Vysoká škola ekonomická v Praze
Recenzované studie

Working Papers
Fakulty mezinárodních vztahů

20/2008

Sub-Saharan Africa – Current Economic Performance

Anna Borgström

OECONOMICA
Nakladatelství VŠE

Faculty of International Relations
Working Papers

20/2008

Sub-Saharan Africa
– Current Economic Performance

Anna Borgström

Volume II

Vysoká škola ekonomická v Praze
Working Papers Fakulty mezinárodních vztahů
Výzkumný záměr MSM6138439909

Tato studie byla vypracována v rámci Výzkumného záměru Fakulty mezinárodních vztahů Vysoké školy ekonomické v Praze MSM6138439909 „Governance v kontextu globalizované ekonomiky a společnosti" a projektu IGA 6/08 "Současné postavení Afriky ve světovém hospodářství".

Název:	Working Papers Fakulty mezinárodních vztahů
Četnost vydávání:	Vychází minimálně desetkrát ročně
Vydavatel:	Vysoká škola ekonomická v Praze Nakladatelství Oeconomica Náměstí Winstona Churchilla 4, 130 67 Praha 3, IČO: 61 38 43 99
Evidenční číslo MK ČR:	E 17794
ISSN tištěné verze:	1802-6591
ISSN on-line verze:	1802-6583
ISBN tištěné verze:	
Vedoucí projektu:	Prof. Ing. Eva Cihelková, CSc. Vysoká škola ekonomická v Praze, Fakulta mezinárodních vztahů Náměstí Winstona Churchilla 4, 130 67 Praha 3 +420 224 095 270, +420 224 095 248, +420 224 095 230 **http://vz.fmv.vse.cz/**

Sub-Saharan Africa – Current Economic Performance

Anna Borgström (borgstra@vse.cz)

Abstract

This article examines the current economic performance of Sub-Saharan Africa (SSA). It analyzes the latest economic development in the SSA by looking at the GDP development and the development of several fundamental socio-political indicators that have an important impact on the stability and sustainable development of any given country. Bearing in mind the very different nature of SSA's economies it analyzes two different groups of SSA countries, the Least Developed Countries (LDCs) and the Emerging Economies (EE). This paper also summarizes the investment trends for the SSA and the growing involvement of Asian economies in this region. Finally, it discusses the importance of further regional integration of the SSA economies and presents an status update of the most important regional integration projects.

Key words: Socio-political factors, Stability, Regional integration, Sub-saharan Africa

Sub-saharská Afrika – sou asný ekonomický výkon

Anna Borgström (borgstra@vse.cz)

Abstrakt

Tento lánek se zabývá sou asným ekonomickým výkonem zemí sub-saharské Afriky (SSA). Analyzuje poslední hospodá ský vývoj v daném regionu sledováním vývoje HDP i vývoje n kolika základních sociáln -politických faktor , které mají zna ný vliv na stabilitu zemí a jejich udržitelných rozvoj. Z d vodu velké míry hospodá ské odlišnosti jednotlivých zemí SSA, lánek popisuje dv skupiny ekonomik SSA. Krom hospodá ského vývoje se lánek dotýká otázky investi ních trend sm ujících do regionu a rostoucího vlivu asijských ekonomik v tomto regionu. V poslední kapitole popisuje význam regionální integrace pro zem SSA a aktuální stav integra ních proces dosažených v nejv tších regionálních uskupeních SSA.

Klí ová slova: sociáln -politické indikátory, stabilita, regionální integrace, susaharská Afrika

JEL: O150, O190

Content

Introduction

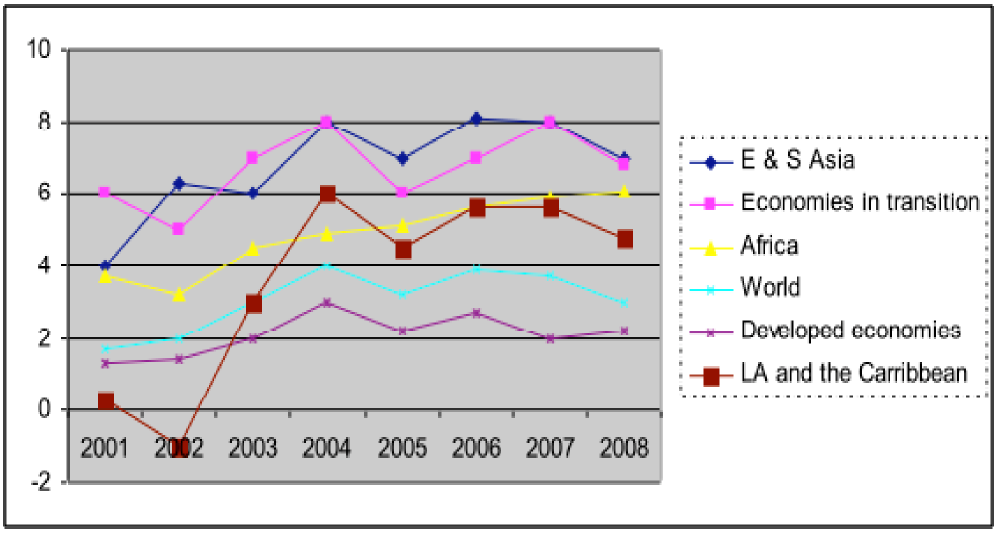
SSA still belongs to the poorest regions of the world. Consisting mainly of LDCs SSA still has a very low share of world trade. This paper examines the latest development of the SSA economies in the four subsequent chapters. The first chapter is an introduction. The second chapter presents the most recent figures of economic performance of SSA bearing in mind the current economic turbulence in the USA and on the world financial markets. Since 2001 the economic growth of developed countries generally remained low and even stagnated but this has not been the case of SSA. The global demand of the primary export commodities traditionally offered by SSA was kept on a high level and this ensured a stable and high growth of SSA economies until now. This chapter also analyses other factors for the growth of SSA economies and describes the most important SSA trade partners. Also, the UNs and the IMFs predictions about the potential risks of globalization for the SSA economies are presented. The economic performance of SSA is analyzed in two sub-chapters, the first dealing with the LDCs and the second with the emerging economies (EE) of SSA. Both sub-chapters are summarizing economic and trade development in each group. They look at the level of achieved socio-economic fundamentals and examine the relation between these fundamentals and GDP growth. The third chapter examines the investment trends in the SSA. It presents the main factors that influence investors' decisions and aspects of investment flows to that region. It also separately analyzes both groups of SSA´s economies and discusses the relation between the latest figures for investment inflows and the stable macroeconomic and political development in the SSA. This chapter includes one sub-chapter regarding the investments from Asia and SSA´s strengthening relations to India, China and other Asian EE. The fourth chapter analyzes the importance of the development of regional economic integration in the SSA. The wave of regionalization in the SSA started after the 1970s with many positive expectations what the cooperation could mean for the small economies of the SSA and the region as a whole. This chapter presents the largest, already existing, regional communities and their achieved levels of intra-trade on the one side and the progress done concerning integration in these economic communities on the other side. The last fifth chapter concludes.

2. The Economic Performance of Sub-Sarahan Africa

In recent times the SSA economies have experienced a very positive economic growth while at the same time keeping the inflation at a low level. Due to the underdevelopment of SSA´s financial markets and its low involvement in the global financial markets, the SSA has so far not been notably affected by the general economical downturn and global financial crisis that started mid 2007 and accelerated until today in the US. There is a weaker correlation between the development of the US economy and the SSA economies compared to the correlation with the development in other regions. This is not the case of many other advanced and developing economies have already become affected by the financial turbulence in the US.

The developed countries are currently going through a period with declining economical growth (see Tab 1). The global economic slowdown after 2001, mainly caused by poor economic growth in the advanced economies, has not yet influenced the demand of African export commodities and their prices lie still at the high level. The described development is partly a result of Asia's (especially China´s) strong economic performance during the period. The SSA could until now benefit from its closer cooperation with Asia and Asia's foreign direct investment (FDI), mainly directed to the extraction of natural resources and infrastructure projects. The other factors are ongoing conflicts in oil-producing countries such as Nigeria, that influence the growth in the SSA since these conflicts lead to more volatile oil prices. A slowly increasing inflation could start to threaten SSA´s export of non-oil commodities. However, according to a UN report (2008) the African economies could maintain its economic growth despite the risk of continued downward trends in other regions of the world. What would change such a conclusion is if the economic crisis in the US deepens and leads to a negative impact on the economies of the EU and Asia since an economic slowdown in the euro area and China or India would have a more significant impact on the growth in the SSA. The EU remains the most important export market for SSA and Asia (including China and India) is the third largest standing for about 25% of exports (IMF 2007). Both China and India have strengthened their trade relations with SSA and have become important investors in the region. The African economies saw a positive development since the beginning of the new century with a slowly increasing economic growth. Whereas an early UN report from 2008 predicted a further increase of the region's economic growth in 2008, almost catching up to the level of the economies in transition, an IMF report from April 2008 is more sceptic and predicts an economic growth under the level of 5%. This position was influenced by the turbulence in the US financial markets that already affected European and Asian financial markets. The IMF´s report also assumes a possible reduction of external financing (ODA) for some SSA countries and a decreasing trade.

Figure 1: GDP growth rates of major regions, 2001-2008



Source: UN (2008).

2.1 The Economic Performance of LDCs in SSA

The UN definition of a LDC takes into account the three following criteria. The average Gross National Income (GNI) per capita achieved during 3 years has to be below 750 USD. A country that wants to graduate from the LDC grouping has to reach an average GNI per capita of 900 USD. The second criterion involves the so called Human Assets Index and the last criterion involves the Economic Vulnerability Index (UNCTAD: 2006).

Africa still represents a region within which a substantial share of the world's LDCs is located. Of all 50 LDCs worldwide, 35 are situated in Africa (UNCTAD: 2008) and 32 in SSA. As showed in the Tab. 1 these economies are both politically and economically unstable. The economic freedom can be measured by the indicator IF (Index of economic Freedom) [1] covering 10 specific freedoms such as trade, business, investment, property rights, labour, corruption, financial and monetary, governmental and fiscal. The political instability is valued with the indicator FfC (Freedom from Corruption index). With the exception of a few economies, the majority of SSA´s LDCs are unfree and repressed. Their IF values are around 45,1 - 59,9% (where the IF is 100% in a perfectly free economy). Only Tanzania's and Madagascar's IF values are over 60%. Madagascar is in a study by Kehl (2007) considered to be an upcoming Emerging Economy. In the case of political stability the FfC index in the SSA's LDCs lies between 10-34% (where the FfC is 100% for a perfectly stable country).

[1] IF – Economic Freedom Index is calculated in %. Country is defined as economic free if the IF achieved values between 80-100%, mostly free are countries with values between 70-79,9%, moderately free between 60-69,9%, mostly unfree between 50-59,9% and repressed between 0-49,9%

Tab. 1: LDCs economies in SSA in 2007 (emphasized countries - oil producers)

African LDCs						
Country	**GDP per capita° 2006 USD**	**I in %**	**FfC in %**	**IF in %**	**FDI in MUSD in 2006°**	**Export orientation°**
Angola	2 855	...	20	47.1	-210	95,8 % Oil
Benin	536	54,7	29	55,0	8	51% A - cotton
Burkina F	416	69,9	34	55.6	22,9	74,4% A
Burundi	114	43,9	23	46.3	-10,2	41,8% Minerals (M) & 37,8% A - coffee
Central AR	333	43,4	30	48,2	4,1	58% M & Tree industry
Chad	634	46,3	17	47,7	13,2	86,5% Oil
Djibouti	925	27,8	30	52,3	17,5	94,5% Services (S)
Equatorial G	19 166	11,4	19	52,5	908,3	90,8% Oil
Ethiopia	164	52,5	22	53,2	11,7	36,2% A - coffee & S
Gambia	307	55,1	27	56,6	0,2	89,3% S & 6% A - nuts
Guinea	311	...	30	52,8	18,4	71,8% M
Guinea-B.	196	52,5	10	45,1	1,1	70,2% A - cashew
Lesotho	725	13,5	34	54,1	1,1	69,3% Manufacture (MF)
Madagascar	287	27,8	28	62,4	77,8	A - coffee & MF & S
Malawi	164	34,1	28	55.5	6,7	78,3% A - tobacco
Mali	498	68,9	29	53,8	8,1	42% M & 32% A - cotton
Mauritania	899	56,4	30	55,5	23,6	56,3% M & 25,6% A
Mozambique	349	47,0	28	55,0	33,8	48,5% M & 15,6% A
Niger	247	80,0	24	56,6	-939,4	44,7% M & 24% A
Rwanda	242	25,3	21	52,7	-2,1	53% S & 28% A - coffee, tea
Senegal	768	56,0	32	54,1	-28,3	A - fish, S, MF
Sierra Leone	318	...	24	58,2	-13,7	52,8% M & 6,5% A & diamonds
Togo	356	34,2	30	48,9	115,6	S & MF & A - cotton, coffee, fosfat
Uganda	346	26,8	25	48,8	6,2	44% A - coffee, tea, cotton & 36% S
Tanzania	335	18,2	29	64,4	13,8	S & M & A & gold, gas
Zambia	938	16,5	26	56,4	-10,5	51% M & 17,8% A

Source: UNCTAD (2008).

Despite the fact that these LDCs remain closed and undemocratic, they today experience their strongest and long lasted economic growth during the last 30 years. Their yearly growth has exceeded 7%. This development was caused by a rising global demand for primary commodities. While oil-exporters real GDP grew 6% during 2005-2007, the oil-importing LDCs economies grew 8% with an estimated growth in 2007 of 8,9% (UNCTAD 2008). However the LDCs still need to work on the diversification of export commodities and the development of new sectors of the economy (both industry and services). Tab. 1 shows the countries' main export orientation with the biggest share of exported products from the agricultural and mining sector. There were marginal structural changes of the African economies. The overall contribution of agriculture to GDP decreased by 1,8% and amounted to 35,9% of total GDP in 2005-2006. Its share is still the most important compared to other sectors of the economies and agriculture still provides the main part of employment opportunities in the SSA. Until now, LDCs employ in average 71,6% of their total labour force (calculations using the UNCTAD data from 2008). However, a gradual modernization of the agricultural sector is needed that would bring higher productivity and competitiveness and further reorientation to new global trends and demands. The share of the manufacturing industry to GDP increased by 0,2% to 9,1% during the period 2005-2006.

The share of non-manufacturing industries[2] amounted to 19,2% of total GDP (UNCTAD 2008). As is clear from the data in Tab. 1, these poor economies have an economic orientation mostly focused on agriculture or their primary commodities. Only a few countries have developed other parts of the economy to accomplish a more balanced sectoral composition. Besides that, the LDCs are very underdeveloped and are in need of economic and political democratization, increased political transparency and a higher share of educated and skilled people. This obviously made it more difficult to improve innovation, modernization or setting up reforms for sectoral transformation. The ongoing development of outlasting undemocratic systems with low levels of economic freedom has not enabled the SSA economies to build the required capacities to guarantee sustained growth for these economies. On the contrary, these economies operate with their old practices and their economic performance therefore remains very sensitive to the price development of their main export commodities on the international markets. According to the UNCTAD report from 2008 the African LDCs increased their dependence on primary products. In 2005-2006 92% of all export commodities were primary products. In comparison, for the Asian LDCs the primary products amounted for 44% of their overall export.

Despite the growing export of primary commodities, the African LDCs share of total world export remains very low at 2,99% (UN 2008). Another important

[2] Includes minig, utilities and construction

fact is that African trade also is characterized by increased imports. The majority of the LDCs had trade deficits, in particular the oil-importing countries and most LDCs are actually very dependent on food imports. In 2005-2006, the food import to all LDCs amounted to 14,6 bln USD compared to 8,5 bln USD in 2000-2002 (UNCTAD 2008). The high prices on oil and food have made it expensive for oil and food importing countries to pay for their increased imports.

Concerning Africa's trade partners a new trade linkage is growing between Africa and China. Exports and imports between these two partners increased from 11 bln USD in 2000 to 56 bln USD in 2006. At the same time, the share of total trade for the former European colonial powers decreased from 48% to 32% (Kohnert 2008). The share of China's and India's total exports that goes to African LDCs is also growing reaching 12,3% in 2006. The corresponding number for EU25 was 28% and USA together with Canada 7,8%. The share of China's total import from African LDCs in 2006 amounted to 24,2 % compared with 18% for EU25 and 25,5% for USA and Canada (UNCTAD 2008:150).

2.2 The Economic Performance of the Emerging Economies (EE) in SSA

There is no commonly agreed definition of what is an Emerging Economy but this paper uses the definition used in a study by Kehl (2007). According to Kehl, each country that performs above the international average of developing countries in the majority of macroeconomic indicators, justifies a definition as an emerging economy. His paper lists nine EE's in the SSA (see Tab. 2).

SSA´s leading EEs are Botswana and Mauritius that since the 1960s and 1980s, respectively, underwent a democratization, stabilization and liberalization process. Mauritius and Botswana together with South Africa is today globally ranked on place 34, 38 and 52, respectively, as the most free economies (Kane, Holmes and O´Grady 2007). Tab. 2 lists the most free economies of SSA, all defined as EEs. The emerging economies achieved considerably better levels of the IF index (54,1% – 72,3%) than the LDCs. The FfC value varies between 27 – 59%. The democratization brought to these countries, especially Botswana and Mauritius, a boost of the export that contributed to raising their GDP per capita and a successful diversification of trade. Tab. 2 shows that both these countries achieved the lowest levels of illiteracy, highest level of the IF and FfC indexes. The economic stabilization, democratization and good governance have helped these countries to stand the test of global challenges.

Botswana is known for its rich diamond resources and nickel mining that contributes to about a third of the country's GDP. The government is trying to diversify the economy and focus more on the processing the raw material and manufacturing.

Mauritius is one of the largest knitwear producers and the third largest exporter of pure wool products. For Mauritius, the EU imports remain two-thirds of its exports. Over 75% of the workers are employed in the export processing zones of textile and garment manufacturing companies (World of garment 2008). After the abolition of quotas and the expiry of preferential access to the EU and USA markets, Mauritius now faces competition from international textile exporters with lower production costs, mainly from Asia. This situation led to the delocalization of the production to neighbor countries, low-cost economies, and diversification of their production with higher added value. The textile and garment industry started to wider their product range.

One of the new countries to join the group of EE according the Kehl study is Ghana, currently one of most attractive destinations for foreign direct investments in the SSA. Again, the country's economic and political performance follows the path of the above mentioned economies. Thanks to a democratic stabilization that led to a positive political and economic development Ghana experienced a positive economic growth around 6,7% (Business Monitor 2008). The easing of business regulations under the current president Kufour and his government together with establishing free trade zones were the main measures that encouraged FDI to the country.

All EE in Tab. 2 except Mauritania are characterized by higher economic freedom, lower corruption index and lower level of uneducated people than the SSA average. It is evident that all these indicators have an essential impact on the investment flows and economic growth. The latest developments has proved the possibility to stabilize the economic environment and stimulate the establishment of economic activities.

Tab. 2: EE in the SSA in 2007 (emphasized countries – oil producers)

EE °						
Country	**GDP per capita in 2008**	**I**	**FDI° in mil USD in 2006**	**Export orientation**	**FfC**	**IF**
Botswana	6 616	17,2	5	diamond	59	68.6
Cape Verde	1 764	20,6	31,2	S	30	58,4
Ghana	342	21,1	11,6	gold, cocoa	40	58,1
Lesotho	474	13,5	1,1	MF	34	54,1
Mauritania	896	56,4	23,6	A	30	55,0
Mauritius	4 776	12,9	688,3	MF	42	72,3
Namibia	2 358	13,4	3	N resources	43	61,0
SA	3 827	12,2	2 295,5	N resources, S	45	63,2
Swaziland	1 544	16,0	-7,4		27	61,6

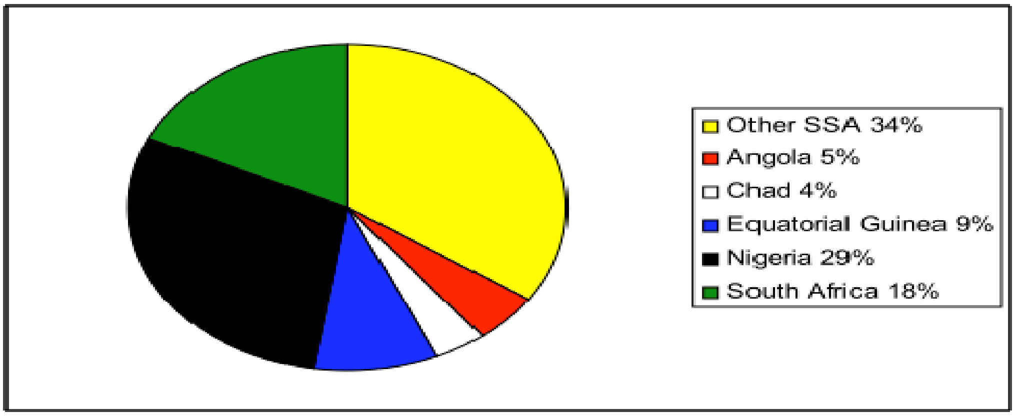
Source: Kehl (2007).

3. The Investment trends in the SSA

The fluctuation of the FDI to the LDCs has been of crucial importance. During 2006-2008 the FDI mainly went to oil-exporting and manufacturing countries. An IMF report (2008) concerning the whole SSA shows that the largest share of FDI inflows went to Nigeria. The second largest recipient was South Africa and a substantial share went to Equatorial Guinea despite of being a country with a high value of the FfC index (see Tab. 1) but new oil findings (see Figure 2). In case of the oil-exporting countries, namely Sudan, Equatorial Guinea and Chad, the FDI constituted ca 23% of the capital formation. For small economies like Burundi, Chad, Djibouti, Guinea-Bissau and Gambia the FDI contributed to over 50% of the capital formation. In 2006 the African LDCs received 8212 millions USD, almost the same amount as in 2004 (UNTAD 2008).

In the SSA's EE, the largest share of FDI, 2295,5 mil USD, was received by the economic leader of the region, South Africa. Mauritius as the "African little tiger" received 688,3 mil USD (see data in Tab. 2). Ghana and its liberal political orientation has also contributed to the growth of FDI to this country.

Figure 2: Distribution of FDI inflows (In percent of total inflows)



Source: IMF (2008: 46).

Looking at the data in Tab. 1 it is not evident that investors' decisions were oriented to the LDCs markets with political and economic stability, low labour costs, skilled labour, transparency, legal framework, infrastructure, quality of life or government agency support. Their decisions were more influenced by the attractiveness of oil or other natural resources. On the other side the data in Tab. 2 for the EE show a stronger relation between the shares of country's received FDI and its level of macroeconomic and political stability. A slight improvement of governance, the protection of investors' rights and economic stabilization in some of them awaked foreign interest for investments. Even if the SSAs share of global FDI in the SSA rose by 20% in 2006, SSA´s overall share in world investment remains unchanged. The majority of SSA countries lack efficient capital and financial markets with market liquidity and financial openness (UN 2008).

3.1 Investments from Asia

The FDI inflow to SSA now sees a new pattern. The FDI investments are not coming only from the developed countries but also from the developing ones. These new "emerging" partners or world economies like India, China and other Asian countries do not condition their trade relations by the above named political indicators. They look for new export possibilities and imports of oil and other natural resources to satisfy their growing demand at home. SSA as a region rich on natural resources is therefore becoming more interesting for Asia and a closer trade partner. Asia's investment goes mainly to mining industries, manufacturing and building infrastructure. Its FDI increased during a very short period and in 2006 reached an amount of 90 billions USD (UNCTAD 2007). While the FDI used to flow to Africa from the newly industrialized economies in Asia like Hong Kong, Korea, Singapore, and Taiwan, today China and India are considerable investors. China is involved in the economies of 48 African countries. Despite the civil disorder, unrest or political instability it has brought its 9th largest FDI amount to Sudan (Kohnert 2008:19).
Even if the Asian FDIs has a positive effect on strengthening the production capacities in Africa, the SSA countries need a further implementation of structural reforms and strengthening the role of institutions to maintain growth.

4. Regional Economic Integration in the SSA

The regional integration in Africa started already in the 1970s but has not been sufficiently implemented and the regional economic cooperation in the SSA has not yet achieved its planned deeper level of integration. The most progressive regional integration formed within West Africa reached an intra-trade level of 19%. The main argument for increased integration is that strengthened regional trade should have a positive impact on many aspects of the economic development for all member states. The steps towards regional economic cooperation were taken with a vision of an opportunity for small African economies and the landlocked ones, to become a part of a larger and more attractive market. The basic aim of the successive harmonization of economic regulation is to make it easier for all member states to develop its economic activities with each other. The integration is supposed to bring mutual relations closer among member states that in the end will have a direct impact on improving price and product competitiveness by lowering trade costs at borders. The integration is implemented with the belief that they would further contribute to trade diversification and use of comparative advantages of the member states. When it comes to investments the advantages should be a sounder and more favorable environment for entrepreneurship and competition for small and medium companies. Such measures should have secured investors access to the whole market of the region and finally should have helped the region to become a more interesting trade partner as a whole for foreign investors. The regional trade agreements (RTAs) were elementary for contributing to the unification of the economic and regulatory environment for potential international entrepreneurs and investors. They should have eliminated many obstacles for foreign investors and simplified investment plans. More effective and transparent conditions for economic activities within the integrated region could become very attractive for both partners and the whole community. Until now, the share of intra-trade within African regional economic communities (RECs) remains low and the real implementation of regional integration starts to improve first now.

As demonstrated in Tab. 3, the highest level of intra-trade (the share of the whole trade expressed in percentage) has been reached within WAEMU (West African Economic and Monetary Union) that is a sub-region of deepest monetary and economic integration within the ECOWAS (Economic Community of West African States). The export between their member states reached 13,2% of total export from the region and the corresponding number for import is 8,4%. What is interesting is the intra-trade development between WAEMU and ECOWAS with the WAEMU´s export share to ECOWAS of highest level 26% and its import share 19%. The intra-trade within the ECOWAS has the third best results of all Africa's regions intra-trade. The intra-export in the ECOWAS was 8,5% and the intra-import 9,8%. The second best intra-trade performance is seen in case of SADC (Southern Africa Development Community). Its export level accounts for 8,8% and import for 9,1%. Notwithstanding the fact, that these are the official statistical data available and that the real share of intra-trade would be a bit higher, it still illustrates a big potential that the economic communities have for a further strengthening and stronger development.

The current status of the regional communities reflects the incapability of member states of the respective economic communities to take further steps towards deeper economic integration. So far, the trade tariffs have not been completely abolished for intra-regional trade. The following text presents the existing status of regional economical communities in the SSA.

ECOWAS

This REC has already a Free Trade Agreement (FTA) in place even if its liberalization schemes are not fully implemented. Its decision to adopt a Common External Tariff (CET) has been operated only in the French sub-region, WAEMU. The rest of the community, the Anglophone part should have slowly implemented same CET across the ECOWAS by the end of 2007. Until now, the situation remains unchanged. WAEMU has a customs union in place together with an implemented CET consisting of four rates in the range of 0, 5, 10 and 20%. However, the integration process remains incomplete since not all tariff and non-tariff intra-WAEMU trade barriers have been eliminated.

CEMAC (Economic and Monetary Community of Central Africa)
The CEMAC has already introduced a single currency, the CFA Franc, and has established a CET with tariff rates in the range of 0-30% but there has not been any successful elimination of non-tariff trade barriers.

COMESA (Common Market of Eastern and Southern Africa)
In this sub-region the problem of overlapping memberships in regional economical communities is the most significant. That is reflected in the slower success of the integration process. The COMESA planned to implement a FTA by 2000 and a customs union by 2004 but only in 2007 the member states agreed on common external tariffs. The plan is to introduce the custom union at the end of 2008. A CET will be implemented with the range of 0, 10 and 25%.

SADC
The SADC has not come far with the regional integration. Only in August 2008 the SADC became one of the largest FTA. The next steps taken within the integration is custom union, which is planned to be launched in 2010.

Tab. 3: Intra-African trade ineconomic communities in 2006 in %

Exports to	**COMESA**	**ECOWAS**	**WAEMU**	**SADC**	**CEMAC**
COMESA	4,6	0,2	0,1	4,5	0,1
ECOWAS	0,2	8,5	4,8	2,4	1,5
WAEMU	1	26	13,2	1,3	2,4
SADC	6,3	1,3	0,2	8,8	0,2
CEMAC	0,3	1	0,5	0,9	0,9
Imports to	**COMESA**	**ECOWAS**	**WAEMU**	**SADC**	**CEMAC**
COMESA	4,9	0,2	0,1	8,1	0,1
ECOWAS	0,2	9,8	4,8	1,9	0,4
WAEMU	0,2	19	8,4	1,2	0,7
SADC	4,1	1,8	0,1	9,1	0,3
CEMAC	0,5	8,5	3,3	2,2	2,9

Source: AfDB (2008: 76).

Conclusions

SSA continues to be one of the poorest regions in the world. It represents 32 of the overall 50 LDCs in the world. These economies struggle with a low GDP per capita and their dependence on the production and export of a few primary commodities whose share of world trade remains small and very sensitive to price volatility. The positive development of the LDCs economic growth in last years has not contributed to any substantial changes that are necessary for their sustained development. Most of the LDCs remain undemocratic with low economic openness, high indexes of corruption and illiteracy that are very important socio-economic indicators in today's competitive, knowledge-based global economy. Economic openness and strong institutions are crucial for attracting FDI and finally diversify the economies. The remaining dependence on primary products is reflected in the high share of primary production in total output and employment, as well as in the contribution of primary commodities to fiscal revenues. Moreover, the concentration of export makes the countries extremely vulnerable to the vicissitudes of commodity markets.

The economical and political stability is much better in SSAs EE. Thanks to better governance, lower illiteracy, higher productivity and trade-oriented economies, these countries have since a long time became more attractive for foreign investors and also succeeded with their export diversification.

Despite the economic and political instability in most of the SSA countries, the FDI flows are not longer conditioned by democratic principles as it is mostly required from European investors. SSA has strengthened trade relations with Asian economies where India and China has become the largest Asian providers of FDI to Africa. Notwithstanding the strong Asian demand for Africa’s natural resources, structural changes is still needed in existing industries, as well as further diversification of their economies. Good governance is a survival and competitive necessity for the SSA economies.

Another important aspect that could contribute to a stronger and more competitive SSA is the further progress in regional integration. However so far, the share of intra-trade remains low and the largest economic communities have not completed the integration process. Not all tariff and non-tariff barriers have been eliminated yet. Additional measures will have to be taken to use the potential opportunities existing within the region.

References

AfDB (2008): Selected *Statistics on African Countries*. Volume XXVII, pp. 46. http://www.afdb.org/pls/portal/docs/PAGE/ADB_ADMIN_PG/DOCUMENTS/STATISTICS/SELECTED%202008_WEB.PDF.

BUSINESS MONITOR (2008): http://www.businessmonitor.com/businessforecasts/ghana.html.

IMF (2008): *Regional Economic Outlook: Sub-Saharan Africa*, http://www.imf.org/external/pubs/ft/reo/2008/AFR/ENG/sreo0408.pdf.

KANE, T.; HOLMES, K. R.; O'GRADY, M. A. (2007): *Index of Economic Freedom*. Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc. www.heritage.org/index.

KEHL, J.R. (2007): *Emerging Markets in Africa, African Journal of Political Science and International Relations*. Vol. 1 (1). pp. 001-008. http://www.academicjournals.org/ajpsir/PDF/Pdf2007/May/Kehl.pdf.

KOHNERT, D.; (2008): *EU – African Economic Relations: Continuing Dominance, Traded for Aid?,* GIGA/Institute of African Studies, http://mpra.ub.uni-muenchen.de/9434/1/MPRA_paper_9434.pdf.

SHINN, D. H. (2006): *Africa and China's Global Activism*. http://www.ndu.edu/inss/symposia/pacific2006/shinnpaper.pdf.

UNCTAD (2007): *Asian Foreign Direct Investment in Africa: United Nations report points to a new era of cooperation among developing countries*. Press release. http://www.unctad.org/Templates/webflyer.asp?docid=8172&intItemID=1528&lang=1.

UNCTAD (2007): *Asian Foreign Investment in Africa. United Nations report points to a new era of cooperation among developing countries*. Press Release. http://www.unctad.org/Templates/webflyer.asp?docid=8172&intItemID=1528&lang=1.

UN (2008): *Economic Report on Africa 2008*. http://www.uneca.org/era2008/.

UNCTAD (2008): The Least Development Countries Report 2008: *Developing Productive Capacities*. UN. http://www.unctad.org/en/docs/ldc2008_en.pdf.

WORLD OF GARMENT (2008): http://www.fibre2fashion.com/industry-article/14/1339/mauritius-textile-industry1.asp.

Faculty of International Relations UEP
Research plan

Governance in context of globalised economy and society

University of Economics, Prague
Faculty of International Relations
Náměstí Winstona Churchilla 4
130 67 Prague 3
http://vz.fmv.vse.cz/

Vydavatel: Vysoká škola ekonomická v Praze
Nakladatelství Oeconomica
Tisk: Vysoká škola ekonomická v Praze
Nakladatelství Oeconomica
Tato publikace neprošla redakční ani jazykovou úpravou

ISSN 1802-6591