All product groups are defined according to Revision 3 of the Standard International Trade Classification as data by the newer Revision 4 covers only the period since 2007. Agricultural products include SITC sections 0, 1, 2, 4 minus 27 and 28. Foods 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. Data on direction of international trade are from the International Monetary Fund Direction of Trade Statistics. All data on imports are CIF, all data on exports are FOB. Trade values are in current price USD. Dynamics of trade are studied over a 10-year period – 2003-2012.

2. Economic integration among developing countries

In most cases, theories of economic integration and its benefits – of dynamic ones, but even more of static ones, are not fully applicable to integration agreements among developing and least developed countries. Meier (1960) claims that Viner's analysis has limited or no relevance to integration among developing countries. Even Balassa (1965) claims that theoretical literature on economic integration issues discusses customs unions only in industrialised countries. Their problems and environment are not related to economic development, but more to relative changes of production and consumption features.

The traditional theory of economic integration relies on many factors in order to reach the conclusion that net static effects determine the welfare effects of integration. Based on them, some generalisations can be made about the motivation of countries to participate in integration processes. This part of the study will try to highlight those factors and effects of economic integration agreements that are relevant to developing countries and will be used for the purposes of the empirical analysis of African Regional economic communities.

Traditional theory assumes that the larger (in economic terms) the participating countries are, the more substantial the benefits of integration will be. According to Abdel Jaber (1971) if the size of the economy is measured by the gross national product, integration benefits for developing countries are negligibly small. Balassa on the other hand claims that integration gains depend not only on the size of the countries participating in the integration arrangement, but also on their rate of economic growth. Thus, as developing economies tend to grow at higher rates than already developed ones, the benefits of integration for them would be even bigger (Balassa, 1961). Another possible measurement of the size of the integration community is the number of population. Under this criterion, developing countries will surely benefit from integration as they are usually over populated (Hosny, 2013).

Developing countries in general are specialized in the production of primary products. According to Abdel Jaber (1971) there is nothing wrong with that as long as the economic surplus gained from this type of production could be reallocated and invested efficiently in other sectors. That however is rarely what happens in reality, thus most developing countries adopt a trade policy of diversification and import substitution to accelerate economic growth. Balanced growth can be achieved by small developing countries by increasing the size of the market, benefiting from economies of scale, and expanding their inter-industry transactions, i.e. through economic integration. For these effects to be achieved however, a strong commitment is required – both in economic and political terms.

In the past, developing countries have sought motivation for economic integration in the benefits from trade diversion and import-substituting industrialization. Later on, with the introduction of the ideas of the dynamic effects of integration, they began to find arguments for integration in the economies of scale, investment creation, technology transfer, etc. Nowadays, however, the integration initiatives of developing countries far exceed those arguments – most of them pursue policies of trade liberalization and deregulation as part of their overall stabilization programs agreed with international organizations. This approach has

the goal to make economic integration policies compatible and complementary to other policies in order to promote international competitiveness. Therefore, according to Hosni, most developing countries regard economic integration as a tool for more competitiveness in a global economy (Hosny, 2013).

Lipsey assumes that the lower the share of international trade in GDP of the member states of an integration agreement is, the greater the expected benefits of a customs union on welfare will be (Lipsey, 1960). This is very important for developing countries because trade as a percentage of GDP in low-income countries has always been lower than in countries with a high level of income, although in recent years this imbalance is decreasing (Hosny, 2013). However, the same does not apply to countries with medium levels of income and least developed countries – their share of trade in GDP is even more significant than that in high-income countries. It can therefore be concluded that this criterion is not applicable to developing countries, because subgroups among them may have a larger or smaller share of trade of GDP compared with high-income countries.

According to Lipsey an integration agreement will bring more benefits in terms of welfare if the share of intraregional trade is growing, while trade with the rest of the world is decreasing (Lipsey, 1960). Studies show that trade between developing countries is always much weaker than that between developed countries, suggesting that the benefits of integration regarding welfare will also be smaller.

However, other researchers (Balassa, 1965; Abdel Jaber, 1971) believe that this assumption should not always be taken for granted. They list several factors that restrict trade among developing countries, arguing that if these barriers are removed, trade flows between developing countries engaged in an integration process will likely increase. These factors include: first, the low level of economic development; second, inadequate transport infrastructure and facilities; third, foreign currency control and other restrictions on imports; fourth, inadequate marketing; fifth, the lack of standardization.

It is widely recognized that the best indicator of the success of an integration agreement is the increase of the share of intra- and interregional trade in the total trade flows of member states. Although this is an important aspect of integration Inotai (1991) believes that it should not be seen as a means to its end. Equally important are the industrial development, the adequate infrastructure, the increase of the technological level, etc. Furthermore, the growth of regional trade may be the result of trade diversion from more efficient and competitive third countries. Therefore it can be regarded as positive only if it is combined with improving global competitiveness as a whole.

A major part of the imports from developed to developing countries consists of capital goods. From the dynamic analysis point of view, integration among developing countries requires substantial investments and since most of them are imported from developed countries in the form of capital goods it is likely that the volume of imports of integrating developing countries will grow. The conclusion of Mikesell (1965) is that the long-term goal of integration between developing countries should not be to reduce trade with the outside world, but rather to change in their trade structure.

Sakamoto (1969) believes that if the result of integration among developing countries is the trade diversion of consumer goods, this will release more foreign currency for imports of capital goods from third (developed) countries. The volume of trade with the rest of the world may not change or may even increase, but the important thing is it changes its structure.

Another thing that should be noted is that while in developed countries the main rationale for economic integration comes from economic groups of stakeholders, in developing countries integration processes often initially start as a political goal

and effort, which in most cases leads to unsatisfactory economic results. Integration processes could be interpreted from the point of view of a combination of economic and political determinants. To achieve that one could use the system for combining economic and political factors to assess the success potential of an integration arrangement, first introduced by Haas & Schmitter (1964). The system identifies four options of combination of those factors: identical economic goals and strong political commitment; close economic goals and strong political commitment; identical economic goals and weak political commitment; close economic goals and weak political commitment.

Haas and Schmitter claim that a given integration scheme in the first two cases has a strong, in case 3 – medium, while in case 4 – low potential for success. Regrettably case 4 is the most common in practice.

From the above said, it is obvious that the rationale behind economic integration among developing countries could not be defined and explained just by the static and dynamic effects that determine integration between developed economies. With developing countries some factors have a stronger, while, controversially, others have a weaker impact on their willingness to participate in integration agreements. To assess the integration benefits and costs for developing countries one must take into account their specifics such as stage of economic development, structure of the economy, production characteristics, demand preferences, trade regimes and policies, etc., as well as to have in mind the complexity of the political determinants of economic integration among developing countries.

3. The Tripartite FTA

The concept of an inter-RECs FTA and its role in fostering regional integration derives from the Lagos Plan of Action and the Abuja Treaty (reemphasized by the Constitutive Act of the African Union) that seeks to use RECs as building blocks for regional integration and Africa's economic development. The theoretical basis for forming trade regimes and in creating enabling environments to facilitate trade by forming FTAs pivots on the law of supply and demand. The presence of a willing buyer and a willing seller sets up market and creates conditions for trade negotiations at a micro level. The same principle delineates the supply and demand sides in the market and escalates the trading partners from the individual (micro) level to the national and regional REC (macro) levels. Thus, when Member States and RECs find goods and services of mutual interest for their growth and development, they try to set up trade regimes that will facilitate their negotiations and eventual exchange of the goods and services of interest to them. They begin with setting up preferential trade agreements (PTAs) and graduate to FTAs by eliminating tariff and non-tariff barriers, and eventually to a Customs Union by adopting common external tariffs. Indeed the African RECs are by and large following the same linear trajectory. (ECA, 2011).

By virtue of the principle of variable geometry that guides the establishment, the states in the three RECs or willing ones outside the three are not under obligation to join the FTA at the inception. However, with time, the non participating states would have realised the benefits or would have dismantled the obstacles that prevented them from joining initially and thereby fulfil the requirements for membership and join the FTA. Alternatively, other RECs might find favourable conditions that would motivate them to form separate FTAs in their own regions and using the experience gained from the Tripartite FTA, form their own FTA(s). This assumption presents the likelihood that more FTAs would be established in addition to the COMESA-EAC-SADC FTA. Finally, the regional FTAs could harmonize their policies, principles and laws to produce one Grand

African FTA and customs union. The benefits of such an FTA are immense and include the enlargement of the market, economies of scale, increased economic and political muscle for international negotiations, and leveraging the potential of speedily achieving an African Common Market.

The Common Market for Eastern and Southern Africa - East African Community - Southern African Development Community Tripartite brings together 26 southern and eastern African countries, which are members of these three Regional Economic Communities. It was established in 2005 with the main objective of strengthening and deepening economic integration of the southern and eastern African region. This is being achieved through various initiatives aimed at harmonising policies and programmes of the three regional economic communities in the areas of trade, customs and infrastructure development, and implementing these in a coordinated manner, and wherever possible jointly.

The main benefits of forming an FTA are largely to be found in its potential dynamic gains. These arise from its pro-competitive effect resulting in increased efficiency in resource allocation – i.e. inefficient regional firms will face regional competition. There are also gains from the scale and variety effects which would lower average costs, reduce consumer prices and enhance factor accumulation. It is encouraging that current thinking about the Tripartite FTA is unconventional and somewhat innovative, as it seeks to link market integration with infrastructure-related (especially transport facilitation) issues to deliver a trade facilitation outcome ([Kalenga, 2013](#)).

The overarching objective of the Tripartite is to contribute to the broader objectives of the African Union, namely accelerating economic integration of the continent and achieving sustainable economic development, thereby alleviating poverty and improving quality of life for the people of the Eastern and Southern African Region. As such, the Tripartite works towards improving coordination and harmonisation of the various regional integration programmes of its member REC's. These regional integration programmes focus on expanding and integrating trade, as well as on infrastructure development.

The Tripartite FTA is comprehensive, ambitious and covers a wide spectrum of pertinent trade policy and trade related areas necessary for effective implementation of a watertight preferential trading arrangement (Trade Mark Southern Africa, [2011](#)).

The negotiation principles agreed upon by the tripartite ministerial committee (COMESA-EAC-SADC, [2011](#)) are:

- the negotiations shall be Member State driven;
- variable geometry;
- flexibility and special and differential treatment;
- transparency including the disclosure of information with respect to the application of the tariff arrangements in each REC;
 - building on the acquis of the existing REC FTAs in terms of consolidating tariff liberalisation in each REC FTA;
 - a single undertaking covering phase I on trade in goods;
 - substantial liberalization;
 - most favoured nation treatment;
 - national Treatment;
 - reciprocity, and
 - decisions shall be taken by consensus.

The main elements of the agreement include eliminations of tariffs and non-tariff barriers on goods; harmonisation of rules of origin, which should also be less restrictive; enhancement of trade in services; harmonisation of customs procedures,

practices and administrative arrangements and of transit procedures and facilities; harmonisation of trade remedy measures; development of an effective dispute settlement mechanism; development and cooperation in implementing effective competition policy and consumer protection; harmonisation of technical barriers to trade – standardization, metrology, accreditation, conformity and assessment, and sanitary and phyto-sanitary measures; and harmonised intellectual property rights.

The Tripartite integration process will be anchored on three pillars – market integration, infrastructure development and industrial development and will have three phases – a short preparatory phase, phase I that covers the area of trade in goods, including tariff liberalisation, rules of origin, customs cooperation, non-tariff barriers, trade remedies, sanitary and phyto-sanitary measures, technical barriers to trade and dispute settlement with a timeframe of 24-60 months, and phase II that should cover negotiations on trade in services, intellectual property rights, competition policy and trade development and competitiveness (COMESA-EAC-SADC, 2011).

It would be unfortunate if the “Grand” FTA is simply a merger of the existing three trade regimes. There is a consensus that the existing trade regimes have not yet been successful in making intra-African trade a powerful driver of economic growth and development. Thus the main challenge faced by the Tripartite policy makers is how to make the envisaged FTA work better than the existing trade regimes by addressing impediments to trade such as the persistent of non-tariff barriers, restrictive rules of origin, the reduction of transaction costs, the barriers to intraregional investment flows, high transport costs, inefficiencies in border crossings and behind-the border-costs, etc. (ECA, 2012). Therefore trade negotiations should identify the design and implementation pitfalls of the existing regimes and seek to address them.

There are a number of factors that could hinder the negotiations and should be taken into account. Some of them are briefly considered here, without the list being exhaustive. The major parties of the negotiations have different ranking in the scale of development which dictate diversified developmental priorities and generate negotiation capacity gap between parties, with the majority being least developed countries. Another characteristic that defers the tripartite FTA negotiating parties is their interest to achieve the FTA that is diversified from one party to another. The difference in their trade openness degree and the percentage of trade contribution to the country's GDP indicates the interest of each country to reach an agreement. Member countries with high trade openness index and high contribution percentage of trade to GDP are more interested in a fast process to reach an agreement while others demand a larger period of time to prepare their domestic markets. Another serious factor that contributes to the complexity of the tripartite negotiation process is the WTO commitment of some member states. This commitment prevents them from certain settlements that non-WTO member states demand. WTO members must comply with technical regulations and product standards in conformity to existing international standards. Finally, it is important to note that the member states in this negotiation are also members of other regional and bilateral agreements and also engaged in other trade negotiations such as Economic Partnership Agreements with the European Union. Thus, there is a need to ensure that all such agreements are not heavy to be implemented coherently, and without conflicts of interest.

The Tripartite Free Trade Area was officially launched on June 10th 2015 at the Tripartite Summit of Heads of State and Government held in Egypt. The Tripartite FTA popularly known as the Grand Free Trade Area, will be the largest economic bloc on the continent and the launching pad for the establishment of the Continental Free Trade Area in 2017.

4. The members of the Tripartite

The Common Market for Eastern and Southern Africa, the East African Community and the Southern Africa Development Community – the three Regional Economic Communities in Eastern and Southern Africa, comprise of 26 countries (Angola, Botswana, Burundi, Comoros, DRC, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe) with a combined population of 625 million people and a GDP of 1.2 trillion USD, will account for half of the membership of the African Union and 58% of the continent's GDP (Ngwenya, 2014). This makes the Tripartite vital to the envisaged single market and continental integration towards the ultimate goal – a fully functioning African Economic Community.

However, the scope and the development of the integration processes in the three RECs is different. The three RECs are implementing separated regional integration programmes in trade and economic development as well as regional infrastructure development programmes as a first step towards the realisation of continental integration.

Some of the countries participating in the Tripartite FTA negotiations belong to more than one of the RECs – COMESA has a total membership of 19, 8 of which are also members of SADC and 4 of EAC; EAC has a total membership of 5, 4 of which are also members of COMESA and 1 of SADC; and SADC has a total membership of 15, 8 of which are also members of COMESA and 1 of EAC. The multiple membership illustrated above has made it difficult for countries belonging to more than one REC to fully implement the trading arrangements which they have committed to under the different RECs, often resulting in selection of some options available to them but not all (TradeMark Southern Africa, 2011).

It is often assumed that the more developed economies of South Africa, Egypt and Kenya with a combined share of regional GDP amounting to more than 60% stand to gain more from the envisaged FTA while others might be confronted with possible economic polarization. Such generalized assumptions have often led to demands for asymmetrical tariff liberalization in favour of smaller economies (ECA, 2011). Arguably, such assumptions have often prevented smaller economies from reaping the dynamic gains of market integration and the potential restructuring of inefficient industries that might have resulted. It is therefore important that concerns over small size economies should not be overstated to the detriment of the promotion of competitiveness and long-term growth of the smaller and poorer economies.

The region is also characterized by a large number of small countries that are landlocked and poor. Landlocked states face special challenges in competing in regional and global markets – they are faced with higher trading costs due to inefficiencies in their domestic business environments, high trading costs of border crossings and poor infrastructure of their neighbouring countries. The establishment of the Tripartite FTA would render a distinct opportunity for enhancing the competitiveness of such countries. Although they lack the diversified production base to maximize gains from a trade-in-goods-agreement, trade facilitation improvements in transport, tourism, finance, telecommunications, finance, logistics, etc. is likely to assist them in maximizing the gains from the envisaged “Grand” FTA (Kalenga, 2013).

There are great differences in the economic development of the countries within the RECs, regarding the size of their economies, their openness to the global economy, their trade regimes and the patterns in their international trade. Thus a

comprehensive analysis of the main economic indicators of the three communities will be made in this part of the paper, paying special attention to the features of the economies that comprise them, as well as to the trends in their international trade in terms of commodity structure, trade direction and especially intraregional trade flows.

4.1. Common market for Eastern and Southern Africa

The Common market of Central and Southern Africa (COMESA) was established in 1994 to replace the previous one preferential trade agreement for Central and Southern Africa. The community encompasses 19 countries, 11 of which are among the least developed, and 8 are landlocked. With a total area of 11.6 Billion sq. km and a population of 460 Million COMESA is the second largest REC in Africa. The general economic indicators for COMESA are presented in Table 1.

TABLE 1. COMESA – general economic indicators (2013)

	(mln. sq. km)	(mln.) Population	(mln. GDP USD)	(USD p.c.) GDP	(mln. GNI USD)	(mln. Imports USD)	(mln. Exports USD)	(mln. Trade USD)	Trade balance (mln. USD)
Burundi	28	9,8	2472	271	2463	780	130	910	-650
Comoros	2	0,7	596	810	595	300	25	325	-275
Congo, DR	2345	65,7	17204	231	16062	6100	6300	12400	200
Djibouti	23	0,9	1049	1203	1120	580	95	675	-485
Egypt	1001	80,7	262832	2781	256347	69813	29397	99210	-40416
Eritrea	118	6,1	3092	482	3064	950	470	1420	-480
Ethiopia	1104	91,7	41605	357	41511	12000	3000	15000	-9000
Kenya	580	43,2	40697	808	40527	16290	6127	22417	-10163
Libya	1760	6,2	62360	9957	61985	23000	59000	82000	36000
Madagascar	587	22,3	9975	465	9686	3050	1500	4550	-1550
Malawi	118	15,9	4264	365	4139	2350	1300	3650	-1050
Mauritius	2	1,3	10486	8755	10598	5200	2650	7850	-2550
Rwanda	26	11,5	7103	583	7029	2000	470	2470	-1530
Seychelles	0	0,1	1129	12321	1087	800	497	1297	-303
Sudan	2506	37,2	58769	1866	56347	9100	3100	12200	-6000
Swaziland	17	1,2	3744	3831	3454	1950	1900	3850	-50
Uganda	242	36,3	19881	487	16760	5920	2404	8324	-3516
Zambia	753	14,1	20678	1425	19542	8000	8550	16550	550
Zimbabwe	391	13,7	9802	757	9420	4400	3800	8200	-600

Source: African Development Indicators, World Bank and own calculations.

The main goal of the community is to become a fully integrated competitive RREC with a high standard of living, ready to merge within the AEC. COMESA aims to achieve sustainable economic and social development in all member countries through enhanced cooperation and integration in all fields, especially in trade, customs and monetary affairs, transport, communications and information technology, industry and energy, agriculture, etc. So far, the results are modest – in 2000 an FTA began acting between 9 countries, and in 2004 another two joined it. In 2006 it was decided to create a customs union in 2008, but so far this goal has not been achieved.

The COMESA FTA covers trade in goods only. It has no a priori exclusions or exceptions and no ex ante sensitive products. A Trade in Services Committee has been established to start the services liberalisation programme with four priority sectors agreed upon – communications, transport, finance and tourism. The 2010 Council of Ministers have agreed that services liberalisation of COMESA would be guided by the Tripartite framework.

With a total GDP of 578 Billion and GNI of 561 Billion USD COMESA is one of the three most powerful economic communities on the continent. However, economic disparities member states are very significant. The largest economy in

the community – Egypt, although only covering about 18% of the population, produces over 45% of the GDP in the community. The average GDP per capita is 1280 USD, but here the differences between countries are even more dramatic – from 12300 USD in the Seychelles and about 10,000 in Libya to only 230 USD in the DR Congo and 270 in Burundi. In total 12 of the member states the GDP is lower than the average for the community, and in 8 of these it is below 50%, while in 4 it is more than three times higher than the average.

As regards trade the community also ranks third among RECs with about 300 Billion USD total international trade, but with the largest negative trade balance of all RECs in Africa, with imports exceeding exports by over 40 Billion USD. In the trade flows also are observed significant differences between countries. The leading position is occupied by Egypt and Libya, with respectively 100 and 82 Billion USD, and the smallest are the trade flows of the Comoros (325 Million) And Djibouti (675 Million), with a total of 12 countries that are below 10 Billion USD. Of all countries, only Libya has a strong positive trade balance – 36 Billion USD. 9 countries have minimal positive or negative values (up to 600 Million. USD), while the largest negative balances are in Egypt (36 Billion), Kenya (10 Billion) and Ethiopia (9 Billion USD). There are also large differences in the share of trade in GDP. The overall share of imports for the community is 30% and of exports – 23% of GDP. The largest share of imports is observed in the Seychelles (71%) and in the Comoros, Djibouti, Malawi and Swaziland it is over 50%. The lowest is the share in Sudan (15%) and in seven other countries it is below 30%. In Libya exports produces almost the entire value of GDP (94%), in Swaziland - 50% and in 11 countries the share is below 15%, in the Comoros and Burundi being even below 5%.

4.1.1. Commodity structure and direction of international trade

Fuels are the main export commodity in 2012 of COMESA as well (84 Billion USD, 64%) and for 4 of the member countries they are a top export product (Egypt, DR Congo, Libya, Sudan). Commodity structure of COMESA trade is presented in Figure 1. However here they have a relatively low share in exports of fuels and minerals – about 75%. Gold has a high percentage in the export of Burundi (39%), Eritrea (89%), Sudan (45%) and Zimbabwe (18%), and the metal ores (copper, silver, iron, cobalt, tin) – of DR Congo, Zambia, Rwanda. DR Congo is the world's top exporter of cobalt ores and Rwanda – of tin ores. For the rest of the countries in the community the main exports are agricultural products (cloves, coffee, tea, tobacco, live animals, fish, etc.), Madagascar and the Comoros being the world's leading exporters of cloves and Kenya - of legumes.

In imports dominating are manufactures (88 Billion USD, 64%) 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 (respectively – 3 and 5 times), while manufactures and agricultural products have similar growth rates – nearly 10% annual average increase in exports and about 15-16% - in imports.

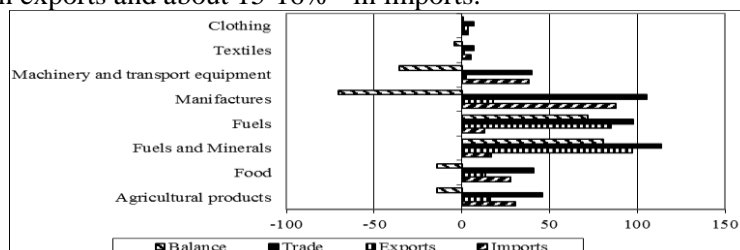


FIGURE 1. Trade of COMESA (2012, Billion USD)

Source: UNcomtrade for WITS and own calculations.

The Common market of Central and South Africa trades mainly with the EU (32%), China (14%), other African countries (13%) and India (6%). Here, however, large differences exist between exports and imports – for imports, the share of trade with the rest of the world is quite high, mainly due to the presence of Middle East countries (UAE, Kuwait, Turkey and others.) as major trading partners (total about 15 % in 2012). COMESA main trade flows with its main trade partners are presented in Figure 2.

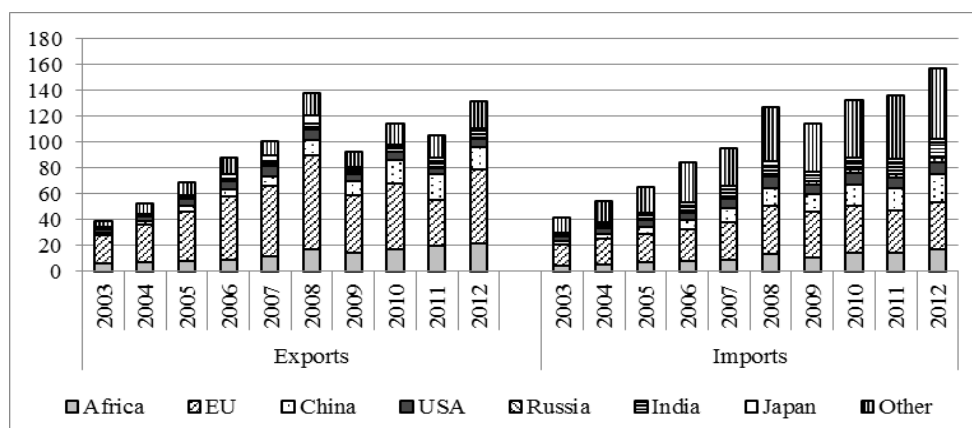


FIGURE 2. COMESA main trade partners (Billion USD)

Source: IMF DOTS and own calculations.

For the period 2003-2012 the volume of total trade with the EU increased by an average annual rate of 10.3%, in 2012 imports being 36 Billion and exports - 57 Billion USD. As a share exports are quite higher than imports (by about 20 percentage points) – in 2003 it is nearly 60% and in 2012 it decreased to 43%. A serious decline in trade with the EU was observed in 2009 and 2011 - respectively by 30 Billion and 20 Billion USD. Although there is an increase in 2012, both indicators still have not reached the levels (as a value and as a share) of 2008. Trade balance was positive throughout the period – in 2008 it reached 35 Billion and in 2012 its value is 21.5 Billion USD.

A strong increase shows trade with China (27% average annual growth) – both exports and imports increased as a share of total trade of COMESA with about 10 percentage points and in 2012 reached respectively 14% (22 Billion USD) and 13% (17 Billion USD). However in the same year, exports fell by almost 3 Billion, which lead to a negative balance of nearly 5 Billion USD.

Relatively high compared to the average for the continent's average is the share of intra-African trade - 13.2% (38 Billion USD), with imports slightly above the average (10%), while exports are much higher – 19% for 2011 and 16 for 2012 (21 Billion USD).

The highest growth rate for the period (30% annually) marks trade with India – imports increased from 1 Billion to 11 Billion USD and exports - from 0.2 Billion to nearly 5 Billion USD, accounting for a share of respectively 7 and 4% of the total trade of COMESA.

4.1.2. Intracommunity trade

Here the volume of intraregional trade for the period increased five times, and its share – by 2 percentage points, reaching 7% (see Table 2). 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%).

TABLE 2. COMESA intracommunity trade (Million USD)

	Exports				Imports				Total trade	
	2003	2012	Share	Growth ¹	2003	2012	Share	Growth ¹	2012	Share ²
Total	2203	10890	6,9³	19,4	2004	9403	7,1³	18,7	20292	7,0³
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

Notes: ¹ Average annual growth 2003-2012, %; ² of country's total trade; ³ of REC.

No data for Eritrea and Swaziland (share of total REC trade resp. 0.5 and 1.3%).

Source: IMF DOTS and own calculations.

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%).

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.

4.1.3. Integration potential

COMESA does not have a great potential 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, and so far the community shows low success potential – the aims of individual countries are similar, but not identical, and the political will to implement them cannot be assessed as strong.

Despite the above said, there are some positive results of the integration process within COMESA, perhaps the most important of these being the Community's accession to the Tripartite FTA COMESA-EAC-SADC in 2012.

4.2. East African Community

After existing for 10 years in the period 1967 to 1977, the East African Community (EAC) was re-established in 2000. It brings together five countries, four of which are among the least developed and three are landlocked. The official languages are English and Kiswahili, the number of currencies is 5. The general economic indicators for EAC are presented in Table 3.

The aim of the EAC is the deepening of cooperation between member states in political, economic, social aspect and achieving a better quality of life through increased competitiveness, value added production, trade and investment. Already in its re-creation the community provides for a customs union, which is fully operational by 2005 and by 2010 EAC has an acting common market. The next step is a monetary union and the ultimate goal is to turn the community into a political federation. EAC is the only building block of the AEC, with which the EU has a signed Economic Partnership Agreement, though it still has not entered into force.

TABLE 3. EAC – general economic indicators (2013)

	(mln. sq. km)	Population (mln.)	(mln. GDP USD)	(USD GDP p.c.)	(mln. GNI USD)	(mln. Imports USD)	(mln. Exports USD)	(mln. Trade USD)	Trade balance (mln. USD)
Burundi	28	9,8	2472	271	2463	780	130	910	-650
Kenya	580	43,2	40697	808	40527	16290	6127	22417	-10163
Rwanda	26	11,5	7103	583	7029	2000	470	2470	-1530
Tanzania	947	47,8	28242	517	27983	11114	5500	16614	-5614
Uganda	242	36,3	19881	487	16760	5920	2404	8324	-3516

Source: African Development Indicators, World Bank and own calculations.

Intra-EAC trade liberalisation is the most advanced among the three RECs. EAC countries started trading on duty-free and quota-free terms from January 2005. Today intra-EAC trade is completely duty-free, with no a priori exclusions or quantitative restrictions. Membership in overlapping trade regimes (SADC, COMESA and the EAC Customs Union) makes trade regimes complex and therefore the membership in the tripartite FTA is likely to make the situation easier for economic operators.

Although it is the most advanced in terms of economic integration, EAC is the smallest of the recognized as building blocks of the AEC regional community with an area of 1.8 Billion sq. km and a population of 149 Million people. The total GDP of the community is 98 Billion USD, and the one of the largest economy Kenya is 40 Billion, while in the smallest – Burundi, it is 2.5 Billion USD. Despite the difference in the size of the economies, GDP per capita in the five countries is relatively uniform – from 270 USD in Burundi to 800 in Kenya, while the average for the community is 662 USD.

The total EAC trade flows are less than 51 Billion USD, which is only about 4% of total trade in Africa. Although values for the individual countries differ, they are relevant to the differences in the size of the economies. This applies both to the values of exports and imports and their share in GDP ranging from 16 to 23% for Burundi and Rwanda, about 40% in Kenya and Uganda to nearly 50% in Tanzania. The share of imports in GDP is about 30% in Burundi, Rwanda and Uganda and about 40% in Kenya and Tanzania, and the average

for EAC is 37%. The situation is different for exports where the share in GDP is extremely low – only 15% of the community as a whole, the values reaching only 5-6% in Burundi and Rwanda.

4.2.1. Commodity structure and direction of international trade

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, 63%) and in import – manufactures (18 Billion, 68%) in which machinery and transport equipment have relatively low share (40%). Commodity structure of EAC trade is presented in Figure 3.

Over the period 2003-2012 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. The main export product of two member states is gold (Burundi, Tanzania), for Kenia it is tea, while coffee is among the top 3 exported products for all member states.

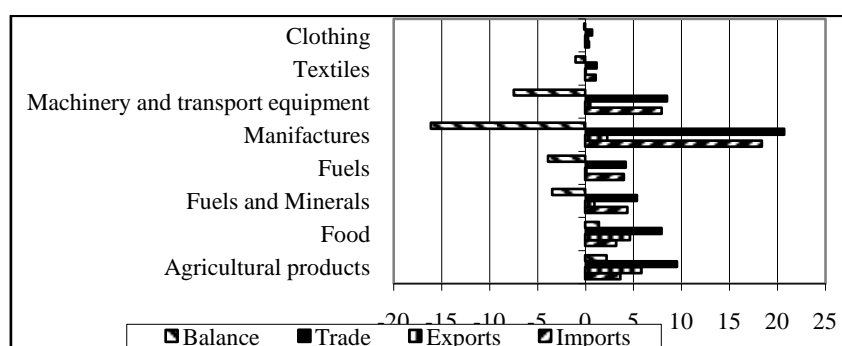


FIGURE 3. Trade of EAC (2012, Billion USD)

Source: UNcomtrade for WITS and own calculations.

The East African Community is strongly dependent on imports. In 2012 imports exceeded exports by nearly 20 Billion USD, which is more than 50% of total trade. The community is the smallest of the RECs under study with a total share of African trade of only 3.7%. The largest share of exports holds intra-African trade (39%, 4.6 Billion USD), followed by the EU (23%), India, the USA and China (around 5%). For the period 2003-2012, the share of trade with the EU decreased almost twice – from 38 to 23%. EAC main trade flows with its main trade partners are presented in Figure 2.

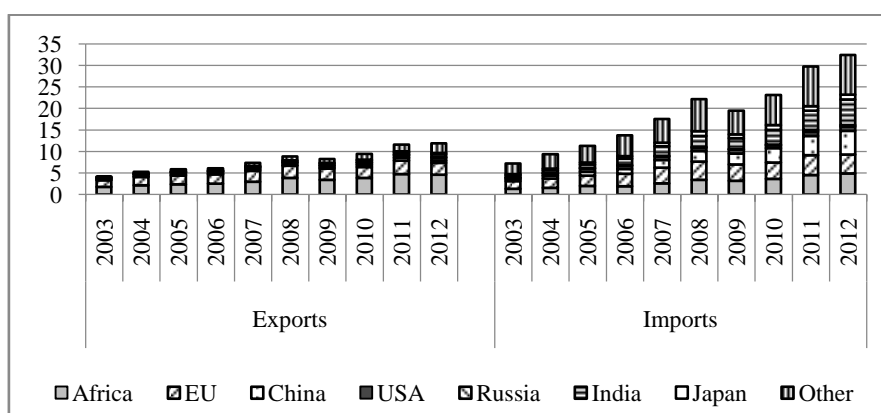


FIGURE 4. EAC main trade partners (Billion USD)

Source: IMF DOTS and own calculations.

Imports increased in value by 6% annually, which is twice slower than the community average. The situation is similar for the exports to the U.S. which grew at a rate of 6.5% annually, reaching 0.6 Billion USD in 2012. Faster than average increased exports to India (19% average annual growth) and China (31 %) and in 2012 their values were respectively 0.65 and 0.59 Billion USD.

The largest share of imports holds India (18%), followed by China (17%), other African countries (15%) and the EU (13%). The high share of imports from the rest of the world is mainly due to imports from the UAE, which are nearly 12% of the EAC total. The import share of the EU also decreased approximately twice, while that of China and India increased almost threefold over the period.

4.2.2. Intracommunity trade

Although it is the smallest REC in terms of volume of trade flows, the community is leader in Africa in terms of share of intraregional trade – 11.1% in 2012 (see Table 4). 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. EAC intracommunity trade (Million USD)

	Exports				Imports				Total trade	
	2003	2012	Share	Growth ¹	2003	2012	Share	Growth ¹	2012	Share ²
Total	787	2582	8,0³	14,1	879	2355	19,8³	11,6	4937	11,1³
Burundi	51	147	5,7	12,5	3	16	0,7	20,7	163	25,0
Kenya	32	359	13,9	30,9	711	1567	66,5	9,2	1926	8,2
Rwanda	118	495	19,2	17,3	1	29	1,2	41,6	524	33,6
Tanzania	218	636	24,6	12,6	48	325	13,8	23,7	961	7,5
Uganda	369	944	36,6	11,0	115	418	17,7	15,4	1362	23,1

Notes: ¹ Average annual growth 2003-2012, %; ² of country's total trade; ³ of REC.

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.

4.2.3. Integration potential

It is not surprising that the EAC is a 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 with high rating in terms of opportunities for success of the integration efforts, having 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.

4.3. South African Development Community

In 1992 the founded in 1980 Southern African Development Coordination Conference was transformed into a Southern African Development Community (SADC), with a focus on economic integration. It has 15 member states, eight of which are among the poorest in the world, while six are landlocked. SADC is third on area (nearly 10 Million sq. km) and fourth in population (286 Million people) among the building blocks of AEC. The general economic indicators for SADC are presented in Table 5.

TABLE 5. SADC – general economic indicators (2013)

	Area (mln. sq. km)	Population (mln.)	GDP (mln. USD)	GDP (USD p.c.)	GNI (mln. USD)	Imports (mln. USD)	Exports (mln. USD)	Trade (mln. USD)	Trade balance (mln. USD)
Angola	1247	20,8	114147	5318	102613	24000	73000	97000	49000
Botswana	582	2,0	14504	8533	14464	8025	5971	13997	-2054
Congo, DR	2345	65,7	17204	231	16062	6100	6300	12400	200
Lesotho	30	2,1	2448	1106	2752	2600	1100	3700	-1500
Madagascar	587	22,3	9975	465	9686	3050	1500	4550	-1550
Malawi	118	15,9	4264	365	4139	2350	1300	3650	-1050
Mozambique	799	25,2	14244	533	14203	6800	4100	10900	-2700
Mauritius	2	1,3	10486	8755	10598	5200	2650	7850	-2550
Namibia	824	2,3	13072	5383	12716	6750	4100	10850	-2650
Seychelles	0	0,1	1129	12321	1087	800	497	1297	-303
South Africa	1219	51,2	384313	8070	375786	122760	87261	210021	-35499
Swaziland	17	1,2	3744	3831	3454	1950	1900	3850	-50
Tanzania	947	47,8	28242	517	27983	11114	5500	16614	-5614
Zambia	753	14,1	20678	1425	19542	8000	8550	16550	550
Zimbabwe	391	13,7	9802	757	9420	4400	3800	8200	-600

Source: African Development Indicators, World Bank and own calculations.

The main objectives of the community are to achieve economic development and economic growth, raise the standard of living, promote effective employment and sustainable use of resources in the region, and deepen the process of economic integration and economic relations between the member states. Although the objectives of SADC are not limited to matters concerning trade, the Protocol on trade, signed in 1996, is the main engine of integration. The SADC free trade area was established in August 2008, and the next step is to develop a cooperation program aimed at promoting the development of regional production capacity by improving regional infrastructure. Within the community operates the oldest customs union in the world – the SACU.

The SADC FTA came into force in 2000. Intra-SADC trade liberalisation has generally been more cautious and slower than that in COMESA and EAC. The attainment of minimum conditions for the FTA was achieved in 2008 when 85% of

intra-community trade attained zero duty. Maximum tariff liberalisation was achieved in January 2012 when the tariff phase-down for sensitive products was completed. The SADC Trade Protocol recognises differences in economic size and levels of development among its members to such an extent that least developed countries were granted a longer tariff phase-down period. The SADC trade regime also recognises the designation of sensitive products, including sugar, dairy products, textiles, motor vehicles and others. The fact that some SADC members have lagged behind in the implementation of their tariff phase-down commitments is likely to complicate the Tripartite tariff negotiation process.

With a GDP of 650 Billion USD SADC is the second among the RECs on the continent in terms of economic size. It is dominated by the economy of South Africa (RSA) with a contribution of nearly 60%, followed by Angola – 18%. These two countries share (10 Billion USD each) the difference between GDP and GNI in the community. 9 other countries have a GDP of about 10 Billion USD or more. USD, and only four – less than 5 Billion. However none of the countries is with GDP below 1 Billion USD. There are huge differences in GDP per capita – from 12300 USD in the Seychelles and 8750 in RSA to only 230-530 USD in DR Congo, Malawi, Madagascar, Tanzania and Mozambique.

Similar to the situation on the value of GDP is the one on total trade flows – the community is second in Africa with 421 Billion USD. Here RSA has the largest contribution as well – 50%, followed by Angola with 23%. Similar are the shares of the two countries in the total imports of the community (57 and 11%), the total SADC imports being 214 Billion USD. The total export value is 208 Billion USD, but here South Africa and Angola are almost equal – respectively 87 and 73 Billion (42 and 35%). It should be noted, however, that the main export product of South Africa are processed products at the expense of fuel imports, while Angola exports fuels and minerals and imports processed products, which is reflected on the balance of trade of the two countries – minus 35 Billion USD for South Africa and plus 49 Billion Angola. The community as a whole has a low negative trade balance – about 6 Billion USD, which is only about 1% of the GDP. Although exports and imports as a share of GDP are about 33 percent of community, interesting differences are observed between countries. In imports the only two countries below the average SADC level are South Africa and Angola, while in some other countries (Namibia, Swaziland, and Botswana) the share is up to 50 and even 70% in the Seychelles. Export has highest share in GDP in Angola (64%), and the lowest – in South Africa (22%) and Swaziland (20%).

4.3.1. Commodity structure and direction of international trade

SADC is the largest exporter of manufactures (50 Billion USD) and the largest contribution for this is of RSA with 45% of all African exports. However, manufactures are not among the top 3 export products of none of the community's member states. High export share have also metal ores and minerals while fuels have a share of fewer than 60% of fuels and minerals exports. Commodity structure of SADC trade is presented in Figure 5.

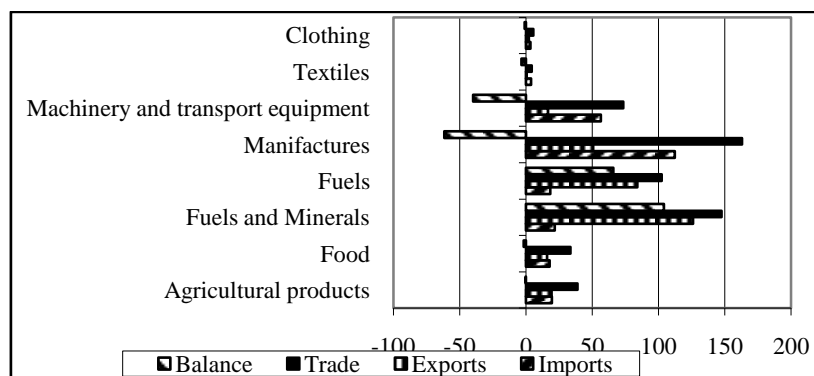


FIGURE 5. *Trade of SADC (2012, Billion USD)*

Source: UNcomtrade for WITS and own calculations.

Refined copper is the main export product of Zambia and DR Congo, aluminium – of Mozambique, gold – of South Africa, Zimbabwe and Tanzania. South Africa is the world's top exporter of ferroalloys, platinum, titanium ore, chromium ore, niobium, tantalum, vanadium and zirconium ore, uranium and thorium ore. Member of the community is the biggest exporter of diamonds in Africa – Zimbabwe (49% of the country's exports).

Trade with agricultural products and foods is relatively balanced, tobacco and fish products being among the top export of some member states (respectively Malawi, Tanzania, Zimbabwe and Mauritius, the Seychelles and Madagascar). In SADC as well 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.

Trade flows of SADC are concentrated in China (27%), the EU (23%), other African countries (15%), the USA and India (7%). SADC main trade flows with its main trade partners are presented in Figure 2.

The EU is a leader in SADC trade throughout the period except for the last 2012, when the share of trade flows with the EU fell by 3 percentage points, while that with China increased by 5. The EU remains the main source of imports, although they also decreased – from 41 to 27%. The increase in value is more than double – from 21 to 46 Billion USD, and although in 2009 it decreased, in 2011 and 2012 it reached the 2008 levels. As a share exports fell twice (from 39 to 20%) and as value they increased by 8% annually (8 percentage points slower than the community average) to 48 Billion in 2012. Here also there was a serious decline in 2009, but unlike the import, exports have not yet reached the level of 2008 - 56 Billion USD.

SADC trade with China is 56% of the total trade flows of Africa with that country. The share of China's exports rose from 7% in 2003 (4 Billion USD) to 36% (86 Billion) in 2012, and since 2009 the growth is with more than 22 Billion USD per year. SADC exports 76% of Africa's total exports to China. Imports from China grew by 28% annually, reaching a value of 27 Billion USD in 2012 (16%). As a result of the faster growth of exports the positive dimension of the trade balance also increases, reaching nearly 60 Billion USD in 2012.

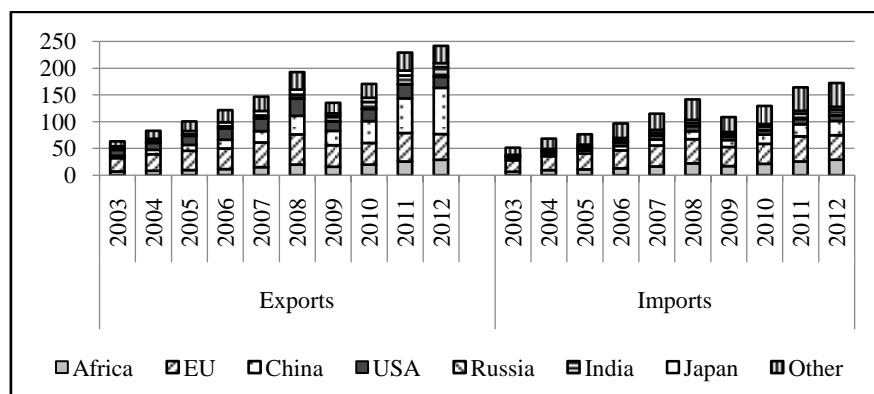


FIGURE 6. SADC main trade partners (Billion USD)

Source: IMF DOTS and own calculations.

The U.S. share of SADC trade flows also decreased (from 13 to 7.5%), with the decline in exports being much higher (from 18 to 8%) than that in imports, which keep almost at the same level. The value of exports increased by 6.6% annually (11 to 20 Billion USD), and that of imports – by 9.4% annually (from 3 to 10 Billion). In 2009, exports decreased significantly (from 31 Billion to 17 Billion USD), but unlike the situation with the EU there is a decline also in 2012 (with 6 Billion), and the current level is similar to that of 2006. The positive dimension of the trade balance decreases by the same number and in 2012 it is 10 Billion USD.

The share of trade with India increases (from 3 to 7%), with imports and exports growing almost equally (by 26-27% annually), in 2012 reaching values of respectively 10 Billion and 17 Billion USD. In the trade with India the decrease in 2009 typical of other trading partners is not observed.

For the period 2003-2012 the share of intra-African trade of SADC also increases from 11.5 to 14%, the values of exports and imports increased respectively by 21 Billion to 23 Billion USD. This is mainly due to the increase in imports from other African countries, which in 2012 were 16.8% of the total for the SADC.

4.3.2. Intracommunity trade

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 (see Table 6). 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. Here also a decline in imports and exports by about 25% compared to 2008 is observed, 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.

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).

TABLE 6. SADC intracommunity trade (Million USD)

	Exports				Imports				Total trade	
	2003	2012	Share	Growth ¹	2003	2012	Share	Growth ¹	2012	Share ²
Total	4880	23211	13,5³	18,9	5663	21633	9,0³	16,1	44844	10,9³
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

Notes: ¹ Average annual growth 2003-2011, %; ² of country's total trade; ³ of REC.

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.

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. De facto a common market operates within the SADC (formally it is postponed to 2015) and an economic and monetary union – on the territory of SACU.

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 liberalisation as well as for the implementation of the benefits of integration, especially in their aspect of trade creation.

4.3.3. Integration potential

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

4.4. Intracontinental and intercommunity trade

The volumes of intracontinental trade and in particular this between RECs are highly indicative to assess REC's progress and potential in terms of the establishment of the African Economic Community through the merger of recognized existing RECs. The main objective of this process is the elimination of tariff and non-tariff barriers to trade and the promotion of mutually beneficial trade relations between countries and RECs through schemes for trade liberalisation. Promotion of interregional trade should help to improve the specialisation of African countries and thus increase the added value and competitiveness of manufacturing on a global level (ECA, 2013c).

The share of intra-African trade in the total trade varies between the three participating in the Tripartite FTA RECs. It is lowest in COMESA (13.2%), SADC (14%), while in EAC it is over one fifth of the trade flows of the community (21.4%). The share of intra-continental exports is greater than that of imports in SADC (5 p.p.), while in COMESA and EAC it is the opposite – imports exceed exports by 24 p.p. In 2003-2012 that share increases in COMESA and SADC, while in the EAC there is a drastic decrease of 6 p.p.

Greatest value of intracontinental trade has SADC (56 Billion USD), followed by COMESA (33 Billion), while it is significantly lower in EAC (9 Billion). Most significant is the increase in volume within SADC (17%), and least – in the EAC (12%).

Intra-continental imports increased slower in EAC (11% average annual growth), reaching 4.3 Billion USD. In COMESA the average annual growth rate is 14% (18 Billion USD in 2012), and the only REC in which growth is above the average for the continent is SADC (16.5%), where the value of imports in 2012 was 28 Billion USD. Exports increased by 13-18% annually in all communities (2.5 times in EAC – 4.3 Billion, COMESA – 14.5 Billion, and over 3 times in SADC – 28 Billion USD).

An interesting observation made by the Economic Commission for Africa (ECA) of the United Nations (ECA, 2013) is that the intra-continental trade is much more focused on processed products than expected. Statistics applied in the study of ECA show that the share of intra-continental trade of manufactured goods is greater than trade with the rest of the world. According to ECA, the share of processed products and of products of the primary sector in the intra-continental trade for the period 2000-2010 varies around 40% for each of the two categories, while agricultural commodities make up only about 15% - a paradox from the perspective of the potential of the sector in Africa as an engine of growth, trade, employment and poverty reduction. The high share of intra-continental trade in raw materials implies trade opportunities for value-added creating trade within the continent. Despite these data, however, African countries and RECs cannot meet each other's import needs due to their similar production structures and thus remain dependent on trade with the rest of the world.

When it comes to inter-community trade, intracommunity trade has the highest share in almost all communities (around half to two thirds of intra-African trade). Exception is EAC, which trades more with COMESA – this is due to the fact that almost all its member states are also members of COMESA and apply its liberalizing trade regimes (see Table 7).

TABLE 7. RECs inter-community and intraregional trade

	COMESA	EAC	SADC
Share of REC total trade, 2012, %			
Africa	13.2	21.4	14.0
COMESA	7.0	14.4	5.4
EAC	2.2	11.1	1.0
SADC	6.8	9.3	10.9
Average annual growth (2003-2012, %)			
COMESA	19.1	13.5	17.0
EAC	12.6	12.8	13.4
SADC	16.2	13.2	17.5

Source: IMF DOTS and own calculations.

The main trading partner of COMESA among RECs is SADC (6.8%, 20 Billion USD), the trade with it being almost equal to the intraregional. EAC actively trades with COMESA (14.4, 6 Billion USD). The main trading partner of the SADC among the other two RECs is COMESA (5.4%).

5. Conclusion

The economic rationale for regional cooperation is particularly strong given the small size of many African countries in economic terms. However, albeit the stated high goals, the process of economic integration on the continent has not so far produced the expected beneficial results. A positive signal towards the deepening of the integration process is the tripartite initiative for harmonization and the establishment of a free trade area between COMESA, EAC and SADC.

Substantial progress on trade liberalisation has been achieved within the three RECs. It is important that the Tripartite trade regime should build upon and improve on the status quo rather than reverting backwards.

However, the participating in the Tripartite FTA negotiations RECs are at different stages of the integration process and their member countries have quite different economic features in terms of the size of their economies, their openness to the global economy, their trade regimes and the patterns in their international trade. This could lead to a strong divergence among them in the process of negotiating the “Grand” FTA.

The biggest challenges to negotiating a successful Tripartite FTA, and expeditiously implementing it as directed by the First Tripartite Summit, emanate from the heterogeneous nature of the 26 countries constituting the Tripartite.

Moreover, there are several cases of overlapping membership in more than one of the RECs participating in the negotiations which, albeit being harmful for the integration in the specific RECs, could be an advantage when it comes to the definition of the common goals and policies of the Tripartite FTA. The establishment of the proposed COMESA-EAC-SADC Tripartite FTA is intended to address the contradictions and challenges arising from this overlapping in membership. The consolidation of the COMESA, EAC and SADC trade arrangements into a single trade regime is an important strategy to overcome the problem with overlapping membership. This could be achieved through rationalising and harmonising the existing trading arrangements in the process of establishing the Tripartite FTA. However, the envisaged Tripartite FTA should go beyond this institutional objectives to address impediments to the expansion of regional trade inherent in the existing trade regimes (ECA, 2011, p. 38).

Journal of Economics and Political Economy

Probably the most meaningful effect of the Tripartite FTA negotiations is the building-up of strong political will and commitment that is demonstrated by the participating countries. These could act as a catalyst for the further development and deepening of the integration processes in Africa. The negotiations have already caused the leaders of African countries to state a commitment to accelerate the process of establishing the African Economic Community by the creation of an African free trade area with a deadline set for 2017.

The Chairperson of the Ministerial meeting, Honourable Chiratidzo Iris Mabuwa, Deputy Minister of Commerce and Industry of Zimbabwe, hailed the agreement to launch the Grand FTA in June 2015 as a milestone in regional and continental integration. She declared that “Africa has now joined the league of emerging economies and the grand FTA will play a pivotal and catalytic role in the transformation of the continent” ([Ngwenya, 2014](#)).

References

- Abdel J.T. (1971). The relevance of traditional integration theory to less developed countries. *Journal of Common Market Studies* 9(3), 254-267. doi. [10.1111/j.1468-5965.1971.tb01001.x](https://doi.org/10.1111/j.1468-5965.1971.tb01001.x)
- Balassa, B. (1961). *The Theory of Economic Integration*. Richard D. Irwin. Homewood, Illinois.
- Balassa, B. (1965). *Economic development and integration*. Centro De Estudios Monetario Latinoamericanos. Mexico.
- COMESA, EAC and SADC. (2010). *Draft agreement establishing the COMESA–EAC–SADC Tripartite Free Trade Area. December 2010 Revision*. Lusaka, Zambia; Arusha, Tanzania; Gaborone, Botswana.
- COMESA-EAC-SADC. (2011). *Report of the Meeting of the COMESA-EAC-SADC Tripartite Ministerial Committee in Preparation for the Tripartite FTA Negotiations*. Lusaka, Zambia.
- Economic Commission for Africa. (2011). *Study on the Establishment of Inter-REC's Free Trade Areas in Africa Drawing on Lessons from the COMESA-EAC-SADC FTA Experience*. Addis Ababa.
- Economic Commission for Africa. (2012). *Assessing Regional Integration in Africa V. Towards an African Continental Free Trade Area*. Addis Ababa.
- Economic Commission for Africa. (2013). *Report on International and Intra-African Trade*. Addis Ababa.
- Erasmus, G. (2013). Redirecting the Tripartite Free Trade Agreement Negotiations? *Tralac Trade Brief* No S13TB02/2013. Stellenbosch: tralac.
- Haas, E.B., & Schmitter, P.C. (1964). Economics and differential patterns of political integration: Projections about unity in Latin America. *International Organization* 18(4), 705-737. doi. [10.1017/S0020818300025297](https://doi.org/10.1017/S0020818300025297)
- Hosny, A.S. (2013). Theories of Economic Integration: A Survey of the Economic and Political Literature. *International Journal of Economy, Management and Social Sciences*, 2(5) 133-155.
- Inotai, A. (1991). Regional integration among developing countries, revisited. *Policy, Research, and External Affairs Working Paper*, No. 643. Washington, D.C.: World Bank.
- Kalenga, P. (2013). *Making the tripartite FTA work: issues and prospects*. Tralac Trade Law Centre.
- Lipsey, R.G. (1960). The theory of customs unions: A general survey. *The Economic Journal* 70 (279), 496-513.
- Meier, G.M. (1960). Effect of a customs union on economic development. *Social and Economic Studies*, 9(1), 29-36.
- Mikesell, R.F. (1965). The theory of common markets as applied to regional arrangements among developing countries. In: *Inter-national Trade Theory in a Developing World*, edited by Harrod and Hague. New York: St. Martin's Press.
- Naumann, E. (2014). The Tripartite FTA: Background and Overview of the Progress Made in Developing New Harmonized Rules of Origin. *Tralac Trade Brief* No T14TB01/2014. Stellenbosch: tralac.
- Ngwenya, S. (2014). COMESA, EAC, SADC Ministers Agree to Launch Africa's Largest Free Trade Area. *COMESA-EAC-SADC Press Release*, Bujumbura, Burundi, 25 October 2014.
- Othieno, L. & Shinyekwa, I. (2011). Prospects and Challenges in the formation of the COMESA-EAC and SADC Tripartite Free Trade Area. *Research series* No. 87. Kampala: Economic Policy Research Centre.
- Sakamoto, J. (1968). Industrial development and integration of underdeveloped countries. *Journal of Common Market Studies*, 7(4), 283-304. doi. [10.1111/j.1468-5965.1969.tb00978.x](https://doi.org/10.1111/j.1468-5965.1969.tb00978.x)
- Stern, M. 2012. The Tripartite FTA and the Services Sector. *SAIIA Policy Briefing* 45. SAIIA.
- TradeMark Southern Africa. (2011). Negotiating the COMESA-EAC-SADC Tripartite FTA. *Aid-for-trade case story: UK*, OECD.

Statistical sources:

African Development Indicators, World Bank, <http://databank.worldbank.org/>, accessed on 1.1.2016.
IMF DOTS, <http://elibrary-data.imf.org/>, accessed on 1.1.2016.
UNcomrade for WITS, <http://wits.worldbank.org/>, accessed on 1.1.2016.



Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by-nc/4.0>).

