

Africa-Asia trade *versus* Africa's trade with the North: Trends and trajectories

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Abstract

This study shows that Europe continues to be Africa's major trading partner given the historical relations and long standing trading arrangements between the two. However, evidence also shows that despite maintaining strong trade linkages with Europe, Africa's trade with Asia has been growing at a much faster rate than Africa's trade with Europe. Over the years, Africa's share of manufactured imports (at all levels of manufacturing and technology intensity) from Asia has been on a continuous rise, while Europe's share of Africa's imports of this nature has been on a continuous decline. Both Europe and Asia provide Africa with a market for its exports, although Europe absorbs more than Asia. By providing Africa with market opportunities for exports with greater skill content, this has implications for learning effects and technological spillovers, and thus developmental potentials which would facilitate structural transformation of productive structures. Intra-Africa trade has been growing tremendously over the years, thus providing member states with local markets for their products.

Keywords: Trade intensity, trading partners, South-South linkages

1. Introduction

To date, South-South linkages in economic, social and political areas are on the increase with countries in the Southern Hemisphere mobilising their resources in areas of trade, finance and investment as well as technical assistance so as to help each other to develop. As with other linkages, South-South trade linkages are also on the increase based arguably on an

understanding that the South as a market provides developing countries with greater opportunities to transform their productive structure and move towards more sophisticated sectors than the North does. This is because more often than not, as Appleyard *et al* (2008) note, it has been argued that developed countries tend to have escalated tariff structures with correspondingly heavier protection for manufactured goods industries than intermediate goods and raw materials industries, thus discriminating against developing countries' attempts to develop their manufacturing sectors. Thus, as Klinger (2009) observes, by examining South-South trade and comparing it with South-North trade, one will be able to ascertain whether the former is truly presenting opportunities for developing countries to diversify production and export relatively high skill content manufactures which are products with greater developmental effects. Furthermore, one would be able to establish whether South-South trade linkages have led to a decline in South-North trade linkages or that the two are simply complementary.

In the past few years, in a bid to pursue South-South linkages, African countries have been making concerted efforts to develop closer economic linkages with Asia as some of the Asian countries have been successful in developing their industrial bases. By strengthening ties with Asia, they seek to learn from their counterparts and thus facilitate their own industrial development. Asian countries, especially China, India, Malaysia, South Korea, Singapore and Japan, to name but just a few, have become central to Africa's economic, social and political landscape, hence the Look East Policy adopted by the majority of African governments. The growing trade and investment ties in recent years between African countries and the rising powers from Asia such as China and India have been part of a change in economic trajectory for many states on the African continent. In a growingly interdependent world of South-South relations, interactions and exchanges, this presents whole new sets of economic, political and social linkages, thus allowing African countries opportunities to pursue a wider and diversified set of relations with non-traditional trading and investment partners.

Many African leaders who have embraced the Look East Policy have attracted much criticism from their traditional trade and investment partners in the North who say that Asian businesses especially Chinese industry will swallow business on the continent. Despite the criticisms, most African and other developing countries are now getting a choice of whom to do business with and Asian countries, and especially the rising powers from Asia offer the whole developing world a viable alternative. Chari (2011) notes that many African and other developing countries are increasingly opting to do business with Asian countries because they tend to treat other nations as partners in the global village, with friendliness, respect and mutual understanding for development. It is argued that this is unlike the relationship between African countries and the West which has been that of "master and servant" for centuries, with the primary interest being to get African resources as cheaply as possible for their own development.

Thus, as African countries continue to court Asia, this paper seeks to examine whether Africa's trade with Asia has been growing and whether this has reduced Africa's trade with its traditional trade partners in the North. This is important as it helps to see whether the ties which Africa is seeking with Asia are being translated into tangible economic benefits of which trade is. It also reveals the additional benefits from trade with Asia which trade with the North does not necessarily provide. Furthermore, the study also reveals where Africa-Asia trade and Africa's trade with the North are complementary, thus giving insight into where Africa can develop trade strategies which can enable it to benefit more fully from both its trade with Asia as well as with the North.

This research adds value to existing knowledge about Africa's trade in that: (i) instead of merely explaining Africa's trade flows with various regions, it examines how intensively Africa trades with these regions and how this has evolved over time. Trade intensities provide a much deeper understanding of trade relations and the extent to which Africa has managed to penetrate the regions; (ii) the study examines Africa's trade with the North and Asia beyond trade by product category by examining the factor intensity of products being traded. This does not only give insight into product sophistication (skill- and

technology intensity), but also insight into which markets/regions to target as export destinations for Africa's exports at various levels of factor intensity. It also gives insight into sources for appropriate technology into Africa through imports of high-skill and technology intensity manufactures; (iii) by examining Africa's trade with Asia and with the North for the most recent period, i.e. 2001-2012, it helps to reveal any changes in Africa's trade in recent years, and thus augment older research like World Bank Group (2004) which examines Africa-Asia trade for the period 1990-2004; Broadman (2007) who examined performance and patterns of Africa-Asian trade and investment flows for the period 1980-2005; and Yoshino (2008) who studied Africa-Asia trade and investment opportunities and challenges for the period 1990-2004.

The rest of this research paper is organised as follows: Section 2 presents a brief history of Africa-Asia trade and Africa's trade with the North. Section 3 presents the methodology, discussing the sources for the trade data used and the method used to calculate trade intensity indexes. Section 4 presents and discusses the research findings. Section 5 discusses the policy implications of the research findings, while Section 6 concludes the paper.

2. A brief history of Africa-Asia and Africa-north trade

Historically, Europe was a main trading partner for Africa, and as such, as World Bank (2004) notes, Africa has tended to view trade with European countries [where its former colonisers are] as more important than trade with other regions. Thus, Africa has strongly relied on Europe for rising opportunities from external demand, and thus has leveraged its trade with Europe for growth. For many years, the European Union has been the destination for more than half of African exports, thus showing the extent of Africa's dependence on Europe. In contrast, historically, trade with Asia by all sub-regions of Africa has been small with the degree of reliance on Asian markets not comparable to that on the European Union. Thus, Yoshino (2008) observes that, in absolute terms, the European Union is the major destination of African manufactured products, while manufactured exports to Asia are approximately one third of those to the European Union in absolute terms.

With regard to Africa's trade with the United States of America, World Bank (2004) notes that it is only since the introduction of the African Growth and Opportunity Act (AGOA) in 2000 that Africa began to pay attention to the United States as a potential trade partner. For example, it has been observed that the textile benefits afforded under AGOA, combined with the Multifiber Arrangement quota system, resulted in visible changes in the apparel exports of some African countries.

Also to note is that trade with the North has been a significant component of Africa's trade due to the various preferential trade initiatives which some developed countries have pursued with Africa. For example, with the regards to the European Union, (i) it extends preferential access to its market under the Cotonou Agreement and the Everything But Arms initiative; (ii) it has Free Trade Agreements with Northern African countries and with South Africa; and (iii) it has initiated discussions with African, Caribbean, and Pacific countries to form economic partnership agreements as a follow-up to the Cotonou Agreement. With regards to the United States of America, (i) apart from enacting the AGOA in 2000 and the Multifiber Arrangement quota system, it has initiated a Free Trade Agreement negotiations with the Southern African Customs Union countries; and (ii) has trade and investment framework agreements, i.e. one with Western African countries, another with Eastern and Southern African countries, as well as some with individual countries (World Bank, 2004; Broadman, 2007).

Thus, as a result of the various initiatives to increase Africa's trade with the North, Europe and the United States have been significant markets for Africa's total export earnings from manufactured products. For example, World Bank argues that the two regions, Europe and the United States, accounted for 65% and 12%, respectively, of total African manufactured exports in the 1990s. It is noted that Africa's exports of manufactured products to Asia are in no way comparable in size, although some countries like South Africa have recently shown strong growth in their manufactured exports to Asian countries.

While Europe is still a key player in African trade, the importance of Africa-Asia trade should not be underestimated, especially for its potential in

contributing to the economic development of African economies. Although the degree of reliance on Asian markets is still not comparable to that on the European Union, it has been noted that, over the years, Asia has increasingly become an important market for Africa. For example, World Bank (2004) says that Asia-destined exports have been growing rapidly and accounted for 14.2% of total African exports in 2000, up from 7.7% in 1990. The average annual growth rate of African exports to Asia throughout the 1990s was 10.4%, much higher than either the European Union's rate of export growth of 3.7% or the United States of America's rate of export growth of 4.6%. However, Brewer (2013) notes that while the trend is that dependency on Europe is changing significantly and is becoming a little less, as new trading partners become more prominent, Europe is still a key player in Africa's trade with old colonial powers still being important markets for Africa.

With observations of growth in Africa-Asia trade, Broadman (2007) argues that this trade differs from the recent growth in Africa's trade with the European Union and the United States of America, which is largely stimulated by preferential treatments in these two markets, as Africa's exports to Asia are largely driven by increasing demand in Asia for natural resources and other primary commodities coming from growing industrial sectors and rising purchasing power.

Thus, as Asia undoubtedly emerged as a significant business partner for African export opportunities in the late 1990s, it is important to see whether such a trend was maintained thereafter. This research paper seeks to do so by examining how the relative share of exports to Asia in overall African exports to the world has shifted over time.

3. The methodology

The trade data which is used in this research paper is obtained from the International Trade Centre (ITC) database available at <http://www.trademap.org> as well as from the United Nations Trade and Development (UNCTAD) statistics website available at

<http://unctadstat.unctad.org/TableViewer/tableView.aspx>. Trade data from the International Trade Centre (ITC) database is used to (i) show an overview of Africa's trade over the period 2001-2011; (ii) calculate Africa's trade intensities with the selected regions; (iii) compare the actual values of trade flows between regions; as well as (iv) trade growth rates with the various regions. Trade data from the United Nations Trade and Development (UNCTAD) statistics website is used to analyse and show (i) Africa's trade by product categories; and (ii) Africa's imports and exports of manufactured goods by level/or degree of manufacturing and technology intensity.

The trade intensity index is used to show which regions Africa trades most intensively with. The trade intensity index measures and analyses bilateral trade flows and resistances. The level of intensity shows the proportion of exports of country *i* that goes to country *j* weighted by the world share of imports for country *j*. The trade intensity index (i.e. I_{ij}) is expressed as shown in Equation 1.

$$I_{ij} = \frac{(X_{ij})/(X_i)}{M_j/(M_w - M_i)} \quad (1)$$

$$M_j/(M_w - M_i)$$

where

X_{ij} is country *i*'s exports to country *j*;

X_i is country *i*'s total exports;

M_j is country *j*'s total imports;

M_i is country *i*'s total imports; and

M_w is total world imports

(Weldemicael, 2010; Edmonds and Li, 2010; Drysdale and Garnaut, 1982; Foroutan, 1998).

I_{ij} has values ranging from zero to an infinite positive number, and higher values indicate greater importance of the selected partner region/or country. If $I_{ij} = 1$, this means that the proportion of exports of country *i* that goes to country *j* is in exact proportion to country *j*'s world share of imports. In this case therefore, the trade partners are trading without geographic bias. If $I_{ij} > 1$, this means that the trade between two countries is more intensive than expected; and if $I_{ij} < 1$, this means that the trade between two countries is less intensive than

expected, thus indicative of a small flow of trade between countries *i* and *j* relative country *j*'s trade with the rest of the world (Weldemicael, 2010; Foroutan, 1998; Edmonds and Li, 2010; Gilbert, 2010).

In this research paper, what is of interest to us is the *general* insight into how intensely Africa trades with Asia in comparison with other major regions like Europe, the United States of America, and intra-Africa trade. Therefore, we will not decompose the trade intensity index into two indexes that separate the effects of the commodity composition (complementarity) from other factors influencing the intensity of trade.

4. The results/findings

This section presents findings on Africa's trade for the period 2001-2011. It presents an overview of Africa's trade, trade intensity between Africa and selected regions, the nature of Africa's exports and the chief destinations for its manufactured exports, and the nature of Africa's imports and the chief sources for its manufactured imports. An analysis is made on whether or not over the years Africa's trade patterns with the North, which is its traditional trade partner, has changed in favour of Asia. The regions to be considered are Asia, the European Union and the United States of America. Africa's trade with its own member states is also examined.

4.1 An overview of Africa's trade

Table 1 below shows that over the years, Africa's trade has been on a continuous rise, except for the 23.02% fall experienced in 2009. Its share of world trade has risen slightly, rising from 2.23% in 2001 to 3.05% by 2011.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
World	12431.8	13009.8	15134.4	18519.0	21031.5	24313.1	27929.4	32402.1	24941.7	30391.7	35993.1
Africa	277.1	284.4	346.99	441.7	549.8	671.7	805.0	1038.4	772.0	951.0	1096.1
	(2.23)	(2.19)	(2.29)	(2.38)	(2.61)	(2.76)	(2.88)	(3.20)	(3.10)	(3.13)	(3.05)

Table 1: Africa's total trade (US\$bn)

Notes: () show the percentage share of Africa's trade to total world trade

Source: Trade data and own calculations using data from the ITC database available at <http://www.trademap.org>

Africa's world trade is dominated by South Africa, Nigeria, Algeria, Egypt, Morocco and Angola (ITC database available at <http://www.trademap.org>). For example, Table 2 shows that in the period 2001-2011, these countries, excluding Morocco, jointly contributed 35%-63% of Africa's exports. In the period 2001-2011, these countries, excluding Angola, jointly contributed 33%-58% of Africa's total imports.

	Period of years and values (US\$bn)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Africa's world exports (US\$bn)											
World	6118.9	6420.0	7470.8	9101.2	10389.1	12042.9	13849.3	15997.8	12339.5	15055.3	17855.7
Africa	148.6	150.0	186.1	243.1	310.1	380.9	447.8	589.1	389.8	506.3	595.0
	(2.43)	(2.34)	(2.49)	(2.67)	(2.99)	(3.16)	(3.23)	(3.68)	(3.16)	(3.36)	(3.33)
Africa's top 5	69.9 (47.06)	68.4 (45.64)	89.7 (48.19)	85.1 (35.01)	115.1 (37.11)	198.4 (52.10)	219.8 (49.08)	328.8 (55.81)	213.0 (54.64)	294.7 (58.21)	372.5 (62.60)
Africa's world imports (US\$bn)											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
World	6312.9	6589.9	7663.7	9417.8	10642.4	12270.2	14080.1	16404.3	12602.2	15336.3	18137.9
Africa	128.5	134.5	160.9	198.6	239.7	290.8	357.2	449.3	382.2	444.7	501.1
	(2.03)	(2.04)	(2.10)	(2.11)	(2.25)	(2.37)	(2.53)	(2.74)	(3.03)	(2.90)	(2.76)
Africa's top 5	43.5 (33.86)	58.9 (43.77)	77.2 (47.99)	83.7 (42.17)	96.2 (40.14)	136.1 (46.81)	171.5 (48.01)	250.3 (55.72)	214.7 (56.18)	253.8 (57.06)	289.0 (57.69)

Table 2: Africa's world trade (US\$bn)

Notes: Africa's top 5 exporting countries are Nigeria, South Africa, Algeria, Angola and Egypt, in that order.

Africa's top 5 importing countries are South Africa, Egypt, Algeria, Algeria and Morocco, in that order.

() show the percentage share of Africa's imports/exports to total world imports/exports

Source: Trade data and own calculations using data from the ITC database available at <http://www.trademap.org>

4.2 Trade intensity between Africa and selected regions

The results for calculations for the trade intensity indexes are presented in Table 3 below. The most intensive trade is between Africa and its own member states, which is an indication of increased intra-Africa trade as member states are utilising more intensively the existing bilateral and multilateral trade agreements among themselves.

Proportion of exports of Africa that goes to the United States of America weighted by the world share of imports by the United States of America											
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(I _{ij})	0.802	0.725	0.864	1.091	1.267	1.297	1.239	1.324	1.072	1.184	1.199
Proportion of exports of Africa that goes to Europe Union 27 (EU27) weighted by the world share of imports by Europe Union 27											
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(I _{ij})	1.181	1.153	1.076	1.012	1.046	0.992	0.894	0.937	0.947	0.963	0.956
Proportion of exports of Africa that goes to Asia weighted by the world share of imports by Asia											
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(I _{ij})	0.709	0.776	0.708	0.794	0.727	0.820	0.858	0.906	0.883	0.916	1.074
Proportion of exports of Africa that goes to Africa weighted by the world share of imports by Africa											
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(I _{ij})	3.847	4.246	4.236	3.592	3.230	3.822	3.269	3.207	4.055	3.834	3.257

Table 3: Trade intensity between Africa and selected regions

Sources: Own calculations using trade data from the ITC database available on <http://www.trademap.org>

For trade between Africa and the European Union, $I_{ij} > 1$ for the period 2001-2005, indicating that trade between the two was more intensive in that period, after which it became less intensive, thus indicative of a small flow of trade between Africa and the European Union relative to the European Union's trade with the rest of the world. For Africa's trade with the United States of America, $I_{ij} > 1$ for the period 2004-2011, indicating that trade between the two was more intensive in that period indicating that after 2003; Africa has been experiencing increased trade flows with the United States of America relative to the United States of America's trade with the rest of the world. The trade intensity index of Africa's trade with Asia is less than one ($I_{ij} < 1$), until 2011 which indicates that the trade between two is less intensive than expected, thus a small flow of trade from Africa to Asia relative to Asia's trade with the rest of the world. It will be interesting to see whether the beginning of more intensive trade between Africa and Asia, as shown by $I_{ij} < 1$ in 2011, would persist after 2011.

As can be seen in Table 4 below, Africa's trade with all regions has been on an increase, except for the fall in 2009. However, Europe dominates Africa's total trade, accounting for 38%-51% of Africa's total trade in the period 2001-2011. This is despite the fact that after 2005, Africa has been trading less

intensively with the European Union, as shown in Table 3 where $I_{ij} < 1$ after 2005.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Africa's total trade	277.1	284.4	346.99	441.7	549.8	671.7	805.0	1038.4	772.0	951.0	1096.1
Africa's total trade	57.6	63.1	77.7	107.6	138.1	181.0	231.5	303.7	230.6	307.9	375.9
trade with Asia	(20.79)	(22.19)	(22.39)	(24.36)	(25.12)	(26.95)	(28.75)	(29.25)	(29.87)	(32.37)	(34.30)
		[9.56]	[23.12]	[38.44]	[28.39]	[31.05]	[27.88]	[31.22]	[-24.1]	[33.54]	[22.10]
Africa's trade with Europe	141.6	145.0	172.2	206.5	244.9	281.1	326.5	419.1	320.0	364.6	419.4
	(51.09)	(50.98)	(49.61)	(46.76)	(44.55)	(41.85)	(40.56)	(40.36)	(41.45)	(38.34)	(38.27)
		[2.44]	[18.72]	[19.94]	[18.61]	[14.78]	[16.13]	[28.37]	[-23.6]	[13.94]	[15.03]
Africa's total trade with USA	35.0	31.7	41.1	58.3	81.5	100.8	109.0	134.0	78.8	120.0	125.6
	(12.63)	(11.14)	(11.85)	(13.21)	(14.83)	(15.01)	(13.54)	(12.91)	(10.20)	(11.77)	(11.46)
		[-9.48]	[29.78]	[41.85]	[39.77]	[23.65]	[8.10]	[23.00]	[-41.2]	[42.13]	[12.16]
Intra-Africa trade	23.7	26.5	33.8	37.6	46.1	70.7	76.2	106.4	98.9	115.9	110.1
	(8.55)	(9.32)	(9.74)	(8.51)	(8.38)	(10.5)	(9.47)	(10.2)	(12.8)	(12.2)	(10.0)
		[11.7]	[27.4]	[11.3]	[22.7]	[53.2]	[7.8]	[39.6]	[-7.1]	[17.3]	[-5.0]

Table 4: Africa's total trade with various regions compared (US\$bn)

Notes: () show the percentage share of Africa's trade with the region to Africa's total trade

[] Show the annual growth of Africa's trade with the region

Source: Trade data and own calculations using data from the ITC database available at <http://www.trademap.org>

Asia follows Europe as Africa's dominant trading partner, accounting for 20%-34% of Africa's total trade in the period 2001-2011, despite the low trade intensity index of Africa's trade with Asia, i.e. $I_{ij} < 1$, until 2011. Also to note is that, Africa's trade with Asia has been growing at a much faster rate than Africa's trade with Europe, such that by 2011, the trade between Africa and Asia became more intensive, as shown in Table 3 where $I_{ij} > 1$ in 2011. Even though Africa trades least with the USA, in terms of trade growth rate, its trade with the USA grew at a much faster rate than its trade with Europe for most years, and also Africa has been trading more intensively with the United States of America after 2003, as evidenced in Table 3 where $I_{ij} > 1$.

A number of African countries have adopted the "Look East" policy where they seek to strengthen their ties with Asia so as to learn from their counterparts and thus facilitate their own industrial development. However, as

Table 4 shows, Africa continues to rely more on trading with Europe than with Asia. Therefore, the increasing South-South trade linkage between Africa and Asia, as shown by higher trade growth rates in Africa's trade with Asia, has not detracted Africa from continuing to pursue its North trade linkages. It will be interesting to see if over the coming years, trade between Africa and Asia will become more intensive (i.e. if $I_{ij} > 1$ observed in 2011 continues) such that Asia would overtake Europe as Africa's dominate trading partner, and thus emerge as Africa's dominate trading partner.

4.3 The structure of Africa's import goods

The structure of Africa's imports, as shown in Table 5, shows that most of Africa's imports are composed of manufactured products. This category of products constituted 61%-65% of Africa's imports in the period 2001-2011. African countries are categorised as developing countries and as such their industrial bases are still relatively weaker. As such, from the perspectives of both classical and neoclassical trade theories, Africa's import basket should rightly contain relatively more manufactured goods imported from regions with industrial bases which are more developed and complex.

Product categories of Africa's imports	Years and the respective (%) shares of product category										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary commodities	19.09	19.71	18.24	17.28	16.62	15.64	16.54	18.03	16.69	16.88	18.71
Ores and metals	1.85	1.90	1.93	2.08	2.27	2.33	2.42	3.40	2.11	2.62	2.91
Fuels	10.28	8.93	9.05	10.90	11.80	14.25	13.83	15.67	12.76	13.95	14.50
Manufactured goods	64.43	64.31	64.45	64.42	63.90	62.06	62.89	63.79	65.88	63.89	61.14
Others	4.35	5.14	6.33	5.33	5.39	5.71	4.33	0.0	2.56	2.66	2.75

Table 5: The structure of Africa's imports

Notes: Primary commodities = Primary commodities, excluding fuels (SITC 0 + 1 + 2 + 4 + 68)

Ores and metals = Ores and metals (SITC 27 + 28 + 68)

Fuels = Fuels (SITC 3)

Manufactured goods = Manufactured goods (SITC 5 to 8 less 667 and 68)

Others = All other products not in categories above

The totals for each column will not necessarily add up to 100% because there is double counting of SITC 68 in Primary commodities and in Ores and metals

Source: Own calculations with trade data available at <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

Table 6 shows that most of Africa's imports of manufactured products come from the European Union followed by Asia. The European Union contributed 23%-32% of Africa's manufactured imports in the period 2001-2011. However, it is interesting to note that the share of the European Union has been on a continuous decline after 2005, falling to 23.02% by 2011. On the other hand, the share of Asia has been on a continuous rise since 2001, rising from 13.02% in 2001 to 22.46% in 2011. Thus, while the European Union continues to be the traditional major import source for manufactured products for Africa, Asia is becoming more and more significant to Africa as a source for its manufactured imports. Also to note is that 5%-7% of Africa's imports originated from its own member countries and this is more than what Africa imported from the United States of America.

Regions	Years and the respective (%) shares of manufactured goods imported by Africa										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Europe Union	32.15	32.27	32.46	30.49	28.34	27.06	26.97	25.73	26.54	23.99	23.02
Asia	13.02	13.09	13.46	15.19	17.23	17.65	19.06	20.33	22.11	22.75	22.46
United States	5.81	5.40	4.55	4.50	4.71	4.47	4.41	4.45	4.65	4.38	4.35
Africa	6.14	6.76	7.05	6.84	5.98	5.57	5.59	5.87	5.61	5.78	5.12
<i>Rest of the world</i>	<i>42.88</i>	<i>42.48</i>	<i>42.48</i>	<i>42.98</i>	<i>43.74</i>	<i>45.25</i>	<i>43.97</i>	<i>43.62</i>	<i>41.09</i>	<i>43.10</i>	<i>45.05</i>

Table 6: A comparison of sources of Africa's imports of manufactured goods*

Notes: Manufactured goods* = Manufactured goods (SITC 5 to 8 less 667 and 68)

Source: Own calculations with trade data available at <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

Table 7 shows that, the manufactured goods which Africa imports are composed mainly of manufactures categorised as manufactures with medium skills and technology intensity, followed by those categorised as manufactures with high skill and technology intensity. Jointly, these two categories of manufactured goods made up 67%-70% of Africa's imports of manufactured goods in the period 2001-2011.

Categories of manufactured goods	Years and the respective (%) shares of categories of manufactured goods imported by Africa										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Labour-intensive and resource-based	17.59	17.30	17.23	15.73	15.07	14.40	14.17	13.27	13.73	14.17	14.83
Low skill and technology intensity	12.39	12.29	12.60	14.40	14.91	13.61	15.25	17.06	16.74	15.75	15.28
Medium skill and technology. Intensity	36.17	37.13	36.97	36.68	36.73	39.23	39.24	39.49	40.23	39.73	39.05
High skill and technology intensity	31.32	30.78	30.32	30.38	30.59	30.02	29.12	28.36	27.30	28.18	28.71
Unclassified	2.54	2.50	2.88	2.80	2.69	2.74	2.21	1.82	2.01	2.17	2.13

Table 7: Africa's imports of manufactured goods* by degree of manufacturing

Notes: Manufactured goods* = Manufactured goods (SITC 5 to 8 less 667 and 68)

Unclassified = Manufactured goods (SITC 5 to 8 less 667 and 68) not in the above categories

Source: Own calculations with trade data available at <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

Imports of high technology and technologically complex manufactures (as depicted by the medium and high skill technology intensive manufactures) are beneficial as they promote an interchange of knowledge on technology as well as facilitating technology diffusion which would lead to improvements in specific local manufacturing industries. As a country continues to learn through the consumption of such imports, this would lead to knowledge accumulation needed to upgrade local technologies and capabilities, and thus help to stimulate local innovation.

Table 8 shows that after 2004, Asia replaced the European Union as Africa's major source for labour-intensive and resource-based manufactures, as well as manufactures with low skill and technology intensity. However, when it comes to manufactures with medium skill and technology intensity and manufactures with high skill and technology intensity, the European Union continued to be Africa's major import source throughout the period. However, it should be noted that, while the European Union has continued to be the major import source for these high technology and technological complex manufactures, its shares for such products in Africa's imports of these products has been on a continuous decline over the years. For example, the European Union's share for manufactures with high skill and technology intensity declined throughout the period, falling from 15.66% in 2001 to 10.60% by

2011, while its share for manufactures with medium skill and technology intensity declined continuously after 2009.

However, while the share by the European Union has been on a decline, Asia's share of both manufactures with medium skill and technology intensity and manufactures with high skill and technology intensity imported by Africa has each been on a continuous rise, i.e. rising from 4.99% in 2001 to 11.65% by 2011, and from 5.51% in 2001 to 10.84% by 2011, respectively. Therefore, it should be noted that while the European Union has continued to be the major import source for Africa's imports for manufactures with medium skill and technology intensity and manufactures with high skill and technology intensity, Asia has been slowly becoming more and more significant to Africa as an import source for these products. It will be interesting to see if, over the coming years, Africa and Asia would continue to build on this emerging trade pattern, to eventually replace the European Union as Africa's major import source for all its manufactured imports at various degrees of manufacturing and technological complexity.

Regions	Years and the respective (%) shares of manufactured goods imported by Africa										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
European Union											
Labour-intensive and resource-based	8.05	7.97	7.47	6.39	5.48	5.09	4.92	4.52	4.34	4.15	4.48
Low skill and technology intensity	4.95	4.88	5.36	4.91	4.72	4.72	5.10	5.77	5.58	5.19	5.11
Medium skill and technology. Intensity	19.90	20.39	20.57	19.48	18.02	18.61	18.63	17.67	18.50	16.76	16.52
High skill and technology intensity	15.66	15.63	15.40	14.95	14.64	13.84	13.13	11.56	11.01	10.65	10.60
Unclassified	1.33	1.29	1.56	1.61	1.47	1.33	1.10	0.81	0.86	0.80	0.93
Asia											
Labour-intensive and resource-based	6.01	5.87	6.21	5.96	6.65	6.58	6.55	6.19	6.83	7.34	7.79
Low skill and technology intensity	3.18	2.95	2.78	4.37	4.87	4.35	5.23	6.02	6.20	5.41	5.71
Medium skill and technology. Intensity	4.99	5.27	5.20	5.86	7.33	8.39	9.00	9.96	10.61	11.57	11.65
High skill and technology intensity	5.51	5.72	6.14	6.84	7.51	8.27	8.90	9.16	9.2	10.46	10.84
Unclassified	0.51	0.54	0.55	0.55	0.59	0.85	0.63	0.53	0.65	0.82	0.73

United States of America											
Labour-intensive and resource-based	0.44	0.38	0.30	0.31	0.31	0.29	0.25	0.24	0.26	0.33	0.30
Low skill and technology intensity	0.66	0.66	0.61	0.71	0.80	0.62	0.78	0.78	1.03	0.75	0.80
Medium skill and technology. Intensity	3.64	3.51	2.90	2.98	3.10	3.28	3.40	3.42	3.42	3.47	3.50
High skill and technology intensity	4.05	3.64	3.07	2.82	2.95	2.80	2.41	2.37	2.16	2.14	2.40
Unclassified	0.23	0.20	0.18	0.18	0.21	0.20	0.16	0.15	0.19	0.16	0.15
Africa											
Labour-intensive and resource-based	2.21	2.27	2.40	2.35	1.88	1.76	1.71	1.69	1.63	1.69	1.59
Low skill and technology intensity	1.41	1.77	1.85	1.76	1.73	1.63	1.83	1.84	1.73	2.26	1.65
Medium skill and technology. Intensity	2.83	3.12	3.28	3.07	2.67	2.77	2.90	2.94	2.66	2.54	2.66
High skill and technology intensity	2.77	3.04	3.01	3.14	2.82	2.59	2.27	2.53	2.33	2.31	2.26
Unclassified	0.32	0.31	0.41	0.29	0.26	0.23	0.19	0.21	0.18	0.25	0.20

Table 8: A comparison of sources of Africa's imports of manufactured goods*

Notes: Manufactured goods* = Manufactured goods (SITC 5 to 8 less 667 and 68)

Source: Own calculations with trade data available at <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

Also to be noted is that the share of imports of labour-intensive and resource-based manufactures, as well as manufactures with low skill and technology intensity which Africa has been importing from within Africa (its own member states) has been much higher than the share of these products imported from the United States of America.

4.4 The structure of Africa's export goods

Table 9 shows that Africa's exports are dominated by Fuels which contributed 45%-63% of Africa's exports in the period 2001-2011. Fuels together with Ores and metal jointly contributed 52%-72% to Africa's exports in this period. Africa is a resource-rich continent, and as per the Heckscher-

Ohlin theorem², would logically have most of its exports originating from the mining sector.

Product categories of Africa's imports	Years and the respective (%) shares of product category										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary commodities	22.45	22.61	22.25	20.20	16.52	17.45	17.82	17.08	21.45	21.06	20.66
Ores and metals	7.69	6.69	6.85	7.55	6.67	8.26	8.75	8.72	8.61	9.85	9.57
Fuels	48.51	45.31	47.58	52.37	60.69	61.25	60.69	63.08	55.22	56.45	57.43
Manufactured goods	22.02	24.59	23.91	21.91	17.49	16.32	16.18	16.29	18.82	17.49	16.30

Table 9: The structure of Africa's exports

Notes: Primary commodities = Primary commodities, excluding fuels (SITC 0 + 1 + 2 + 4 + 68)

Ores and metals = Ores and metals (SITC 27 + 28 + 68)

Fuels = Fuels (SITC 3)

Manufactured goods = Manufactured goods (SITC 5 to 8 less 667 and 68)

The totals for each column will not necessarily add up to 100% because there is double counting of SITC 68 in Primary commodities and in Ores and metals

Source: Own calculations with trade data available at <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

Table 10 shows that the chief destination of Africa's major exports (i.e. Fuels and Ores and metals) is the European Union followed by the United States of America, but only up to 2008, after which Asia became the second major export destination. Africa exports very little of these products to its member states, as they are already richly endowed with these products. Even though the European Union is the main destination, its share of both Fuels and Ores and metals has been on a continuous decline after 2008, while for Asia, its share of Fuels exported by Africa has been on a continuous increase since 2001, and for Ores and metals has been on a continuous rise after 2005. With the faster trade growth rates which Africa's trade with Asia is experiencing, it is yet to be seen whether, in the coming years, Asia will overtake the European Union as Africa's major export destination for Fuels and Ores and metals.

2 A neoclassical trade theory based on the principle of comparative advantage where, given all the products that could be produced; a country focuses on producing a commodity which it can produce at a lower opportunity cost compared to the other country (Leamer, 1995; Subasat 2003; Appleyard *et al.*, 2008).

Regions	Years and the respective (%) shares of manufactured goods imported by Africa										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
European Union											
Fuels	22.49	20.67	20.66	19.92	22.28	22.62	20.85	24.31	20.62	19.51	17.89
Ores and metals	2.90	2.42	2.24	2.35	1.97	2.43	2.48	2.22	1.74	2.09	2.22
Asia											
Fuels	6.37	7.00	7.23	9.71	10.22	11.13	12.57	11.84	13.38	15.03	15.83
Ores and metals	1.27	1.31	1.22	1.79	1.54	2.09	2.19	2.80	3.49	4.04	4.16
United States of America											
Fuels	11.65	9.47	11.96	13.49	17.20	17.89	17.61	16.21	12.39	13.13	12.93
Ores and metals	1.41	0.84	1.06	1.02	0.85	1.03	1.12	0.75	0.58	0.72	0.62
Total of the three regions											
Fuels	40.51	37.14	39.85	43.12	49.70	51.64	51.03	52.36	46.39	47.67	46.65
Ores and metals	5.58	4.57	4.52	5.16	4.36	5.55	5.79	5.77	5.81	6.86	7.00
Africa											
Fuels	2.69	2.54	2.55	2.97	3.35	3.09	3.28	3.39	3.59	3.28	3.53
Ores and metals	0.32	0.39	0.47	0.48	0.51	0.45	0.61	0.68	0.56	0.66	0.40
Rest of the world											
Fuels	56.80	60.32	57.60	53.91	46.95	45.27	45.69	44.25	50.02	49.05	49.82
Ores and metals	94.10	95.04	95.01	94.36	95.13	94.00	93.60	93.55	93.63	92.48	93.60

Table 10: A comparison of destinations of Africa's chief exports

Notes: Ores and metals = Ores and metals (SITC 27 + 28 + 68) Fuels = Fuels (SITC 3)

Source: Own calculations with trade data available at <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

Until 2005, manufactured goods have contributed the second largest share of Africa's exports, to be overtaken by primary commodities from 2006 onwards. The composition of manufactured goods exports is given in Table 11 below. Until 2007, Africa's manufactured goods exports were mainly those categorised as labour-intensive and resource-based manufactures. After 2007, manufactures with high skill and technology intensity became more dominant followed by manufactures with medium skill and technology intensity. This reflects improvements in the levels of industrial complexity of the continent's manufacturing sector, as countries have been taking initiatives to build up, modernise and strengthen their industrial bases. It also reflects the continents' improvements and concerted efforts in skills development so as to enhance technological capabilities. Thus, while African countries are regarded as developing economies with industrial bases which are yet to be developed more fully, Table 11 shows that the existing industrial base in Africa (despite its relatively low levels of industrial complexity) is capable of producing

manufactured products at various levels of technological complexity which can exported and compete at the international market.

Categories of manufactured goods	Years and the respective (%) shares of categories of manufactured goods imported by Africa										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Labour-intensive and resource-based	38.46	36.01	34.76	31.50	27.71	26.44	26.96	23.36	27.04	25.17	25.70
Low skill and technology intensity	13.26	15.57	16.58	19.77	20.34	19.50	20.37	20.06	17.30	19.43	16.97
Medium skill and technology intensity	22.99	23.39	24.49	23.85	24.56	26.76	26.65	26.29	26.95	26.68	27.22
High skill and technology intensity	23.56	23.02	22.18	22.45	24.86	24.88	23.78	28.52	26.87	26.75	28.28
Unclassified	1.73	2.00	1.98	2.43	2.52	2.42	2.24	1.77	1.83	1.98	1.82

Table 11: Africa's exports of manufactured goods* by degree of manufacturing

Notes: Manufactured goods* = Manufactured goods (SITC 5 to 8 less 667 and 68)

Unclassified = Manufactured goods (SITC 5 to 8 less 667 and 68) not in the above categories

Source: Own calculations with trade data available at <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

A comparison of the destinations of the different categories of Africa's manufactured goods is given in Table 12 below. The European Union has been the chief destination for Africa's labour-intensive and resource based manufactures followed by the United States of America, but only up to 2004 after which the share of such exports being absorbed by Africa's member states exceeded the share going to the United States. However, the European Union's share of these products has been on a continuous decline throughout the period 2001-2011. These exports are being increasingly absorbed by Africa's member states and other regions which are not reflected in this table, as the shares of these products by neither Asia nor the United States have shown warranted improvements. With regards to manufactures with low skill and technology intensity, manufactures with medium skill and technology intensity, as well as manufactures with high skill and technology intensity, the European Union has been the chief destination. There is no clear trend to suggest that the European Union's share of these exports from Africa has been declining, and also there is no trend to show that Asia's share of such exports from Africa has been rising. Therefore, with regard to these exports, the European Union has continued to be

a significant destination for Africa's manufactures of various skills and technology intensity.

Regions	Years and the respective (%) shares of manufactured goods exported by Africa										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
European Union											
Labour-intensive and resource-based	26.60	24.12	23.04	20.59	18.01	17.11	17.54	14.51	15.18	13.46	14.48
Low skill and technology intensity	4.23	4.92	4.90	6.41	6.10	6.68	6.50	6.27	4.18	4.40	4.10
Medium skill and technology. Intensity	11.75	11.64	11.96	11.84	12.05	12.90	12.74	11.92	10.97	11.83	12.26
High skill and technology intensity	7.63	7.07	7.36	7.16	7.61	7.92	8.02	8.77	8.22	7.94	7.95
Unclassified	0.52	0.57	0.71	1.33	1.36	1.04	1.00	0.57	0.50	0.41	0.49
Asia											
Labour-intensive and resource-based	1.22	1.61	1.13	1.11	1.25	1.19	1.23	1.58	2.21	2.69	2.51
Low skill and technology intensity	2.74	2.92	4.53	4.64	5.13	4.07	4.83	4.11	4.80	4.81	4.27
Medium skill and technology. Intensity	2.01	1.64	1.45	1.56	1.64	1.95	1.59	2.07	2.37	2.12	2.19
High skill and technology intensity	5.24	4.85	5.23	4.89	6.18	6.19	5.06	7.93	7.22	6.97	8.04
Unclassified	0.08	0.32	0.14	0.12	0.09	0.19	0.13	0.15	0.16	0.11	0.12
United States of America											
Labour-intensive and resource-based	4.60	4.31	4.83	4.59	3.53	3.10	2.86	2.04	2.82	2.64	2.64
Low skill and technology intensity	1.36	1.48	1.56	2.48	1.88	2.01	1.39	1.79	0.68	1.26	1.25
Medium skill and technology. Intensity	2.26	2.27	2.28	2.04	1.58	1.89	1.76	2.75	2.90	2.92	2.98
High skill and technology intensity	1.75	1.90	1.71	1.56	1.97	1.72	1.77	1.77	1.33	1.70	1.95
Unclassified	0.28	0.39	0.24	0.21	0.200	0.32	0.30	0.17	0.22	0.23	0.18
Africa											
Labour-intensive and resource-based	4.53	4.70	4.63	4.04	3.85	4.11	4.53	4.47	5.71	5.29	5.13
Low skill and technology intensity	2.70	4.38	3.56	3.70	4.00	4.25	5.38	5.56	5.84	6.95	5.51
Medium skill and technology. Intensity	4.71	5.31	4.78	4.75	4.81	5.73	6.75	6.79	8.37	7.46	7.82

High skill and technology intensity	6.38	7.11	5.72	6.34	6.02	6.49	6.38	6.91	7.72	7.37	7.14
Unclassified	0.69	0.52	0.71	0.62	0.72	0.65	0.60	0.78	0.84	1.12	0.84

Table 12: A comparison of destinations of Africa's exports of manufactured goods*

Notes: Manufactured goods* = Manufactured goods (SITC 5 to 8 less 667 and 68)

Source: Own calculations with trade data available at <http://unctadstat.unctad.org/TableView/tableView.aspx>

The shares of Africa's exports of manufactures with low skill and technology intensity as well as manufactures with medium skill and technology intensity which have been absorbed by Africa's member states have each been on a continuous rise since 2001. While the shares of manufactures with high skill and technology intensity which have been absorbed by Africa's own member states have fluctuated over the years, the general trend has been a rise. It is also seen that in all categories of manufactured exports, the share which went to the United States of America was by far much less than the share which was absorbed by Africa's own member states. Furthermore, after 2005, African countries' share of Africa's exports of manufactures with low skill and technology intensity overtook the share of such products which were being absorbed by Asia. With regard to manufactures with medium skill and technology intensity and manufactures with high skill and technology intensity, the share of these two product categories which was being absorbed by Africa's member states has always been higher than the share being absorbed by Asia. Thus, while Africa continues to export to different regions in the world, the continent has been able to increasingly create local markets in its own member states to which some of its exports go. As Table 4 (see Section 4.2) shows, intra-Africa trade has been growing rapidly over the years, rising from 8.55% of Africa's total trade in 2001 to peak at 12.8% in 2009.

5. Policy implications

Sections 4.2 and 4.3 above show that Africa imports and exports high technology and technologically complex manufactures (i.e. manufactures with medium skill and technology intensity and manufactures with high skill and technology intensity). Benefits from imports and exports of such manufactures

are more pronounced where countries engage in intra-industry trade in such product categories. It is therefore important for African countries to recognise this and make efforts to identify industries in which opportunities for intra-industry trade exist and utilise such opportunities more fully.

Intra-industry trade occurs where goods of *similar* factor endowments (i.e. the same kinds of goods and services) are both imported and exported by a country. As countries take advantage of the large markets, with intra-industry trade, a country produces fewer varieties, and produces each variety at a larger scale with increased productivity and lower costs (Krugman and Obstfeld, 1994). This would help to expand industries as well as improve industrial performance and efficiency. Intra-industry trade also gives rise to mutual interdependence on differentiated products and the markets for these products, and this would strengthen trade linkages more as levels of protection are reduced allowing much easier access into each other's markets. Also to note is that, as intra-industry trade increases, innovation will be stimulated even further because innovation begets more innovation, as noted by Ruffin (1999). As intra-industry trade becomes a significant part of bilateral trade technology diffusion becomes more possible through the consumption of similar but differentiated products, and this interchange of knowledge about technology is essential for improvements in industry performance. Hakura and Jaumotte (1999) note that intra-industry trade is more effective in transferring technology capabilities as it is much easier for a country to absorb innovations embodied in foreign technology when it is already producing and exporting goods from the same product category as those it is importing. Furthermore, intra-industry trade encourages joint research as firms share ideas and find better ways of producing high technology and technologically complex products, and greater knowledge implies smaller costs of knowledge accumulation.

The closer trade ties which African countries are forging with Asia through the "Look East" policy which a number of African countries have adopted benefits in having a closer source for manufactured imports in general, and especially the technologically more complex manufactures. This is evidenced by Asia's continually increasing share of high technology and

technologically complex products which are imported by Africa, as seen in Section 4.2 above. This is not only beneficial in the provision of cheaper consumer goods, but entrepreneurs as well as public firms in Africa benefit from low cost machinery and technology which is more relevant to their production and construction needs.

Among the categories of manufactures which Africa exports to Asia, Asia mostly absorbs manufactures with high skill and technology intensity, as shown in Table 12 (see Section 4.3). By Asia providing Africa with opportunities for exports with greater skill content, this has implications for learning effects and technological spillovers for Africa. As trade between Africa and Asia in manufactures with high skill and technology intensity grows, this would have developmental potential for both as each would serve as a testing ground for new manufactured products and thus facilitate structural transformation of productive structures.

Despite initiatives by Africa to intensify its trade linkages with Asia, and thus experiencing higher trade growth rates with Asia than with Europe, Sections 4.2 and 4.3 show that Africa continues to maintain strong trade linkages with Europe. This seems to agree with Klinger's (2009) observations that it has been noted (despite mixed empirical evidence) that "the most dynamic export markets for developing countries are to the North". Thus, Africa should continue to utilise more fully the opportunities which Europe continues to offer to Africa with regards to easier access into its markets through the much reduced tariff barriers and other trade facilitation measures currently in place. This of course should be done simultaneously with seeking more access into other markets so as to broaden market destinations for products as well as indentifying a wide range of sustainable niche markets. Thus, trade linkages with various regions should be seen to be complementary and not as substitutes.

Despite the market opportunities which both Europe and Asia are providing Africa for exports with greater skill content, it can be seen that Africa's trade with either region is still confined to specialising mainly in unsophisticated or less sophisticated products, which Klinger (2009) say are

assumed to have fewer learning-by-doing productivity-enhancing benefits than those exported by the North to the South. Klinger (2009) notes that “if a country has a sophisticated export basket relative to its level of income, subsequent growth is much higher”. Most African countries have low levels of income, and as such, coupled with a currently unsophisticated export basket, growth may continue to be low, especially in the much poorer countries. Thus, Africa needs to continue to put efforts to develop, upgrade and modernise its industrial base, as well as to facilitate skills development so as to enhance technological capabilities. This means prioritising investment in the industrial sector so as to improve productive capacity and modernisation of technology, capacity utilisation and productivity. Arguably, sophisticated products are more growth-enhancing and have greater developmental effects which would help in achieving competitive advantage in manufactured products and thus move away from mainly resource-based industrial development.

As Africa’s trade with Asia continues to grow, African exporters would be able to locate additional unsaturated demand for their products by exploring, exploiting and establishing new markets with untapped potential, thereby broadening their customer base. This is important for Africa as it already experiences difficulty in expanding some of its exports into its traditional export destinations due to stagnant demand in such markets. Also to note is that the growing purchasing power in Asia provides opportunities for African producers to expand their exports where there is unsaturated rising demand. Furthermore, as Asia’s industrial sectors continue to grow, they will need a reliable supply of raw materials and energy resources which Africa can easily provide.

Broadman (2007) notes that Asia contributes to Africa’s export diversification in terms of destination markets (destination diversification), which is particularly relevant to primary commodity exports, which are commonly the traditional exports of most African countries. However, Yoshino (2008) warns that while Africa could benefit from the rapid growing Asian markets to achieve broad based economic development, there is also a danger that Africa could become a mere resource base for Asian growing economies, benefiting little to its domestic economic development. Thus, since increasing

exports to Asia presents both opportunities and challenges, it is important for African countries to work out an agenda that allows them to benefit from growth of trade with Asia by providing enabling environment for creating value-added based on natural resources and effectively participate in global supply chains.

By increasingly importing from and exporting to its own member states, Africa benefits its member states by creating trade opportunities within the continent. This also helps to provide local testing ground for new manufactured products which may not yet be able to compete at the international market, and thus facilitate structural transformation of productive structures within member states and local industrial development.

6. Conclusion

As Africa's traditional trading partner, Europe continues to be Africa's major trading partner even though Africa is taking initiatives to increase trade linkages with Asia. Europe continues to be Africa's major trading partner because of historical and long standing trading arrangements between the two regions. Africa's initiatives to increasing trade linkages with Asia are bearing fruit as evidenced by higher trade growth rates in Africa's trade with Asia in comparison to trade growth rates with Europe.

It is also seen that over the years, the share of manufactured imports which Africa is getting from Asia has been rising, while that of Europe has been declining even though Europe continues to be the dominant import source for these products. The rise in Asia's share of manufactured imports by Africa is across all levels of manufacturing and technological complexity. Increased imports of high technology and technologically complex manufactures from Asia is beneficial to Africa as it is often argued that these are relatively low cost machinery and technology which is more relevant to Africa's production and construction needs.

While both Europe and Asia are providing Africa with markets for exports with greater skill content, Africa's export trade with either region is still confined to specialising mainly in unsophisticated products/less sophisticated

products. This calls for Africa to continue to invest in developing and modernising its industrial base.

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