International Trade in East Africa: The Case of the Intergovernmental Authority on Development

by

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Abstract

The process of close integration in East Africa has resulted in changes in trade structures and production process across borders. The aim of this article is to present the transformations taking place in the trade exchange of one of the African community initiatives: the Intergovernmental Authority on Development (IGAD). The paper offers an analysis of the changes in foreign trade structures of the IGAD states, e.g. trade concentration or the similarity of IGAD's trade to the selected economic integration communities in south of the Sahara in Africa. In order to ensure uniformity of this analysis, the study was based on data compiled by international organisations, mainly the United Nations Conference on Trade and Development and the World Trade Organization.

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Introduction

In the region of East Africa there are several grave barriers to regional cooperation, such as the disparities in the levels of social and economic development, the problem of poverty, institutional and infrastructural weakness, epidemics, political instability, and not infrequently military conflicts as well. Quite often, one of the reasons for the failure of integration initiatives were also attempts to transplant the integration solutions worked out in developed countries to Africa. These models, consistent with the literature on theories of international cooperation, did not perform well in the African reality. Despite the aforementioned barriers, however, the Intergovernmental Authority on Development (IGAD) was established in 1996[1] and has remained in effect ever since, presently comprising eight countries, namely Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, South Sudan[2], and Uganda.

The mission of IGAD is to guarantee food security for the people and to promote peace. It also oversees security and economic situations (IGAD, 2014). Especially IGAD's role in the peace processes in Africa is remarkable (Healy, 2013). Among the many objectives of IGAD are boosting regional economic cooperation in East Africa, boosting joint development strategies, e.g. harmonizing polices with regard to trade and customs, or promoting and realising the objectives of the Common Market for Eastern and Southern Africa (COMESA) and the African Economic Community (Dundas, 2011).

The continent of Africa is often analysed from the angle of poverty, development assistance, problems of the agricultural sector, integration initiatives, political problems, national and international security, trade inequalities, or natural resources. Publications showing Africa as an important growth pole and a potential partner in trade and foreign investments have started to appear only recently (Mataen, 2012) (Cieślik, 2014). The first decade of the twenty-first century brought about fundamental qualitative changes in African countries, indicating the huge potential and the developmental possibilities emerging out of them. Individual countries in the region recorded the fastest economic growth in the world economy[3], while most of the developed economies suffered from the economic crisis and its consequences. On the one hand, African countries have become more important players in the international markets. On the other hand, they have turned into a strategic region for the most powerful countries in the world system (Cargill, 2010). The next decades, however, are expected to be a period of accelerated economic growth, integration process and development for Africa (Ernst & Young, 2013). Therefore, the study represents a contribution to further deliberations on the changes of the position of the IGAD members in the global economy in terms of foreign trade.

The aim of this paper is to analyse foreign trade changes in the IGAD member states and the role the IGAD and its members play in global and regional exports with respect to liberalisation processes and their integration initiatives. The article focuses on commodity foreign trade that the investigated states have chosen as the underpinning of their strategies of opening up to the world economy, especially to African economy. The analysis spans the years 1995-2012 (in some cases, also 1994 and 2013). To make sure that the results are consistent and comparable, data were obtained from databases kept by international organisations, mainly the United Nations Conference on Trade and Development database.

The paper consists of two sections, introduction and conclusions. First, it presents the IGAD community against the background of other African organisations. This section adopts the most important and popular indicators to depict the IGAD position in African economy. Standard measures, as well as more comprehensive methods, e.g. concentration and similarity are used in this part. The second section is a study of the selected changes in the IGAD members' foreign trade, especially in terms of trade structure changes and technology intensity. In the conclusions, selected recommendations for further regulation in foreign trade in the light of the presented drawbacks are delineated.

IGAD Integration Initiative Against the Background of Other African Communities

IGAD is one of the newest integration initiatives in Africa. Unfortunately, there are a lot of doubts if this community is an international organisation under international law evidently and closely related to its possession of international legal person status and exercisable power. Generally, it meets the objective criteria[4] and thus it can be said that IGAD's international legal personality is suggested. The *IGAD Agreement* does not spell out any clear rule regarding IGAD's international legal personality. However, article 3 of the agreement states: "The Authority shall have the capacity of a legal person to perform any legal act appropriate to its purpose, in accordance with the present Agreement. In particular, it shall have the capacity: (a) to contract; (b) to acquire and dispose of immovable and movable property; and (c) to institute legal proceedings. The Authority shall, in exercising its legal personality, be represented by the Executive Secretary" (Agreement Establishing the IGAD, 1996). This provision relates to IGAD's legal personality and capacity in an ambiguous way. Although the *IGAD Agreement* does not contain express provisions on IGAD's international legal personality, the expressly granted treaty-making power as well as immunities and the clear recognition of the right to cooperate with other subjects of international law make the possession of international legal personality by IGAD explicit. In addition, in order to execute its objectives, IGAD adopted relevant institutional acts which comply with the rule of its constitution and applicable international law (Weldesellassie, 2011).

Leaving alone the formal aspect of IGAD, it is worth analysing this community in relation to its economic performance. Against the background of other African organisations, the IGAD community seems to be an important economy, though it integrates a relatively small number of states. Especially in terms of regional gross domestic product (GDP), its share in the world GDP, real GDP *per capita* growth rates, FDI flows or populations, IGAD seems to be a relevant community in African society. It also achieves high indicators of intra-regional trade share in comparison to other analysed organisations, which indicates quite close trade interdependence among the members of IGAD. Certainly, it is inferior to the largest economic blocs in Africa, such as the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of West African States (ECOWAS), or the Southern African Development Community (SADC)[5].

In terms of intra-regional trade intensity index, IGAD's intra-regional trade is slightly relatively more important than trade flows with the non-member states. Unfortunately, GDP *per capita* and FDI inflows *per capita* locate IGAD at a disadvantage in comparison to the other integration initiatives analysed below (Table 1). Thus, it is worth mentioning that in Africa we observe the 'spaghetti bowl' phenomenon in terms of international agreements and African regional economic organisations (Hartzenberg, 2011).

Every country in Africa participates in at least two economic communities, 30 states take part in three international agreements, 18 countries in four organisations, with Kenya, the leader in this field, participating in five economic blocs. This accumulation of economic agreements results in obstacles to the trade effect of preferential integration and obfuscates the whole picture of the regional cooperation process (Iddrisu, 2012).

Table 1. IGAD region against the background of other African communities – selected indicators in 2010.

Indicator	IGAD	CEMAC	COMESA	EAC	ECCAS	ECOWAS	SACU	SADC	WAEMU
Intra-Regional Trade Intensity Index	102.83	178.72	9.70	136.04	193.59	6.66	4.39	13.50	5.81
Intra-Regional Trade Share	8.21	7.05	6.00	11.00	8.85	4.32	3.13	12.15	3.75
Regional GDP in current prices (billion US$)	160.37	76.15	551.30	79.14	179.20	37.21	396.32	565.04	260.33
Regional GDP per capita	743	1,763	1,144	580	1,216	1,027	6,859	2,174	1,090
Regional GDP Share in World GDP (%)	0.13	0.06	0.44	0.06	0.14	0.24	0.32	0.45	0.21
Real GDP per capita growth rates (%)	7.22	5.25	5.77	6.29	4.62	6.91	3.38	3.88	4.46
Inward FDI flows (millions US$)	3,304	6,356	18,003	2,578	6,162	11,846	2,265	8,198	1,282
Outward FDI flows (millions US$)	n.a.	n.a.	5,283	n.a.	n.a.	1,288	-73	2,591	-4
Inward FDI flows per capita (US$)	15.30	150.60	37.35	18.88	41.80	39.61	39.20	31.54	5.37
Regional Population (thousands of people)	215,912.1	42,204.3	482,012.1	136,532.4	147,424.3	299,069.2	57,780.4	259,896.0	238,826.15
Regional Share in World Population (%)	3.14	0.63	7.02	1.99	2.15	4.35	0.84	3.78	3.48

Intra-Regional Trade Intensity Index is used to determine whether the value of intra-regional trade is greater or smaller than would be expected on the basis of the region's importance in world trade. Formula of Intra-Regional Trade Intensity Index: $ITII_{i,t} = \frac{\left(\frac{IT_{i,t}}{T_{i,t}}\right)}{\left(\frac{T_{i,t}}{T_{w,t}}\right)}$

where: $IT_{i,t}$ denotes region *i*'s intra-regional trade in year *t*,
$T_{i,t}$ denotes region *i*'s total trade in year *t* (*i*'s total imports plus total exports),
$T_{w,t}$ denotes the world's total trade in year *t* (world's total imports plus total exports).
The value ranges from 0 to $\frac{T_{w,t}}{T_{i,t}}$. When $ITII_{i,t}$ is equal to zero in the case of no intra-regional trade; when $ITII_{i,t}$ is equal to one (or 100) if the region's weight in its own trade is equal to its weight in world trade (geographic neutrality); when $ITII_{i,t}$ is higher than one (or 100) if intra-regional trade is relatively more important than trade flows with the rest of the world.

Source: author's own study on the basis of (United Nations, 2014) (RIKS Platform, 2014) (The World Bank, 2014).

As a matter of fact, the share of IGAD's foreign trade in global trade is not significant and has been subject to considerable fluctuations in the last decade. The members of the organisation are more active in terms of imports of goods and services (more than 0.25% of global imports in 2012) than in terms of exports (about 0.1% of global exports). The share of IGAD foreign trade in total developing African states' trade, however, points to the important position of the organisation in Africa. In 2012, the share of the countries in question in African exports was about 3.2% and it has been quite stable since 2000. We can observe a rising trend in imports: the share of the IGAD states' imports in developing African countries' imports increased from 6.5% in 2000 to 7.5% in 2012. These rises can be explained primarily by the increasing share in import of Kenya, Sudan, and Uganda (UNCTAD, 2014).

COMESA seems to be the most important IGAD's export market, which should not be surprising, because this bloc is the largest one in the East Africa region and also covers almost all IGAD countries (except for Somalia). In 2012, IGAD directed to this community primarily food and livestock (32% of the total export to bloc), manufactured goods (21%) and chemicals (10%).

SADC remained a significant export partner for IGAD, where they exported mainly manufactured goods (25% of the total export to community) and chemical products (15%). In terms of imports, in turn, COMESA also is the lead market, which provided the IGAD region with machinery and transport equipment (70% of the total import from the organisation) in 2012. The second significant African bloc that is active in IGAD imports is SADC. This community from Southern Africa provided manufactured goods (31%) and food and live animals (22%) mainly (UNCTAD, 2014).

Analysing the trade structure of the IGAD countries, we can observe significant changes between 1995 and 2012. Food has still remained the predominant export product of the IGAD region; however, its share has decreased through years. Crude materials (mostly hides, textiles, wood, oil seeds) also have a considerable share in the IGAD's exports. The insignificant share of the manufacturing goods and still little progress in this field over the past decade indicates that IGAD's export is not advanced (Fig. 1). The import structure of the IGAD states, in turn, has not changed considerably lately. Machinery and manufactured goods, chemicals, and fuels continue to shape the structure of imported commodities. All mentioned products, except for fuels, have not changed their share in imports significantly. Only fuels' share has significantly increased since 1995 (Fig. 2).

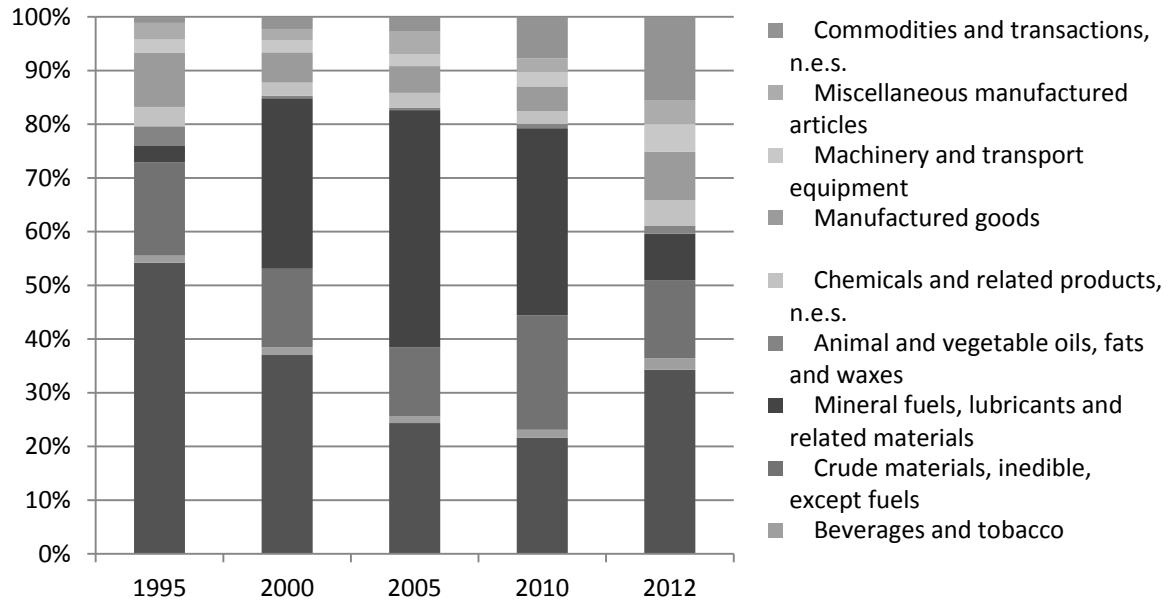


Fig. 1. Export structure of the IGAD countries in 1995-2012 *Source*: author's own study on the basis of (UNCTAD, 2014).

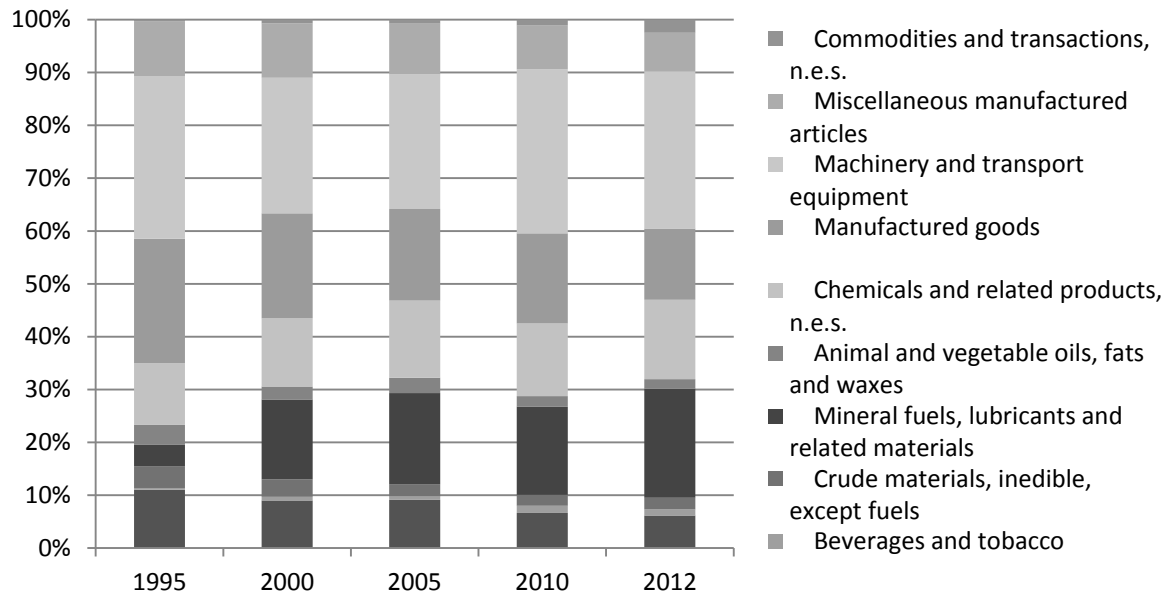
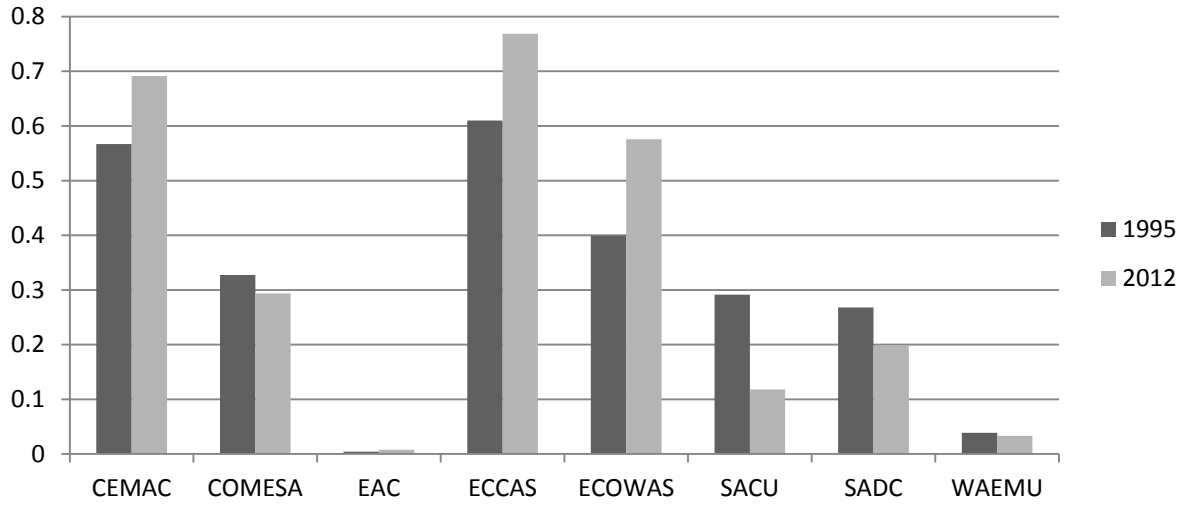


Fig. 2. Import structure of the IGAD countries in 1995-2012 *Source*: author's own study on the basis of (UNCTAD, 2014)**.**

The diversity of the revealed comparative advantages is also reflected in the degree of similarity between the foreign trade commodity structures of the IGAD states. In this study, the foreign trade commodity structures of the largest economic blocs in Africa have been adopted as the model. This analysis has enabled us to indicate the economic integration blocs similar to IGAD in terms of foreign trade structure (applying Standard International Trade Classification, Rev.3). The Euclidean metric formula has been used in the study of the degree of similarity. Comparing the years 1995 and 2012, it can be observed that the structures of commodities exported by IGAD are almost exact to the East African Community's (EAC) structure, which the IGAD members (Kenya and Uganda) shape largely. Also we observe that IGAD is becoming more similar to the Southern African Customs Union (SACU), SADC and West African Economic and Monetary Union (WAEMU) models. IGAD, on the other hand, drifted very clearly away from the Economic and Monetary Community of Central Africa (CEMAC), COMESA, Economic Community of Central African States (ECCAS) and ECOWAS models (Fig. 3). COMESA's export is much more concentrated on fuels and manufactured goods and food and live animals do not hold important positions in the organisation's exports. ECOWAS, CEMAC, and ECCAS focus generally on mineral fuels exports and other groups of products have a limited share in their export structures (UNCTAD, 2014).



The Euclidean metric $\sqrt{\sum_{i=1}^{n}(x_i - y_i)^2}$ has been used as the measure of similarity. The closer the value is to one, the more different are the export structures of the analysed blocks. The closer the value is to zero, the more similar the commodity structures.

Fig. 3. Indicators of similarity of the export commodity structure of the IGAD states in 1995 and 2012 *Source*: author's own calculations on the basis of (UNCTAD, 2014) using SITC Rev.3**.**

As for the similarity of imports, we can observe small values of the Euclidean metric, which implies a considerable similarity of the import structures of the examined countries with reference to the analysed integration blocs. Among these organisations, IGAD is characterised by the highest similarity to the ECOWAS, COMESA, and certainly EAC models. Furthermore, in the analysed period, IGAD experienced the greatest decrease in similarity between its import structure and the CEMAC and ECCAS models. Generally speaking, the relatively low values of the indicators describing similarity of import structures mean that the structures of imported commodities deviate insignificantly from the model established by the other African communities (Fig. 4).

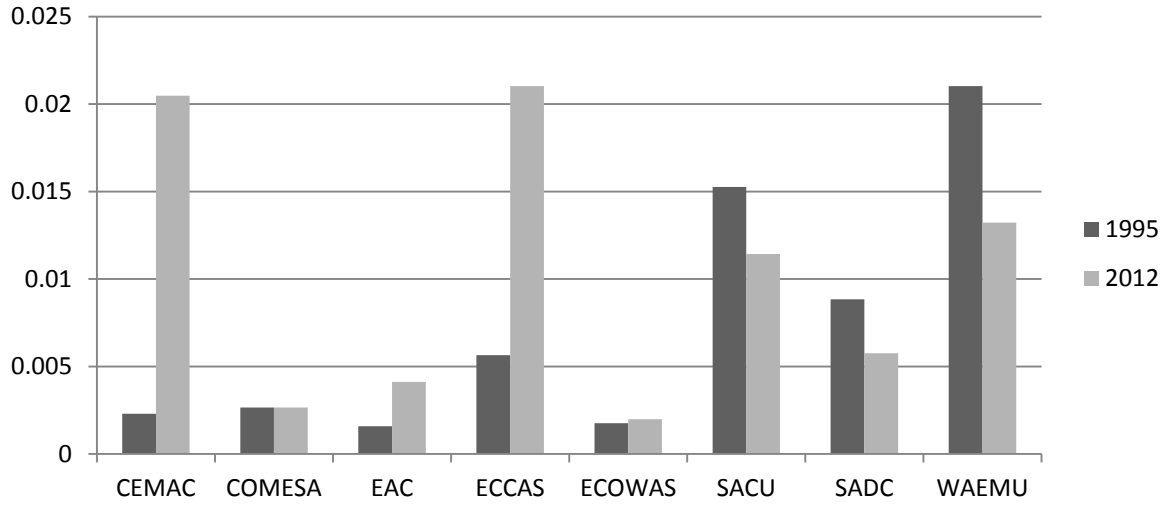


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Fig. 4. Indicators of similarity of the import commodity structure of the IGAD states in 1995 and 2012 *Source*: author's own calculations on the basis of (UNCTAD, 2014) using SITC Rev.3**.**

In terms of shaping the geographic composition of trade partners, the IGAD region seems to behave similarly to all analysed economic communities in Africa. In exports and imports Euclidean metric values are small which indicated the little distance to the analysed economic African blocs. These indicators also prove that in IGAD, like in all African communities, we observe substantial diversification of trade partners. Generally, the analysed organisations are almost identical in terms of the geographic structure of import and slightly different in terms of export structures (Fig. 5, 6).

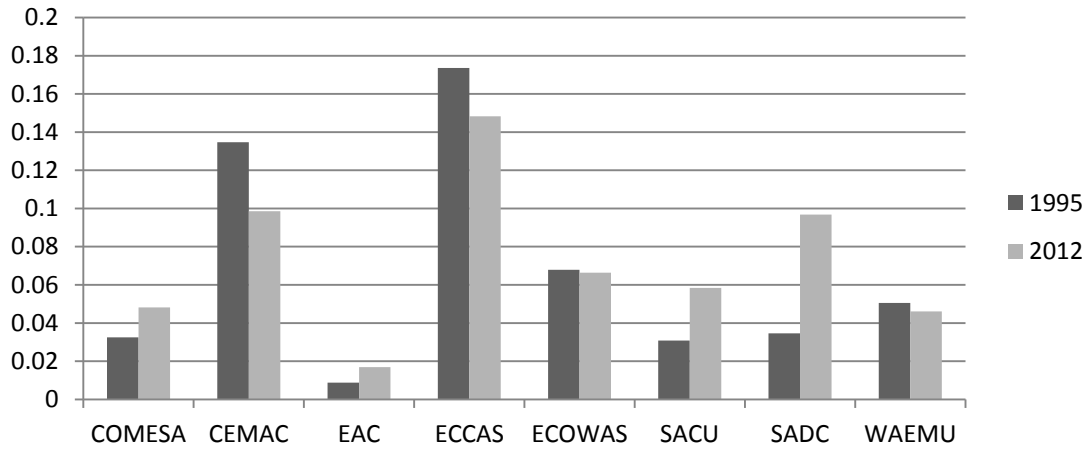

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Fig. 5. Indicators of similarity of the export geographical composition of the IGAD states in 1995 and 2012 *Source*: author's own calculations on the basis of (UNCTAD, 2014) using SITC Rev.3**.**

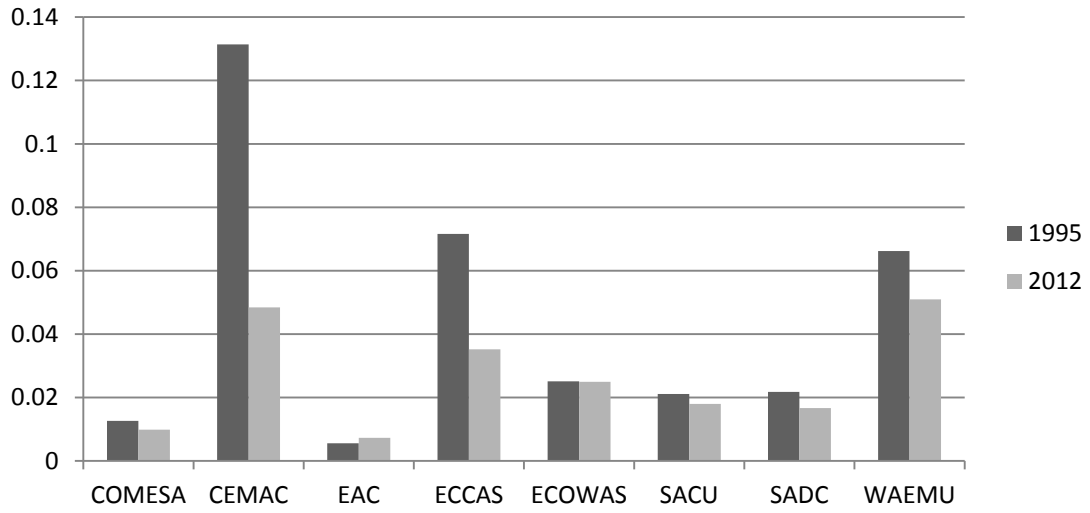

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Fig. 6. Indicators of similarity of the import geographical structure of the IGAD states in 1995 and 2012 *Source*: author's own calculations on the basis of (UNCTAD, 2014) using SITC Rev.3**.**

Foreign Trade Changes in the IGAD Member States: Selected Statistics

When analysing the IGAD trade exchange, it is hard not to notice the asymmetry of this exchange. More than 80% of the entire trade of the community is performed by Ethiopia, Sudan and Kenya. In 2012, Kenya had 33.6% share in export and import, Sudan 25.4% share, and Ethiopia 22.7% (UNCTAD, 2014). It would be hard to question the fact that foreign trade within IGAD has no prominent place in the trade of all the members of the organisation, which focused on other markets. States in the IGAD region trade little among themselves with the exception of Uganda, Kenya, and Ethiopia (Table 2).

In 1995, the main trade markets for IGAD were developed countries (70% of total trade), but till 2012 the share of these markets decreased to 50%. The most important export markets of IGAD in 2012 were: UEA (14%), China (8%), Tanzania and the Netherlands (both 5%). In 2012, the IGAD states imported mostly from: China (16%), India (11%), Saudi Arabia (7%), the United States (6%) and the United Arab Emirates (6%) (UNCTAD, 2014). It should be noted that there was a growth trend in the foreign trade of all IGAD countries from 2000, which was disturbed in 2009 by the global crisis (Chauvin & Geis, 2011).

Table 2. Percentage share of trade turnover with the IGAD region in the foreign trade of the block's members in 2012.

Country	Export	Import
Djibouti	11.2%	3.2%
Eritrea	0.1%	1.7%
Ethiopia	19.4%	2.7%
Kenya	15.0%	1.4%
Somalia	0.2%	1.0%
Sudan	3.4%	2.3%
Uganda	20.6%	13.6%

Source: author's own calculations on the basis of (UNCTAD, 2014)**.**

The geographical concentration of the IGAD members' (except for Sudan and Eritrea) exports and imports was investigated with the Herfindahl–Hirschman Index (HHI). Eritrea experienced the most significant increase in the geographical concentration of exports. In 2000, almost 45% of Eritrea's exports went to Yemen. By 2012, however, the structure of its main export partners shifted towards Canada, where almost 94% of its exports went. The opposite trend is observed in Djibouti, whose export focused on Ethiopia (47% of exports) in 1995. In 2012, Djibouti exported mainly to United Arab Emirates (21%) and Yemen (18%). Kenya was characterised by the lowest geographical concentration. Its export focuses on markets in Uganda, the Netherlands, the UK, and the USA. Analysing import markets diversification we also cannot see any uniform trend in all IGAD states. Only Eritrea and Uganda decreased their import concentration slightly. In 2012, Eritrea imported primarily from China, Egypt, and Italy, while Uganda from India, Kenya, and China. Kenya and Sudan held the lowest import concentration indexes in 2012. However, import market concentration indices measured in HH index are much lower than HH indexes in exports. This implies a rather moderate concentration of imports of the IGAD members (Table 3).

Table 3. Index of export and import market concentration of the IGAD countries in 1995 and 2012.

	Export		Import	
	1995	**2012**	**1995**	**2012**
Djibuti	0.27	0.11	0.08	0.12
Eritrea	0.25	0.88	0.11	0.10
Ethiopia	0.13	0.06	0.07	0.10
Kenya	0.06	0.05	0.06	0.06
Somalia	0.54	0.48	0.11	0.16
Sudan	0.07	0.30	0.05	0.06
Uganda	0.08	0.07	0.12	0.08
IGAD	0.05	0.05	0.04	0.06

A HH index below 0.01 indicates a highly competitive index. A HH index below 0.15 indicates an unconcentrated index. A HHI index between 0.15 and 0.25 indicates moderate concentration. A HH index above 0.25 indicates high concentration.

HH index formula: $HHI = \Sigma^{n} S_i^{2}$, where S_i: market share of country import.
Source: author's own calculations on the basis of (UNCTAD, 2014)**.**

While analysing the synthetic measures of concentration of the commodity structure of exports and imports (applying Standard International Trade Classification, Rev.3), we can observe that there is no clear tendency. States such as Sudan, Somalia, and Eritrea were characterised by really high concentration of exports in 2012. In 2012, almost 81% of Sudan's export was realised by the groups of crude and refined petroleum, and gold. Somalia exported primarily livestock (sheep, goats, and bovine) and wood charcoal. Eritrea concentrated its export on gold, silver, and hides. Both the Gini coefficient and the Herfindahl index (HI) in these three countries were high and pointed to the high degree of commodity export concentration. The other IGAD's members were characterised by more diversified exports in 2012**,** especially Kenya. Kenya exported mainly tea and coffee, cut flowers, and refined petroleum. Djibouti concentrated its export on refined petroleum, livestock, and coffee. Ethiopia, in turn, focused on exporting coffee, oily seeds, vegetables, and cut flowers. Uganda sold abroad primarily coffee, broadcasting equipment, and fish. Uganda is the country that managed to diversify the structure of its exports most significantly in 1995–2012. In contrast, in Djibouti, Eritrea, and Sudan we can observe the opposite trend. In the analysed period Djibouti focused more on exports of livestock and petroleum, while Eritrea exported gold, and Sudan sold abroad petroleum and gold. The commodity concentration was lower in imports, regardless of the indicators which were taken into account. Unquestionably, Somalia had the most concentrated imports. In Somalia vegetables, rice, raw sugar, pasta, and wheat flours constituted more than a half of the imports value in 2012. The other countries were characterised by more fragmented and diversified imports (Table 4).

Table 4. Synthetic indicators of commodity export and import concentration of the IGAD states in 1995 and 2012.

	Export						Import					
	Gini coefficient		H index		Share of 3 most important product groups (%)		Gini coefficient		H index		Share of 3 most important product groups (%)	
	1995	2012	1995	2012	1995	2012	1995	2012	1995	2012	1995	2012
Djibuti	0.47	0.63	0.05	0.10	26.89	46.03	0.43	0.48	0.05	0.04	25.91	23.87
Eritrea	0.57	0.95	0.15	0.26	57.17	72.85	0.67	0.61	0.08	0.05	41.26	30.46
Ethiopia	0.89	0.82	0.42	0.17	82.22	64.85	0.60	0.58	0.07	0.06	39.00	33.15
Kenya	0.66	0.53	0.15	0.09	50.00	43.22	0.57	0.57	0.05	0.08	31.58	37.27
Somalia	0.96	0.89	0.53	0.48	88.62	80.71	0.63	0.76	0.12	0.12	50.40	51.63
Sudan	0.82	0.79	0.13	0.34	52.98	83.77	0.56	0.50	0.07	0.04	37.10	19.24
Uganda	0.92	0.56	0.58	0.09	85.31	38.14	0.56	0.54	0.04	0.07	23.17	35.10

H index formula: HI = $\sqrt{\sum_k \left(x_{ik} / \sum_k x_{ik}\right)^2}$, where x_{ik} = country i's exports of product k

Source: author's own calculations using SITC Rev.3 on the basis of (UNCTAD, 2014).

A weakness of the export structure of the IGAD members is that the high-tech products' share of their exports continues to be low. This opinion is formulated although it is still uncertain whether in the case of developing countries high-tech exports can really be treated as a solid indication of their technological development (Mani, 2000) (Srholec, 2005). These doubts are usually justified by the statement that technologically advanced exports do not necessarily have to be the result of actual innovative activity of countries, but rather of a suitable position in global value chains based on revealed comparative advantages (vertical specialisation) (Dicken, et al., 2011). We can attempt to explain the low technological advancement of the IGAD countries by their very low share of expenses on research and development. For example, Kenya allocated most expenses to R&D activity, namely 0.42% of its GDP in 2012, followed by Uganda, which allocated 0.41% GDP to this goal. By comparison, the average for the EU-27 in this regard was 2.03% GDP in 2012 (Eurostat, 2014). Total R&D personnel per million inhabitants amounted to 150 in Ethiopia in 2010, 180 in Kenya, 63 in Uganda in 2007, and 751 in Sudan in 2005[6] (the latest available data). In comparison to developed countries, this data is considerable lower. For instance, in the UK total R&D personnel per million inhabitants amounted to 8,448, in Finland to 14,900, and in Japan to 9,105 in 2010. The number of researchers per million dwellers in the IGAD states is also incomparably lower. In 2007, there were 30, 93 and 29 researchers in Ethiopia, Kenya, and Uganda, respectively. These numbers in comparison with statistics from developed countries (10,094 in Finland, 6,942 in Japan, or 6,187 in the UK in 2007) are scant (UNESCO, 2014). In Global Innovation Index 2013, the leader among the IGAD region was Uganda which had the 89th place among 142 countries in this ranking, while Sudan held the last but one position in this ranking (World Economic Forum, 2013). In turn, in Knowledge Economy Index 2012, Kenya (111) reached the highest position.

As regards the share of high-tech product exports in the total manufactured goods export value, in 2012 it was the highest for Sudan (42%). However, this data is merely an estimation and this share is questionable in the light of the lack of the latest R&D statistics and the low rank in the Global Innovation Index of this country. The second country in terms of high-tech export is Uganda. The country's high percentage of high-tech exports is primarily the result of the inflows of foreign direct investment connected with the parts and components for electrical and electronic goods and development of this sector within the country[7]. Also, Uganda has improved performance, partly due to the recently increased investments in oil manufacturing and services sectors, which was reflected in improvements in export structure. In Eritrea, Ethiopia, and Somalia around half of manufactured export still consists of labour-intensive and resource intensive products[8]. We can see an optimistic tendency in high-skill and technology-intensive exports between 1995 and 2012. These exports' share increased in all analysed countries, except for Somalia (Table 5).

Table 5. Structure of manufactured products in terms of technological advancement in 1995 and 2012.

		Djibouti	Eritrea	Ethiopia	Kenya	Somalia	Sudan	Uganda
Labour-intensive and resource-intensive	1995	23.8%	18.9%	97.0%	35.9%	16.9%	83.0%	17.6%
	2012	14.0%	57.8%	56.1%	36.0%	47.7%	35.6%*	28.5%
Low-skill and technology-intensive	1995	16.6%	11.8%	0.0%	21.4%	29.0%	0.6%	21.1%
	2012	11.6%	1.7%	2.3%	14.9%	1.3%	11.3%*	15.6%
Medium-skill and technology-intensive	1995	41.9%	54.7%	0.0%	13.4%	30.2%	11.1%	30.5%
	2012	41.9%	9.2%	31.5%	16.7%	31.5%	11.1%*	17.0%
High-skill and technology-intensive	1995	17.6%	14.6%	3.0%	29.4%	23.9%	5.3%	30.7%
	2012	32.5%	31.3%	10.0%	32.4%	19.5%	42.0%*	38.9%

* estimation
Source: (UNCTAD, 2014).

Conclusion

It is the priority of the IGAD states to reduce the development gap between them and the developed countries, and create stable economic environment (IFC, The World Bank, 2014). One of the means to achieve this goal is to ensure proper management of foreign trade and gradually join the global economy.

However, the IGAD members are very diverse in terms of the economic level and social and institutional development, and there are also considerable differences in the orientation of their foreign policies, which translates into trade flows. The community has not defined one common policy and its members largely realise their particular goals, thus causing even greater economic polarisation in the region. However, the omnipresent delocalisation and fragmentation of production have not left this region unaffected.

The most economically advanced countries of the region joined the international trade the soonest. Transformations in East African economies resulted in foreign enterprises deciding to take advantage of the country's comparative advantages. Thanks to its factors of production and level of development the IGAD region seems to be attractive for four types of investors, looking for four things: resources, a ready market, a reduction of production costs, and strategic assets (e.g. regarding the power industry, railroad network) (Proksch, 2003) (Ernst and Young, 2014).

Nevertheless, we should remember that the IGAD region is still unstable and that it is a pivotal geopolitical pressure point in world politics. That is why the economic development and integration within community may be the solution to political, ideological, religious and ethnic problems which are often compounded by natural disasters of widespread drought and famine.

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Endnotes

[1] IGAD had its origins in the disastrous droughts that struck the region of East Africa in 1973 and 1984. In 1986 with the support of the community in this disaster the Intergovernmental Authority on Drought and Development was established (IGAD, 2014).

[2] The youngest member of this organisation, joined IGAD in 2011.

[3] For example, in 2013 the economic growth of Ethiopia reached 7%, Kenya 5.1%, Djibouti 5%, or Sudan 2.9%.

[4] IGAD is created by countries, by a treaty under international law and has its own international organs.

[5] Though we should be cautious analyzing intra-regional trade shares, because organisations with a higher number of states and larger regions (in terms of total trade) tend to present a higher intra-regional trade share.

[6] Overestimated or based on overestimated data according to UNESCO.

[7] The World Investment Report 2013 shows that Uganda is the leading recipient of FDI in the East African region (UNCTAD, 2013).

[8] The massive oil and gas deposits found in Kenya, Somalia, and Uganda, are going to define their economies as so-called petro-dollar economies. In these three countries have operated: Pan-Continental, Tullow, Anadarko, ENI, Statoil, CAMAC, BG Group, Swiss Oil, Total, CNOOC, General Energy Plc, Conoco-Philips, Royal Dutch Shell, Exxon Mobil, or BP (New African, 2014).