

## THE INTERNATIONAL INSERTION OF AFRICA: NEW CHARACTERISTICS OF AN OLD NATURAL RESOURCE-BASED DEPENDENCY

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### Abstract

The current economic reality of Africa continues to adhere to a center-periphery model. However, there are currently new elements such as the recent arrival of investment from developing countries as well as the global powers' renewed interest in foodstuffs and minerals. The aforementioned seems to indicate that Africa is playing a greater and greater role in the process of globalization, although from a clearly disadvantaged position as a supplier of natural resources for outside economies, whether entrenched colonial superpowers (Europe), or new economic giants such as China or Brazil. This article aims to carry out an analysis of the evolution of the scope and competitiveness of African exports. As such, we will identify some of the features of Africa's marginal insertion into the global economy by analyzing commercial patterns between Africa and Europe, Asia, and Latin America, using interregional commerce as a point of reference. The methodology to be used is the *Competitive Analysis of Nations*, a method developed by the World Bank and the ECLAC (Economic Commission for Latin America and the Caribbean).

Key words: competitiveness, African exports, foodstuffs and minerals, dependence.

JEL Codes: F59, O13, O19

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### 1.-Introduction and Theoretical References

Since the time of Adam Smith, both orthodox and heterodox economists have emphasized the role of international trade as a fundamental component of economic growth. In the last few decades the expansion of international trade has reached unprecedented levels, becoming one of the pillars of globalization, a phenomenon which has materialized as a series of various internal adjustments within national economies, most notably trade and financial liberalization, sectorial deregulation, etc. These trademark measures came about in response to a global movement based on liberal reforms implemented in developing countries under the so-called "Washington Consensus". Internationally, this has resulted in greater dynamism of commerce and direct foreign investment than of actual production.

Moreover, globalization makes it impossible to create autonomous national development strategies. The growth of the volume of trade flows in an environment of falling tariffs, disappearing quotas and proliferating free trade agreements stand out as hallmarks of this process. The World Trade Organization – WTC – points out in a 1998 report that, "*historical experience and an impressive body of accumulated evidence show that open markets within a rule-based system are indispensable to future growth and prosperity*"<sup>1</sup>.

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<sup>1</sup> World Trade Organization: Annual Report 1998, Geneva.WTC. 1998

Globalization has been slowly undermining the role of the state while simultaneously strengthening market forces. This is clearly paradoxical, as political decisions of national governments have ultimately diminished the competence and size of the very state they represent. Commercially speaking, in many cases the state has been relegated exclusively to negotiating and signing free trade agreements with other countries. This has taken place within an international legal framework agreed to by the member countries of the WTO that severely restricts the possibility of utilizing trade policies to protect national economic interests, particularly those of industry.

Nevertheless, international trade is a long way from regulating itself with rules regarding perfect competition, therefore necessitating the intervention of public powers – international or national – which guarantee similar opportunities and conditions for all parties. Indeed, the very existence of the WTC is based on the need to regulate international trade multilaterally. From this perspective, it's essential to recover the role of states as relevant actors in international commerce and overcome the passivity that some of the dominant theories from the past two decades have encouraged<sup>2</sup>. In fact, the current crisis has made room for the implementation of policies on the fringe of liberalizing orthodoxy and the doctrine of non-intervention of states. Some countries have halted the march towards liberalization, using the political tools which their governments, in exercising their sovereignty, fully possess. For example, as a solution to the problem of steadily rising food prices (one of the facets of the current crisis), many Sub-Saharan African countries have lowered taxes on edible cereals, while in North Africa and the Middle East, controls on consumer prices were given top priority and in Latin America, restrictions on exports took precedence. Indeed, the WTO didn't hesitate in admonishing these practices and, at the 2009 World Summit on Food Security which took place in Rome, was able to include in the final resolution, "the necessity of refraining from unilateral measures not in accordance with the international law and the Charter of the United Nations and that endanger food security". However, the evolution of the crisis is resulting in a return to orthodox economic policies. The control of deficits and public debt is once again at the heart of economic policymaking, although this time it's the developed economies that are at risk of default, as programs of macroeconomic stabilization linked to bailout plans are being directed towards countries like Greece and Ireland.

If the relationship between trade and economic growth in economic literature has been a robust one, no less attention has been paid to the debate surrounding natural resources and development. This is due to the fact that, in the majority of countries, there seems to be a strong correlation between natural resource extraction – particularly of minerals and hydrocarbons – and circumstances of extreme poverty and authoritarianism. This theoretical musing has been articulated in various fields such as macroeconomics, which examines issues such as the "Dutch disease", political economy and the analysis of so-called "rent-cycling"; sociology, and international relations' studies. The Dutch disease refers to a situation that a state may incur when it narrowly focuses on the massive production and exportation of a single natural resource, thereby initiating a process of currency appreciation. This causes a loss of competitiveness (via prices) of the

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<sup>2</sup> Di Filippo, A.: "Estructuralismo latinoamericano y teoría económica" en *Revista de la CEPAL*, núm. 98. Páginas 181-202. CEPAL, Santiago de Chile. 2009

remainder of the country's exports, giving rise to negative consequences for domestic industry.

The proponents of “rent-cycling”<sup>3</sup> approaches focus on how the rent generated by the export of resources discourages governments from creating wealth or distributing national rents. This camp argues that high rents from external sources demotivate governments from implementing policies geared towards creating new streams of revenue and that furthermore, efforts are instead focused on supporting lobbies that sustain the interests – more often than not personal ones – of government officials. In addition, these theorists assert that, among other factors, the negative consequences linked to external rents are even greater if and when the majority of income is received directly by the government.

Of no less importance are theories from the field of political science which allude to rentier states<sup>4</sup>, those which are funded by the rents generated from natural resources rather than from taxes levied upon the productive activities of citizens. In the ensuing context, the state breaks the social contract between itself and its citizens, allowing for a strengthening of authoritarian activity.

Another possible theory focuses on the correlation between possession of natural resources and the heightened probability of conflicts<sup>5</sup>.

However, all of these theories share a common weakness, that being the difficulty of empirical testing. Moreover, it's also important to note that there do exist success stories of countries (like Norway and Chile) whose strategies of economic growth have revolved around the utilization of their natural resources.

Therefore, the approaches which examine the relationships between trade and development and natural resources and development are essential in analyzing the African reality. Africa has been the continent “excluded and punished”<sup>6</sup> by globalization. Excluded if considered in terms of its participation in the volumes of international trade (the focus of this article), but also when we examine levels of production, foreign direct investment (productive globalization) and above all, financial matters. But, as mentioned above, it's also been a continent punished by globalization. For example, in terms of trade, one may observe in its export structure a high concentration of natural resources, just as it was during colonial times, where the contribution of added-value is extremely low, where the presence of foreign direct investment in the great majority of cases fails to create positive “spillovers” which contribute to the development of the country, and, in general, where levels of poverty still remain unacceptable<sup>7</sup>. Furthermore, in the case of

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<sup>3</sup> Auty, R.: *Political Economy of African Mineral Revenue Deployment: Angola, Botswana, Nigeria and Zambia Compared*, WP 28/2008, Real Instituto Elcano, Madrid. 2008.

<sup>4</sup> Karl, Terry L.: *The Paradox of Plenty. Oil Booms and Petro-States*, Berkeley, University of California Press. 1997.

<sup>5</sup> Collier, P. and Hoeffler, A.: *Greed and Grievance in Civil War*. *Oxford Economic Papers*, 2004.

<sup>6</sup> For an analysis of the effects of globalization see Das, D.K.: *Globalization, Oh that versatile Villain!* CSGR Working Paper 250/08. 2008.

<sup>7</sup> Consult the monitoring of the Millennium Development Goals in United Nations: *Achieving the millennium development goals in Africa: recommendations of MDG Africa steering Group*. New York. United Nations. June 2008, Economic Commission for Africa and African Union Commission: *Assessing Progress in Africa towards the Millennium Development Goals. Report*

Africa there exists an additional burden – that of the legitimacy of national governments – which, although not an explicit objective of this article, is still an important factor to bear in mind.

## **2.- The participation (or not) of the African economy in the globalization of commerce**

Africa's participation<sup>8</sup> in global trade is extremely minimal, its share standing at a mere 2.6% of global exports in 2007. Africa represents 16% of the world's population<sup>9</sup>, 9% of foreign investment<sup>10</sup>, and even the CO<sub>2</sub> emissions from its energy consumption stand at 3.7%<sup>11</sup>, all higher than its relative weight of exports in global commerce. This point illustrates the meager demand for African goods from the world market, which clearly does not correspond with the size of the continent. Therefore, using the market share indicator as a means of gauging Africa's level of insertion internationally, we see that the continent is increasingly finding itself more and more excluded from globalization. This isn't to say that trade hasn't increased in absolute terms, but that the *rate* of growth of African exports has been much slower than the increase globally, especially compared to some large economies such as China, India and the other so-called emerging-market economies. The opportunities which globalization presents are thus permitting some countries to emerge while simultaneously relegating many others to poverty.

Additionally, in little over 20 years, Africa has seen the presence of its goods in global trade reduced by nearly half. In 1985, African exports represented 4.3% of the total worldwide compared with 2.6% in 2007 (see graph 1). That is to say, during one of the periods of greatest expansion of international trade, Africa hasn't taken advantage of its "presumed" economic potential, resulting in a failure to insert itself into the global economy.

Nonetheless, it is obvious that there are huge differences in the international integration of the continent once one performs a sectorial analysis<sup>12</sup> (see graph 1). Africa

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2008. Addis Abeba. Economic Commission for Africa and Africa Union Commission and the United Nations.: Millennium Development Goals. 2009 Report. United Nations. 2009.

<sup>8</sup> The following countries are included when referring to Africa and the subsequent trade analysis in this article: the South African Customs Union, Algeria, Libya, Morocco, Western Sahara, Sudan, Tunisia, Egypt, Cameroon, Central African Republic, Chad, the Republic of the Congo, Equatorial Guinea, Gabon, Angola, Burundi, Cape Verde, the Comoros, the Democratic Republic of the Congo, Benin, Ethiopia, Eritrea, Djibouti, Gambia, Ghana, Guinea, Ivory Coast, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Guinea Bissau, Rwanda, St. Helena, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, Zimbabwe, Togo, Uganda, Tanzania, Burkina Faso y Zambia.

<sup>9</sup> 2005 data according to the Department of Economic and Social Affairs Population Division. United Nations. World Population Prospects: The 2006 Revision and World Urbanization Prospects.

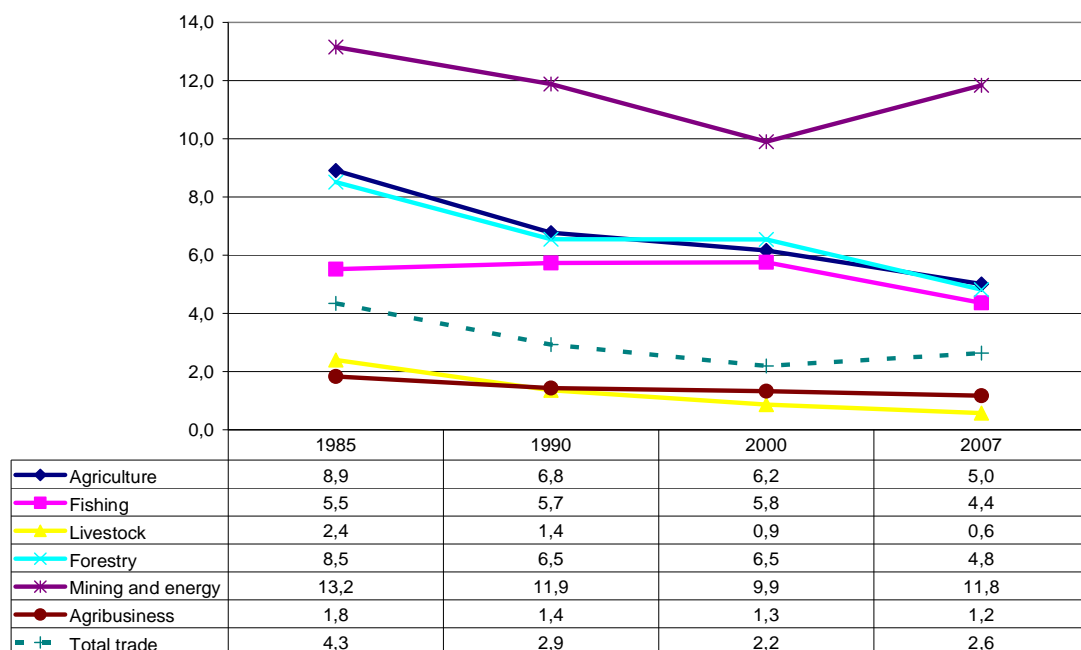
<sup>10</sup> Data of foreign direct investment flows according to the UNCTAD: World Investment Report. 2009. Transnational Corporations, Agricultural Production and Development. Geneve. UNCTAD, United Nations. 2009

<sup>11</sup> According to data from the Energy Information Administration. Official Energy Statistics from the US Government.

<sup>12</sup> See the appendix for a list of items included in each sector.

clearly stands out because of the importance of its minerals and energetic resources in international trade. In 1985 more than 13% of global exports of these products came from Africa. In 2007 this percentage fell to 11.8%, which, at any rate, is still much higher than its global share of exports which stands at 2.6%. As we can see, African export specialization clearly revolves around extractive industry<sup>13</sup>. Furthermore, the loss of its relative importance in world markets in the 1980s and 90s has begun to turn around in the last decade, a result of the growing demand for its raw materials by China and the other emerging-market economies that, for years now, have needed these products in order to fuel their massive economic growth.

Graph 1. Market share of African exports in the world market, 1985-2007, by percentage.



Source: Created by the authors from the ECLAC and World Bank's database *Trade Can*

However, this particular sector's turnaround has failed to extend to the rest of activities linked to the primary sector (agriculture, fishing, livestock, forestry and agribusiness), whose market share continues to drop. This fact is most pronounced in the agricultural and forestry sectors, even though globally Africa is one of the largest suppliers of certain agricultural products such as cacao (46% of the world total), unrefined fertilizer, tea and mate, cotton, silver and unprocessed tobacco (15% each).

In summary, Africa's "marginal" participation in globalization relies heavily upon its specialization in extractive industry, just as it did during the colonial era. However, times have changed, with important transformations in the economic landscape,

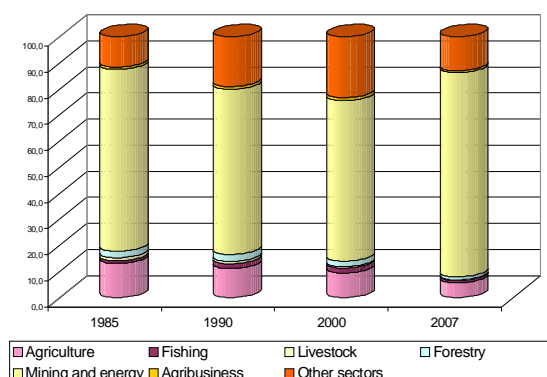
<sup>13</sup> The definition of "extractive industry" lends itself to sufficient debate. In this article the term is used to refer to the extraction of minerals and hydrocarbons. Nevertheless, one can't ignore the fact that this terminology could also be used to include other sectors such as that of fishing, since this could imply nonrenewable resources, if for example regeneration of the species is not respected.

where new agents and new products have entered the scene, presenting both new opportunities and risks.

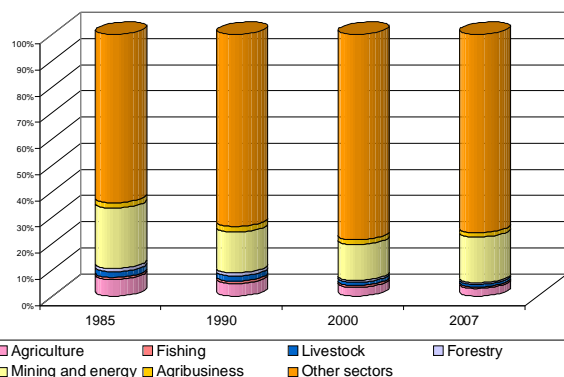
### 3.- The sectorial structure of African trade: a history of inequality

The structure of African exports is markedly different from that of its imports. The export of products linked to the primary sector stood at between 80 to 90% in the period 1985-2007, with a predominance of mineral and energetic products and a decline in the relative weight of agriculture (see graph 2).

Graph 2. Structure of African exports to the world economy. 1985-2007, by percent.



Graph 3. Structure of African imports to the world economy. 1985-2007, by percent.



Source: Created by the authors from the ECLAC and World Bank's database *Trade Can*

Natural resources are experiencing growing demand due to the emerging-market economies. Moreover, some loci which historically supplied resources to developed economies are now losing ground in terms of their production, possibly due to the exhaustion of resources, or because of the expense which their extraction incurs, or perhaps because regulatory changes in some countries no longer make it economically viable<sup>14</sup>. These factors are converting African natural resources into ones of strategic importance, not only for the continent, but also for many of the mature – and newly – industrialized countries.

At the same time, agricultural exports are declining in importance. In 1985 Africa was responsible for nearly 9% of global agricultural exports while in 2007 that figure dropped to 5% (see graph 1). Behind these numbers we can clearly make out a policy of abandonment of African agriculture caused by various events, in particular the structural reforms that were implemented as part of the stabilization programs imposed by various international organizations and creditors of African countries, which clearly had detrimental effects on the development of the agricultural sector. These policies prioritized the need to render goods and services that would be marketable internationally in an effort to earn foreign currency in order to repay accrued debts. On the other hand, as

<sup>14</sup> For example, the regulation of the internal European market obliges the withdrawal of aid for national coal, which will, from the time of withdrawal of said subsidies, call into question the doubtful economic viability of the extractive industries in Northern Spain and parts of Germany. The power-generating industry (among others), in its intense utilization of coal, will thus have to supply itself in another way or undergo technological transformation.

part of the GATT and later the WTC agreements, tariffs were lowered on industrial products while also levied on quotas, furthering the elimination of non-tariff barriers. Nevertheless, the commercial obstacles agricultural products faced were hardly ameliorated by the efforts of the most developed economies, who wished to maintain support for their own agriculture. In terms of the size of the economies, it's worth mentioning the effects of the Common Agricultural Policy and the Farm Bill, enacted respectively by the European Union and the United States. The use of agricultural subsidies by developed countries<sup>15</sup> as well as that of tariffs<sup>16</sup> and other obstacles to the free trade of agricultural products, have ultimately forced Africa to push its agricultural priorities to the side. Lastly, levels of governmental and private investment, as well as contributions of development aid<sup>17</sup> designated towards agriculture have declined rapidly<sup>18</sup>, making the advancement of productive agriculture beyond rudimentary subsistence farming economically unfeasible. This trend clearly makes the goal of eradicating extreme poverty and hunger that much more difficult.

On the other hand, Africa has historically been a supplier of raw materials to developed economies and, more recently, to the emerging-market economies such as China<sup>19</sup>. This was of course one of the principal reasons behind the interest of the colonial metropolises in Africa during the colonial period (i.e. rubber in the Congo under King Leopold of Belgium or phosphate in the Sahara during Spanish colonialism, etc.). At present, there's been a shift in the raw materials of interest, a result of transformations in the very processes of production which are demanding new materials, as well as due to the appearance of substitute materials such as some synthetics. Nowadays raw materials such as coltan, diamonds, uranium, natural gas and petroleum are in highest demand, while interest in copper, gold, silver and phosphate remains steady.

Africa is characterized by scarce industrial manufacturing, with a few exceptions. Manufacturing has been considered the "engine of development" by numerous authors, for example Thirlwall states that, "there appears to be a close proximity between the level

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<sup>15</sup> Official development assistance (ODA) for agriculture is approximately \$3.5 billion while the subsidies given by developed countries to farmers are estimated at nearly \$250 billion annually. Sánchez Fernández-Bernal, R.: *La crisis alimentaria y el comercio internacional: ¿causa o efecto?* En Cascante, K and Sánchez Díez, A. (Coord.): La crisis mundial de los alimentos: alternativas para la toma de decisiones. Madrid. Exlibris Ediciones y Fundación Alternativas. 2009.

<sup>16</sup> The average tariff rate applied by the EU was around 16% for agricultural products and processed foods, 7.5 % for textiles and 1.3% for manufactured products.

<sup>17</sup> African countries have clearly not complied with the commitments of the Maputo Declaration which established a minimum of 10% of government investment in agriculture. Two countries have barely reached this figure and four more have invested over 7%.

<sup>18</sup> Kjollerstrom, M.: *Competitividad del sector agrícola y pobreza rural: el papel del gasto público en América Latina*. (Competitiveness of the agricultural sector and rural poverty: the role of public expenditures in Latin America). Working paper from the series "Productive Development". ECLAC, United Nations, May 2004.

<sup>19</sup> Some of the references regarding the Chinese presence in Africa come from François Lafargue, "China's presence in Africa," *China Perspectives*, No. 61, 2005, Unceta, K and Bidaurratzaga, E: "Las relaciones económicas chino-africanas y su incidencia sobre el patrón de desarrollo en el continente africano" *Revista de Economía Mundial*, núm2008, Páginas 231-257 or in particular countries Esteban, Mario. "The Chinese amigo: implications for the development of Guinea Equatorial" *The China Quarterly* 199, September, 2009. Pág. 667-685.

of per capita income and the degree of industrialization [...] and between the growth of gross domestic product and manufacturing<sup>20</sup>.” Along the same lines, Kaldor makes reference to two laws that explain countries’ growth: the relationship between the growth of manufactures and that of GDP, and the relationship between the latter and increases in productivity<sup>21</sup>. The fragility of the manufacturing industry becomes evident when one looks more closely at the composition of trade in Africa. Since 1990, approximately three-quarters of imports have been products unrelated to the primary sector, that is to say, manufactured goods. Of particular consequence is the importation of highway vehicles, electric machinery, industrial equipment, and telecommunications devices, among other things<sup>22</sup> (see graph 3).

The reality of African trade evokes the explanations developed decades ago regarding theories of dependence, center-periphery, etc<sup>23</sup>. At the beginning of said analyses the focus was on trade analysis and, in particular, on export specialization. More recently, interest has broadened to also include how countries produce. From the contributions of Prebisch and Amín, Martínez Peinado defines the periphery as, *“those (areas) that aren’t able to retain gains in productivity, which, on the contrary, seep out through trade with the ‘centers’ (unequal exchange) and permanent financial adjustment (external indebtedness). The ability to produce, determined by the needs of foreign markets, is unable to be articulated structurally with the capacity to consume, as the remuneration of factors and therefore, the distribution of profits, is mortgaged because of the need to compete internationally with low prices”*<sup>24</sup>. For the pioneers of the aforementioned analyses, a focal point was how terms of trade continued to deteriorate within the context of export specialization in which the “center” exported manufactured products and the periphery, agricultural and mining resources. Nevertheless, the changes that have taken place in the international economic system have altered this reality, complicating it somewhat. The rise in the price of raw materials calls into question the terms of trade, at least as this concept was traditionally construed by dependence theorists. This theory stated that in the configuration of the global production structure, the countries that specialized in raw materials (those situated on the periphery) would experience a deterioration of their terms of trade<sup>25</sup> that would thus condemn them to limited levels of development and therefore, dependence on the more developed economies. However, it’s necessary to highlight an important nuance concerning the

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<sup>20</sup> Thirlwall, A.P.: La naturaleza del crecimiento económico: un marco alternativo para comprender el desempeño de las Naciones. México, Fondo de Cultura Económica. 2003

<sup>21</sup> Cited in Berzosa, C.: “El desarrollo económico” en García de la Cruz, J.M. Durán Romero, G. y Sánchez Díez, A.: Economía mundial en transformación. Madrid. Paraninfo. 2010

<sup>22</sup> According to data obtained from Trade Can from the ECLAC, United Nations.

<sup>23</sup> Some of the most important authors have been Prebisch, Sunkel, Baran, Frank, Dos Santos, Pinto, Amín, etc. A summary of the contributions of said theorists can be found in Bustelo, P.: Teorías contemporáneas del desarrollo económico. Madrid, Editorial síntesis. 1998.

<sup>24</sup> Martínez Peinado, J.: La estructura teórica Centro/Periferia y el análisis del Sistema Económico Global: ¿obsoleta o necesaria?. Reunión de Economía Mundial. Santiago de Compostela. Mayo de 2010. Mimeo.

<sup>25</sup> The ECLAC has been analyzing the process of deterioration of terms of trade in Latin America and Raúl Prebisch was one of the people who contributed most to this analysis. A good summary of the ECLAC’s perspective can be found in Bielschowsky, 1998.



ownership of the means of production and the surpluses derived from such activities. It is readily observable that transnational businesses from developed countries play an essential role in extractive industry. Therefore, even more important than being able to confirm that the periphery has overcome restrictions pertaining to the deterioration of terms of trade, is determining whether or not a new type of center-periphery or dependent relationship is on the rise.

#### 4.- The competitiveness of African trade in natural resources

The trade structure of Africa and its clear specialization in natural resources is important to bear in mind in order to analyze the African economy's possibilities for growth and development. However, this must be performed with an analysis of the competitiveness of its exports in world markets. "Competitiveness" is understood as the ability that an economy has to sell its products in the international market with respect to its competitors. For the current analysis the methodology to be used is that of the Economic Commission for Latin America and the Caribbean and the World Bank through the *Competitive Analysis of Nations*, otherwise known as *Trade Can*.

##### 4.1. Methodological References

The competitiveness of countries can be analyzed through the combined study of the evolution of the products' market share and the evolution of said products in the global marketplace<sup>26</sup>.

African exports are classified by sector adhering to the "Standard International Trade Classification" – SITC – revision 2 with various levels of disaggregation. From this information we are able to calculate three basic indicators:

• Market Share	$M_{ij} / M_i$
• Percentage of Exports (Contribution)	$M_{ij} / M_j$
• Percentage of Imports	$M_i / M$

Where:

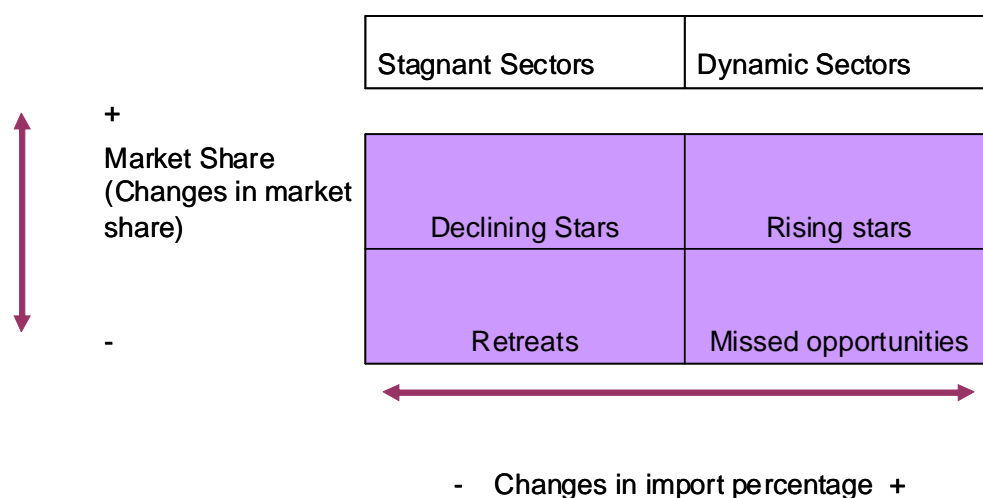
- $M$  indicates the total value of imports
- $M_j$  is the value of imports that come from exporting country  $j$ . In CAN/2009 it is assumed that this factor is equal to the total exports from exporting country  $j$  to the importing market.
- $M_i$  is the value of the imports of sector  $i$ .
- $M_{ij}$  is the value of imports of sector  $i$  which come from exporting country  $j$ .

These indicators combine in order to be able to enhance the information and carry out more complex analyses and, as a result of said combinations, calculate the competitiveness matrix, which thus allows us to classify the diverse export sectors into:

<sup>26</sup> To see this in greater detail see ECLAC: User manual for the program Competitive Analysis of Nations. Santiago, Chile. ECLAC, United Nations. Available with the acquisition of the database. For other works that use this methodology, please see Mulder, N.: *Weak link between export and economic growth in Latin American and Caribbean*. Santiago, Chile. *Serie Comercio Internacional*, núm. 91. Febrero 2009 as well as Martínez Piva, J.M. y Cortés, E.: *Competitividad Centroamericana*. Mexico City. ECLAC, United Nations. 2003

1. *Rising Stars*: This refers to sectors whose international trade is experiencing above average growth and which are gaining market share in the area of reference<sup>27</sup> (improving their competitive position).
2. *Missed opportunities*: This refers to sectors which are dynamic internationally but are losing market share within the market in the area of reference (competitiveness ratio).
3. *Declining stars*: This includes sectors which are losing dynamism internationally but in which the economy experiences increases in market share in the area of reference as a source of imports. In brief, sectors gain in competitiveness within a limited market.
4. *Retreats*: This refers to sectors in which international trade is declining, and moreover, which are also losing market share in the economy of reference. These are sectors which are either very mature or witnessing the substitution of their production for other products.

**Competitiveness Matrix**  
Figure 1



The competitiveness matrix is calculated according to market share<sup>28</sup>, adhering to sectorial disaggregation at a 3-digit level. In this way, it is possible to analyze not only the consolidated competitiveness matrix, but also (through a more detailed analysis) the products which are found within each of the “stars”. In the more detailed analysis, only those items which in 2007 represented more than 1% of total regional exports are considered.

#### 4.2. The competitiveness of African exports

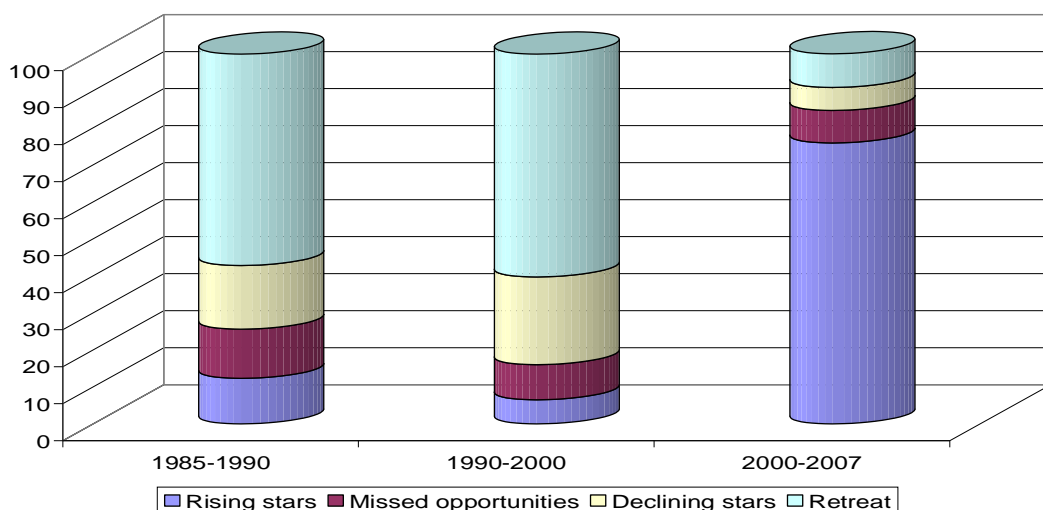
The competitiveness of African exports has undergone major transformation from 1985 to today, due in large part to changes in global demand rather than alterations in the makeup of the continent’s trade per se. In the periods 1985-1990 and 1990-2000, around

<sup>27</sup> The areas of reference to be considered are the following: the world, Western Europe, North America, Developing Asia, Latin America and the Caribbean.

<sup>28</sup> Other possibilities would include the percentage of exports or specialization.

60% of exports were goods lagging in international trade and in which furthermore Africa was losing market share (retreats). Moreover, almost another 20% - 17.2% in 1985-1990 and 23.7% in 1990-2000 – were goods in which global demand was falling but African market share was increasing, which translates to a very shaky bet for the future in terms of a national development strategy. Regarding its most advantageous specialization, rising stars and missed opportunities, Africa saw its exports fall during the first two periods of analysis, with the sum of both dropping from 25.6% to 16% (see graph 4 and table 1).

Graph 4. Competitiveness matrix of Africa in the world market, market share of 3-digit industries.  
Percentage of exports in final year.



Source: Created by the authors from the ECLAC and World Bank's database *Trade Can*

Nevertheless, the situation is quite different in the period 2000-2007. Rising stars represented over three-quarters of total regional exports in comparison with 9.1% of goods in retreat or 6.2% which were declining stars (see table 1).

Table 1. Competitiveness Matrix of Africa in world market, market share of 3-digit industries.  
Percentage of exports in final year.

		Stagnant sectors		Dynamic sector	
		1985-1990	74,3	1985-1990	25,6
		1990-2000	84,0	1990-2000	16,0
		2000-2007	15,3	2000-2007	84,7
Gain in market share		Declining stars		Rising stars	
1985-1990	29,5	1985-1990	17,2	1985-1990	12,3
1990-2000	30,3	1990-2000	23,7	1990-2000	6,5
2000-2007	82,1	2000-2007	6,2	2000-2007	75,9
Loss of market share		Retreat		Missed opportunities	
1985-1990	70,4	1985-1990	57,1	1985-1990	13,3
1990-2000	69,7	1990-2000	60,2	1990-2000	9,5
2000-2007	17,9	2000-2007	9,1	2000-2007	8,8

Source: Created by the authors from the ECLAC and World Bank's database *Trade Can*

That is to say, the matrix of competitiveness of African trade with the world underwent a significant quantitative transformation during this period.

It's necessary to carry out a detailed study of which goods are behind each of the aforementioned typologies. The first significant issue that comes up is the fact that, in the face of greater trade diversification in the 80s and 90s, at the start of the new millennium the number of products that exceeded 1% of total exports fell noticeably. That's to say that African exports have become more concentrated. Only two products – petroleum and natural gas – make up close to 75% of total exports in the period from 2000-2007 in comparison with much greater diversity during previous periods (see table 2).

These two natural resources are rising stars due to their growing demand worldwide, most likely a consequence of the economic boom taking place in the emerging-market economies. African petroleum has a global market share of close to 20%, approximately the same as it was in 1985. This means that African countries have not replaced traditional exporting countries in the Middle East<sup>29</sup>. The demand for petroleum and natural gas, and the participation of African producers in this market, thus explains the high percentage of rising stars found in African exports in the period 2000-2007 (see table 2).

Table 2. Competitiveness Matrix of Africa, market share and percentage of exports in world market. 1985-1990, 1990-2000 y 2000-2007.

CUCI Code	CUCI Sector	Type of star	Market share		Percentage of exports	
			1985	1990	1985	1990
333	Petroleum oils, crude, also from bituminous minerals;	Retreats	19,43	19,05	44,33	37,19
334	Petroleum products, refined;	Declining stars	7,56	8,38	7,20	5,89
341	Gas, natural and manufactured;	Retreats	10,87	10,07	4,95	3,24
971	Gold, non-monetary;	Declining stars	12,38	14,30	2,41	2,84
667	Pearls, precious and semi-precious stones;	Rising stars	5,76	7,89	1,25	2,78
682	Copper;	Missed opportunities	15,17	10,55	2,06	2,52
681	Silver, platinum and other metals of platinum group;	Declining stars	21,05	26,20	1,44	2,24
287	Ores and concentrates of base metals n.e.s.;	Missed opportunities	12,82	9,93	1,74	2,05

<sup>29</sup> The chief petroleum exporting countries include Equatorial Guinea, Congo, Angola, Nigeria, Gabon and Chad.

71	Coffee and coffee substitutes;	Retreats	22,2 1	17, 51	4,09	1,89
931	Special transactions and commodities not class.;	Rising stars	1,86	3,3 4	0,54	1,84
322	Coal, lignite and peat;	Retreats	9,23	8,3 7	1,90	1,80
57	Fruit and nuts (not oil nuts) fresh or dried;	Retreats	7,81	7,2 6	1,33	1,75
72	Cocoa;	Retreats	43,7 9	39, 84	2,61	1,72
671	Pig iron, spiegeleisen, sponge iron, ferro-alloys;	Missed opportunities	19,1 5	14, 31	1,04	1,31
263	Cotton;	Retreats	18,8 9	15, 02	1,24	1,28
793	Ships, boats, floating struct.	Declining stars	3,85	7,2 6	0,47	1,21
842	Outer garments, men's and boys' of textile fabrics;	Rising stars	3,83	5,7 6	0,42	1,20
36	Crustaceans and molluses, whether in shell or not;	Rising stars	8,11	8,2 9	0,72	1,13
247	Other wood in the rough or roughly squared;	Missed opportunities	12,8 0	9,2 7	0,90	1,04
			<b>Market share</b>		<b>Percentage of exports</b>	
			<b>1990</b>	<b>2000</b>	<b>1990</b>	<b>2000</b>
333	Petroleum oils, crude, also from bituminous minerals;	Retreats	19, 05	15,0 0	37,19	37,36
334	Petroleum products, refined;	Retreats	8,3 8	7,58	5,89	6,68
341	Gas, natural and manufactured;	Missed opportunities	10, 07	9,41	3,24	5,03
971	Gold, non-monetary;	Declining stars	14, 30	14,8 4	2,84	2,94
667	Pearls, precious and semi-precious stones;	Retreats	7,8 9	6,62	2,78	2,81
681	Silver, platinum and other metals of platinum group;	Missed opportunities	26, 20	15,5 5	2,24	2,22
72	Cocoa;	Declining stars	39, 84	48,7 4	1,72	1,88
843	Outer garments, women's, and	Declining	3,0	4,73	0,99	1,87

	girls' of textile fab.;	stars	0			
57	Fruit and nuts (not oil nuts) fresh or dried;	Declining stars	7,2 6	7,60	1,75	1,78
842	Outer garments, men's and boys' of textile fabrics;	Declining stars	5,7 6	6,46	1,20	1,70
845	Outer garments, other articles, knitted/crocheted;	Rising stars	2,6 3	2,84	0,76	1,20
287	Ores and concentrates of base metals n.e.s.;	Retreats	9,9 3	7,95	2,05	1,18
844	Under garments, textile fab. (not knitted/crocheted);	Rising stars	2,9 7	4,33	0,41	1,12
36	Crustaceans and molluses, whether in shell or not;	Retreats	8,2 9	7,54	1,13	1,11
322	Coal, lignite and peat;	Retreats	8,3 7	6,63	1,80	1,04
931	Special transactions and commodities not class.;	Missed opportunities	3,3 4	0,89	1,84	1,03
263	Cotton;	Declining stars	15, 02	19,4 0	1,28	1,02
684	Aluminum;	Declining stars	2,3 1	2,90	0,72	1,01
			<b>Market share</b>		<b>Percentage of exports</b>	
			<b>2000</b>	<b>2007</b>	<b>2000</b>	<b>2007</b>
333	Petroleum oils, crude, also from bituminous minerals;	Rising stars	15, 00	19,8 6	37,36	65,17
334	Petroleum products, refined;	Rising stars	9,4 1	11,7 8	5,03	8,29
72	Cocoa;	Missed opportunities	48, 74	46,0 4	1,88	1,56
931	Special transactions and commodities not class.;	Missed opportunities	0,8 9	0,56	1,03	1,41
843	Ropa exterior p/ mujeres, niñas y bebés, de tejidos;	Retreats	4,7 3	3,79	1,87	1,02
Source: Created by the authors from the ECLAC and World Bank's database <i>Trade</i>						
Note: Only sectors that comprise over 1% of total exports in the final year						

Additionally, it's worth noting that there hadn't been any major changes in the specialization of African products for export. For decades these have consisted of very similar products that have been responsible for Africa's insertion into the world market:

minerals and products from extractive industry, some agricultural products and a miniscule presence of industrial good with little added value, e.g. textiles. With regard to some products, Africa has been or is one of the largest suppliers worldwide, for example in the case of coffee, cacao, cotton, copper , iron, ores and concentrates of base metals and non monetary gold, as well as petroleum (see market share in table 2).

Overall, one must keep in mind that the alleged “greater competitiveness” of African exports has much to do with increased global demand for petroleum and natural gas<sup>30</sup>, products in which Africa is concentrating its exports. This means that if one of Africa’s chief ongoing problems has been the limited, single-product export structure of each country, one can conclude that this scenario remains intact with a higher concentration of only two products from the extractive industry. One may thus observe a continuity of some of the most important characteristics highlighted by dependence and center-periphery theories.

### **5.- Several nuances regarding variations in African insertion according to world region – Western Europe, North America, developing America and developing Asia**

As previously mentioned, Africa specializes in exports linked to the extractive industry and the primary sector, with minimal added value or processing. Nonetheless, it is important to examine the differences in African exports in different world regions.

Table 3. African exports

	Trade. Millions of dollars		Market Share. By Percentage	
	1985	2007	1985	2007
Western Europe	48.720	117.774	66,5	42,3
North America	13.852	82.267	18,9	29,5
Developing Asia	3.604	52.254	4,9	18,8
Latin America	1.895	13.492	2,6	4,8
Other regions	5.195	12.712	7,1	4,6
World	73.266	278.499	100	100

Source: Created by the authors from the ECLAC and World Bank’s database *Trade*

Western Europe has been and continues to be the main geographic destination for African exports. The EU has maintained a preferential trade policy since the signing of the Yaoundé Accords in the 1960s, an agreement that responded mainly to French interests in maintaining relationships with its current and former colonies. Years later, with the admission of the United Kingdom into the then European Economic Community, the number of countries which could benefit from the trade Accords signed by Europe was enlarged. These Accords, founded upon a relationship of nonreciprocity whereby preferential access was given to African (as well as Caribbean and Pacific) countries, emphasized privileges for these lesser-developed states in terms of tariffs and instruments

<sup>30</sup> World consumption of petroleum has gone from 76.772 million barrels per day in 2000 to 84.026 in 2009. The consumption of natural gas has risen from 88.3 billion cubic feet to 100.76 in the period 2000-2009, according to data from the US Energy Information Administration.

of export stabilization such as Sysmin (System for Safeguarding and Developing Mineral Production) and Stabex (System of Stabilization of Export Earnings from Mining Products), neither of which is currently in existence<sup>31</sup>. Further on, the EU's trade policy evolved according to the changes which took place within Europe as well as in the international economy, and in particular, as a result of WTC regulations. Since 2002, the EU has been promoting the so-called "EPAs" – Economic Partnership Agreements – whose main focus in trade matters revolves around gradual reductions in tariffs by African countries for European products, as well as negotiation in order to ease European investment in Africa<sup>32</sup>. However, a large majority of African countries have rejected these agreements<sup>33</sup>.

Nonetheless, as one may observe in table 1, since 1985 – coinciding with Lomé III's entering into force - Western Europe has lost nearly 25 percentage points in the relative weight of African exports.

On the contrary, one can observe a gain of 10 percentage points in the evolution of trade with North America, almost entirely due to petroleum and natural gas. Even more notable are the forays of Asian countries in Africa, who went from being nearly nonexistent on the continent to becoming the third most important region in a matter of years (see table 3).

In the following paragraphs of the competitiveness of African exports with each of the regions will be analyzed. However, it's important to bear in mind that while Europe and North America are the most important in absolute terms, exports to Asia are definitely experiencing the greatest growth.

In terms of African exports, Western Europe's trade pattern has hardly changed at all during the period 1985-2007. Perhaps what most stands out is the decline of agricultural exports destined to Western Europe, which fell from 14.1% to 8.1%, as well

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<sup>31</sup> Stabex was a system established by the EU which sought, within the framework of the Lomé Convention, to compensate countries in Africa, the Caribbean and the Pacific for losses in export income, if and when these losses resulted from fluctuations in global prices of agricultural products. The Sysmin system was quite similar, only it pertained to mineral products. Both disappeared with the substitution of the Lomé Convention for the Cotonou Agreement in 2000, as the former was deemed contrary to international regulation by the World Trade Organization.

<sup>32</sup> For an analysis of the changes in EU-Sub-Saharan African relations resulting from the enforcement of the Cotonou Agreement, see Bidaurratzaga, E. and Marín, A.: "El nuevo marco de relaciones entre la Unión Europea y África Subsahariana en la era post-Lomé", in Alicia Campos (ed.), Ayuda, mercado y buen gobierno: los lenguajes del desarrollo en África en el cambio del milenio. Icaria, Barcelona. 2005. Bidaurratzaga, E.: "El nuevo modelo de relaciones EuropaÁfrica: El debate sobre los EPAs como instrumento de desarrollo." In Claves de la Economía Mundial. ICEX/ICEI. Madrid y Bidaurratzaga, E. y Marín, A.: "Integración regional africana y nuevas relaciones con la Unión Europea como instrumentos de desarrollo." In Echart Munoz, E and Santamaría, A. (coord.): África en el horizonte. Introducción a la realidad socioeconómica del África Subsahariana, Madrid, Ed. Libros de la Catarata and Instituto Universitario de Desarrollo. Madrid. 2006.

<sup>33</sup> Marín Egoscozábal, A, Lafuente Ibáñez, C, and Garrido Llamas, P.: El Plan África y las relaciones comerciales y de inversión entre España y el África Subsahariana en el contexto de los EPA. Working Paper 36/2009. Madrid, OPEX-Fundación Alternativas. 2009.



as an increase of almost nine points of exports unrelated to the primary sector (see table 4).

The most important changes have taken place within the context of trade relations with developing Asia, not only in terms of augmented trade flows – which have risen dramatically from \$3.6 billion in 1985 to 52.25 billion in 2007 – but also because these increases have resulted in changes in the export structure itself. It's also crucial to point out the reorientation of mineral and energy resources from Africa to Asia, which has resulted in a declining importance of agricultural and livestock exports, as well as losses in sectors not related to the primary sector (see table 4). In the case of trade with North America and Latin America, a concentration on extractive industry stands out most (see table 4).

Table 4. Export Structure from Africa to world, Western Europe, North America, Latin America and Developing Asia. 1985-2007. By Percentage.

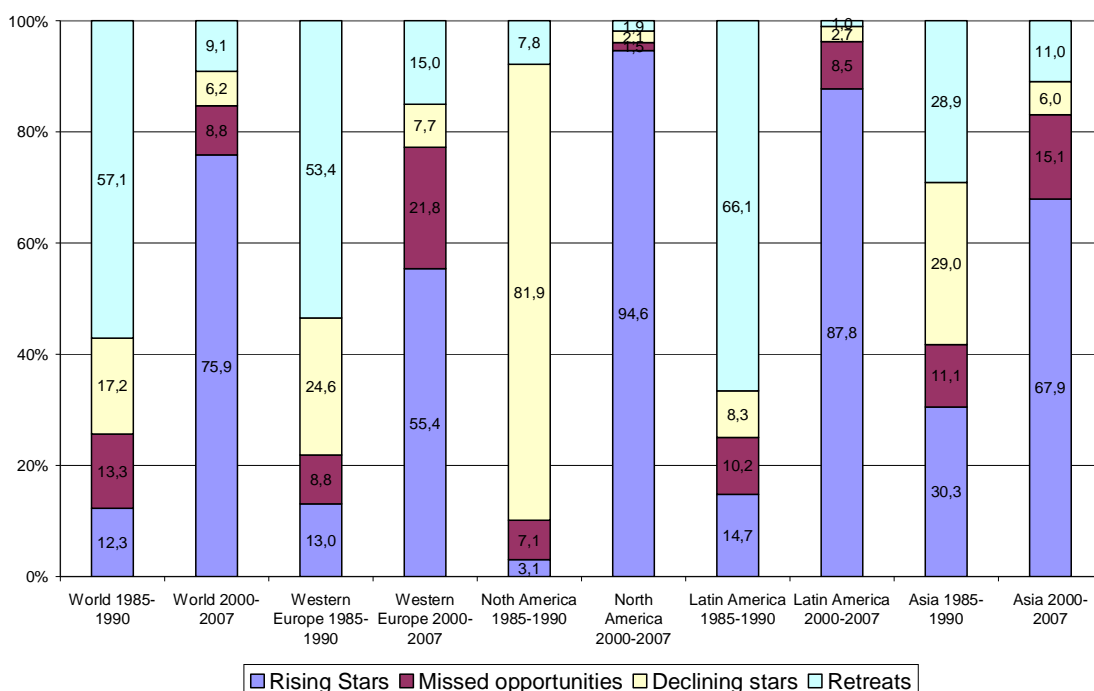
	World		Western Europe		North America		Latin America		Developing Asia	
	1985	2007	1985	2007	1985	2007	1985	2007	1985	2007
Forestry	2,5	1,2	2,7	1,0	0,8	0,3	2,5	1,3	3,0	2,7
Agribusiness	0,9	0,7	1,0	1,2	0,5	0,2	0,1	0,0	0,8	0,6
Fishing	1,0	0,9	0,7	1,6	0,5	0,0	0,0	0,3	0,6	0,3
Mining and energy	69,7	78,3	69,7	68,8	80,0	93,6	88,0	90,7	46,8	74,8
Agriculture	13,1	5,7	14,1	8,1	9,1	1,6	0,6	1,3	18,1	6,6
Live stock	1,2	0,2	1,1	0,1	0,2	0,0	0,1	0,0	4,6	0,7
Other sectors	11,7	13,0	10,7	19,1	8,8	4,2	8,8	6,4	26,1	14,3
Total	100	100	100	100	100	100	100	100	100	100
Source: Created by the authors from the ECLAC and World Bank's database <i>TradeCan</i>										

As anticipated, the rising stars have been the winners in terms of the evolution of African foreign trade, although with important nuances, such as those previously discussed. There exist significant differences according to region, and North America, followed by Latin America, are the areas where African trade is most dynamic: a combination of rising stars and missed opportunities (see graph 5).

However, if one were to exclude petroleum and natural gas and consider which other products, out of total African sales, exceed 1% of exports, we would be able to observe some interesting facts which national policies cannot afford to ignore. There would be no trade with North America, given that commerce with this region is completely concentrated on the two previously mentioned products. Apart from petroleum and gas, trade with Asia has a higher percentage of dynamic items. Three products – copper, cacao and common metallic minerals – made up 12.4% of total African exports to Asia in 2007.

Graph 5

Competitiveness of African exports according to region, percentage of exports according to “star” type. 1985-1990 y 2000-2007.



Source: Created by the authors from the ECLAC and World Bank's database *Trade Can*

In the case of Western Europe, prominent dynamic items, apart from petroleum and gas, constitute 4.1% of the total. Only the category of knit undergarments includes some element of transformation, although it has little added value. Cacao and aluminum are two other dynamic goods.

And lastly, trade with Latin America stands out in its differentiation from the longstanding patterns of the other regions analyzed. Comprising 3.2% of its trade are dynamic items excluding energy inputs, in this case from the manufacturing sector, that is manufactured fertilizer (see table 5).

Table 5. Competitiveness Matrix of Africa. Market share and percentage of exports. 2000-2007.

Code CUCI	Product	Type	Market share		Percentage of exports	
			2000	2007	2000	2007
Western Europe						
333	Petroleum oils, crude, also from bituminous minerals;	Rising stars	22,1	23,4	31,4	50,9
341	Gas, natural and manufactured;	Missed opportunities	17,7	16,5	6,3	12,1

72	Cocoa;	Missed opportunities	59,5	53,7	2,7	2,5
843	Outer garments, women's, and girls' of textile fab.;	Retreats	9,5	6,4	3,0	1,9
684	Aluminum;	Rising stars	3,8	5,0	1,2	1,7
846	Under garments, knitted or crocheted;	Missed opportunities	8,7	7,6	1,8	1,7
842	Outer garments, men's and boys' of textile fabrics;	Retreats	12,1	8,9	2,7	1,6
57	Fruit and nuts (not oil nuts) fresh or dried;	Retreats	9,7	5,4	2,4	1,2
54	Vegetables, fresh, chilled, frozen or simply preserved;	Declining stars	4,6	7,0	0,9	1,2
773	Equipment for distributing electricity;	Declining stars	4,7	7,9	0,9	1,2
845	Under garments, knitted or crocheted;	Retreats	5,9	4,4	1,8	1,2
<b>North America</b>						
333	Petroleum oils, crude, also from bituminous minerals;	Rising stars	17,5	27,4	56,4	88,4
341	Gas, natural and manufactured;	Rising stars	3,5	9,1	1,8	4,1
<b>Latin America</b>						
333	Petroleum oils, crude, also from bituminous minerals;	Rising stars	25,2	47,8	40,4	83,7
341	Gas, natural and manufactured;	Missed opportunities	16,7	10,2	10,5	6,6
562	Fertilizers, manufactured;	Rising stars	3,8	5,7	2,1	3,2
271	Fertilizers, crude;	Declining stars	67,7	81,4	2,2	1,2
<b>Developing Asia</b>						
333	Petroleum oils, crude, also from bituminous minerals;	Rising stars	10,2	13,2	41,5	61,7
931	Special transactions and commodities not class.;	Missed opportunities	6,7	2,0	3,5	5,4
341	Gas, natural and manufactured;	Missed opportunities	8,1	7,5	3,9	4,0
682	Copper;	Rising stars	2,8	4,8	1,3	3,4
287	Ores and concentrates of base metals n.e.s.;	Missed opportunities	4,9	4,3	1,1	2,7

263	Cotton;	Retreats	17,9	14,1	3,0	2,1
247	Other wood in the rough or roughly squared;	Retreats	18,2	14,7	3,1	2,0
522	Inorganic chemical elements, oxides and halogen salts;	Retreats	18,3	9,7	3,6	1,7
776	Thermionic valves and tubes, and other semiconductors, n.e.s.;	Declining stars	0,2	0,3	0,9	1,7
72	Cocoa;	Rising stars	25,8	38,2	0,4	1,0
Source: Created by the authors from the ECLAC and World Bank's database <i>Trade</i>						
Note: Only sectors that comprise over 1% of total exports in the final year						

However, if one were to exclude petroleum and natural gas and consider which other products, out of total African sales, exceed 1% of exports, we would be able to observe some interesting facts which national policies cannot afford to ignore. There would be no trade with North America, given that commerce with this region is completely concentrated on the two previously mentioned products. Apart from petroleum and gas, trade with Asia has a higher percentage of dynamic items. Three products – copper, cacao and common metallic minerals – made up 12.4% of total African exports to Asia in 2007.

## 5. Conclusions

Globalization has had diverse effects on national economies. While at times it has allowed some economies that have based their growth on industrial development to emerge (China, India, Brazil, Russia and South Africa), a multitude of developing economies remain on the periphery. The latter are thus extremely excluded or specialized only in supplying raw materials for the industrial development of the emerging-market and developed countries. In terms of trade, and, with quantitative analysis, Africa is indeed the continent most excluded from globalization, whereas in 1985 African exports represented 4.3% of the total worldwide, in 2007 they made up only 2.6%. This can be explained by the fact that increases in global trade flows are being achieved principally by the new emerging-market economies, especially China. Despite the fact that African trade has grown in absolute terms, it has done so with less dynamism than the global average and, as is apparent, with a much lower rate of expansion of exports than that of the emerging-market economies.

Africa continues to export in the same way that it has since colonial times, its products consisting almost entirely of natural resources. Global market share of minerals and energetic products climbed to 11.8% in 2007 and this sector has suffered less of a decline than others since 1985. In extractive industry, emphasis has been on petroleum, natural gas and silver, among other products. However, other sectors involving natural resources that do not form part of extractive industry such as agriculture, fishing, and forestry have a greater importance in terms of exports than the whole of African trade. Nevertheless, these sectors are losing relevance to the increasingly dominant extractive industry.

The trade structure of Africa is thus twofold, adhering to the parameters of north-south trade as expounded by dependence and underdevelopment theorists for decades. As previously noted, exports are concentrated on natural resources with little added value while imports are primarily manufactures with greater added value. Unlike the conditions in which dependence theorists analyzed the situation of underdeveloped countries in the 20<sup>th</sup> century, where the trade structure resulted in a deterioration of the terms of trade, nowadays the price of commodities is relatively high. These high prices have allowed for a greater influx of capital for natural resource exporters. However, the current economic crisis is being reflected in the fall of said prices as a result of diminishing demand. This has been the case with petroleum which was over \$100 per barrel two years ago but has fallen to its current price of approximately \$70 (in November 2010).

Western Europe is the main destination for African exports, which have experienced preferential treatment during the last half century as a result of the international agreements signed by the European Union. Nevertheless, Europe is currently declining in importance while at the same time developing Asia is exploding; it is increasing its presence on the continent because of much-needed raw materials to fuel China's economic growth. Likewise, North America has amplified its presence in Africa, primarily due to the demand for energetic resources by the United States and the presence of its transnational oil companies. In fact, North American imports of African goods are concentrated almost entirely on petroleum and natural gas. Finally, and although clearly coming from a more marginal position, exports to Latin America are on the rise, coinciding with the increased Brazilian presence in Lusophone Africa.

Upon further examination of African exports, one is able to clearly perceive significant changes from the periods 1985-1990 and 1990-2000 to the period 2000-2007. In this most recent phase we see that rising stars comprised over three-quarters of total exports compared with a very limited percentage in the previous two periods. On the other hand, the weight of the retreats and declining stars has also become inferior. Initially, this shift in the structure of the competitiveness matrix appears reasonably positive, with a rather promising outlook for the future. However, upon closer inspection of the composition of the dynamic items, we're once again impelled to question the viability of African trade. In 2007, 65% of African exports were linked to the petroleum and 8% to natural gas. Both products are rising stars because of increased global demand as well as growing African exports of these products.

That being said, further discussion of several factors is required. Firstly, we can observe that the diversity of African exports has fallen significantly when we take into account products that represent more than 1% of total exports. In 2007 only five goods exceeded this indicator whereas in the periods 1985-1990 and 1990-2000 there were nearly 20. Furthermore, the exploitation of energetic resources is carried out by large enterprises due to the fact that extractive activity requires significant investment<sup>34</sup>. The presence of foreign companies is quite strong, although national companies do also exist, as in the case of Angola. At any rate, the potential positive impacts on national economies

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<sup>34</sup> UNCTAD: World Investment Report 2007. *Transnationals Corporations, Extractives Industries and Development*. Geneve. UNCTAD. United Nations. 2007.

– whether in terms of fiscal income, social benefits, or even job creation or stimulation of the productive fabric of African society– still remain to be seen.

Lastly, it's worth noting that there are differences in the features of trade depending on the region of the world being considered. Western Europe continues to be the primary destination of African exports, although its relative weight has dropped considerably as of late. The concentration on energetic products, despite their high percentage, is still less than in the rest of the regions. This may suggest that trade agreements with the EU have allowed for a greater diversification of commerce as well as an increased presence of European businesses on the continent, factors which may have a slight impact in terms of enhancing greater diversity of African exports. In the future development of the Cotonou Agreement and the EPAs, policymakers should take into consideration the variations that characterize EU trade with Africa compared to other regions, as perhaps this could enhance diversity within the continent's incipient productive entrepreneurial fabric.

In the case of trade with North America, the high concentration of petroleum and natural gas exports presents an opportunity to take advantage of "the way politics is done" that may encourage B. Obama to demand greater transparency by multinationals in their management of natural resources. Internationally, support must be given to the role of initiatives such as the Extractive Industries Transparency Initiative, the Forestry Stewardship Council, the Kimberley Certification Process, etc.

The exports to developing Asia – primarily China – are clearly more dynamic, allowing this region to climb to the number three destination for African products. Although this is a beneficial opportunity for Africa, the peculiarities of trade relations with China/Asia can't be ignored. As with other regions, they're chiefly looking to secure natural resources, as the increased weight of agricultural and forestry exports demonstrates. In recent years, it has become habitual for foreigners, sometimes even foreign governments themselves, to buy massive tracts of land in Africa. This development, although little studied, seriously endangers internal politics, fundamentally when fertile land is used to supply food to foreign populations rather than being utilized to alleviate some of the highest levels of hunger and malnutrition on the planet. Some riots in recent years have been caused by the purchase of fertile land in Congo and Madagascar. One must also add to the mix the configuration of the job market with respect to Chinese businesses in Africa, among other things. And finally, in terms of relations with Latin America, it's still too soon to draw any decisive conclusions.

In summary, the makeup of African exports, despite the obstacles that a high concentration on natural resources (as in colonial times) presents, allows for some optimism, as the high prices of raw materials and the specialization in products deemed "rising stars" opens the possibility for greater insertion in the world market. In this context, the generation of capital could be used to finance economic growth and the development of states, thereby overcoming theories such as the resource curse or the Dutch disease. However, these positive spillovers into national economies will not happen automatically without the development of appropriate economic policy, good government and institutions that make the distribution of opportunities afforded by economic growth feasible. These are just some of the continent's unresolved issues, although there exist other risks that go beyond the current commercial specialization of

the continent, which shouldn't be ignored. Nevertheless, this will no doubt be an ongoing area of research for years to come.

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## **Methodological Index**

The competitiveness of countries can be analyzed through study combining the evolution of products' market share and the evolution of said products in global markets. For this, ECLAC's program *Competitive Analysis of Nations -Trade Can-* was used<sup>35</sup>.

It's necessary to define the following parameters for the analysis:

- Importing market. The possible Groupings are: the world, North America-United States and Canada-Western Europe-Austria, Belgium, Luxemburg, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom, Iceland, Norway and Switzerland - developing Asia, Cyprus, Jordan, Oman, Qatar, Saudi Arabia, Syria, Turkey, China, Hong Kong, Indonesia, Korea, Macau, Malaysia, Nepal, Pakistan, Philippines, India, Singapore and Thailand, - Developing America-Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Barbados, Dominica, Grenada, Jamaica, Santa Lucia, Trinidad and Panama
- Exporting country. The grouping Africa was selected comprised of: the South African Customs Union, Algeria, Libya, Morocco, Western Sahara, Sudan, Tunisia, Egypt, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Angola, Burundi, Cape Verde, Comoros Island, Democratic Republic of Congo, Benin, Ethiopia, Eritrea, Djibouti, Gambia, Ghana, Guinea, Ivory Coast, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Guinea Bissau , Rwanda, Saint Helena, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, Zimbabwe, Togo, Uganda, Tanzania, Burkina Faso and Zambia.
- Sectors. A reordering of the sectors was carried out in the following way:

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<sup>35</sup> To see this in greater detail see ECLAC: User manual for the program Competitive Analysis of Nations. Santiago, Chile. ECLAC, United Nations. Available with the acquisition of the database.

<b>CUCI Clasification, by groups (review 2)</b>
<b>Agriculture</b>
041 Wheat (including spelt) and meslin, unmilled;
042 Rice;
043 Barley, unmilled;
044 Maize (corn), unmilled;
045 Cereals, unmilled (other than wheat, rice, barley, maize;
046 Meal and flour of wheat and flour of meslin;
047 Other cereal meals and flours;
054 Vegetables, fresh, chilled, frozen or simply preserved;
057 Fruit and nuts (not oil nuts) fresh or dried;
061 Sugar and honey;
071 Coffee and coffee substitutes;
072 Cocoa;
074 Tea and mat#;
075 Spices;
081 Feeding stuff for animals (excl. unmilled cereals);
112 Alcoholic beverages;
121 Tobacco, unmanufactured; tobacco refuse;
223 Oil seeds and oleaginous fruit, whole or broken, for other oils;
263 Cotton;
265 Vegetable textile fibers (excl. cotton and jute);
292 Crude vegetable materials, n.e.s.;
423 Fixed vegetable oils, soft, crude, refined or purified;
424 Other fixed vegetable oils, fluid or solid, crude, etc.;
<b>Agribusiness</b>
014 Meat and edible meat offals, prepared or preserved, n.e.s.;
023 Butter;
024 Cheese and curd;
035 Fish, dried, salted or in brine; smoked fish;
037 Fish, crustaceans and molluses, prepared or preserved, n.e.s.;
048 Cereal preparations and preparations of flour, starch;
056 Vegetables, roots and tubers, prepared or preserved;
058 Fruit, preserved and fruit preparations;
073 Chocolate, other food preparations containing cocoa, n.e.s.;

091 Margarine and shortening;
098 Edible products and preparations, n.e.s.;
122 Tobacco, manufactured;
431 Animal and vegetable oils and fats, processed and waxes;
062 Sugar confectionery (except chocolate), other sugar prep.;
<b>Forestry</b>
232 Natural rubber latex; natural rubber and similar, natural gums;
244 Cork, natural, raw and waste;
245 Fuel wood (excluding wood waste) and wood charcoal;
246 Pulpwood (including chips and wood waste);
247 Other wood in the rough or roughly squared;
251 Pulp and waste paper;
271 Fertilizers, crude;
<b>Livestock</b>
211 Hides and skins (except furskins), raw;
212 Furskins, raw (including astrakhan, caracul, Persian, etc.);
268 Wool and other animal hair (excluding wool tops);
291 Crude animal materials, n.e.s.;
411 Animal oils and fats;
001 Live animals chiefly for food;
011 Meat and edible meat offals, fresh, chilled or frozen;
012 Meat and edible meat offals, salted, in brine, dried, smoked;
022 Milk and cream;
025 Eggs, birds' and egg yolks, fresh or preserved;
<b>Mining and energy</b>
286 Ores and concentrates of uranium and thorium;
323 Briquettes; coke and semi-coke of coal, etc.;
273 Stone, sand and gravel;
274 Sulfur and unroasted iron pyrites;
277 Natural abrasives, n.e.s. (incl. industrial diamonds);
278 Other crude minerals;
281 Iron ore and concentrates;
282 Waste and scrap metal of iron or steel;
287 Ores and concentrates of base metals n.e.s.;
288 Non-ferrous base metal waste and scrap, n.e.s.;

289 Ores and concentrates of precious metals, waste, scrap;
322 Coal, lignite and peat;
333 Petroleum oils, crude, also from bituminous minerals;
334 Petroleum products, refined;
335 Residual petroleum products, n.e.s.;
341 Gas, natural and manufactured;
667 Pearls, precious and semi-precious stones;
671 Pig iron, spiegeleisen, sponge iron, ferro-alloys;
672 Ingots and other primary forms of iron or steel;
681 Silver, platinum and other metals of platinum group;
682 Copper;
683 Nickel;
684 Aluminum;
685 Lead;
686 Zinc;
687 Tin;
689 Miscellaneous non-ferrous base metals;
<b>Fishing</b>
034 Fish, fresh (live or dead), chilled, dried or frozen;
036 Crustaceans and molluses, whether in shell or not;