Examining the Impact of Eritrea's Integration into COMESA on its Economic Development

PetrosWolduFessehatsion
Lecturer, College of Education, Eritrea Institute of Technology, Eritrea, Tele: 002917215113

Abstract
The relationship between economic growth in Africa and regional economic integration continue to be a popular research area for many scholars especially in the last three decades. Most works in this stream hypothesize that regional economic integration enhances the economy of integrated countries. In this context, the impetus of COMESA envisioned the achievement of economic growth in East Africa through greater economic cooperation and free trade among the member states. Currently the association claims20 member states and Eritrea became signatory in this pact by 1994. This research focused on Eritrea's engagement in COMESA between 2001 and 2012, and the impact of trade in the domestic economic development. The paper assessed the contribution of trade and foreign direct investment (FDI) to its GDP as a result of joining the COMESA bloc. It has utilized descriptive analysis of secondary data collected mainly from the COMESA database, World Bank database and UNCTAD database. The preliminary findings indicated that no remarkable benefits were gained as a result of participation in the bloc. And based on findings, the paper concluded that, although the trade volume between Eritrea and other member states got enhanced, COMESA's contribution to the overall economic growth in Eritrea remains negligible.

KeyWords: *COMESA, Economic Development, Eritrea, Regional Economic Integration*

I. INTRODUCTION

Eritrea gained its independence after thirty years of armed struggle for liberation in 1991, and following a popular referendum became sovereign state in 1993. Soon afterwards, the nation sought presence in regional, continental, and international gatherings and established bodies. In due effort, the nation joined COMESA bloc in 1994(Zarai&Ihiga, 2007) [1]. The Government of the State of Eritrea (GOSE) had thus to adopt an outward-oriented macro-economic policy (GOSE, 1994) [2]. Key measures were put into effect in order to prepare the economy for a regional scheme; such as reduction of the number of tariffs, and simplification of customs procedure to attract trade and foreign investment. To strengthen this effort, in 1997 the country adopted new trade, investment, monetary and fiscal policies and market economy to get more connected into the flow of regional trade activities(GOSE, 1998) [3]. Furthermore, Eritrea agreed in 2000 to reduce the tariff band by 80%, and thus 20% of the Most Favored Nations tariff remained imposed(Mauritius Freeport Authority, 2003 p.5) [4].

Diverse economic resources exist in the country, both in manufacturing and service sector, upon which optimal exploitation could lead into an economic boom. To mention some; extensive arable land with diverse climatic condition that are favorable for mechanized agro-industry, High Value minerals (gold, copper and potash), 1200 Km long tropical marine resource with unpolluted beaches. Economic boom in the modern day history of Eritrea appeared during the Italian colonial period when the colony was part of regional and international commercial networks(Franco Dello'Oro, 1959) [5]. This continued well upto the end of WWII, and Eritrea's industries kept on to be critical suppliers of provisions for Italian army in East Africa, and then to allied forces in the Middle East.

After the war however the demand reduced in a landslide scale, and added with the decades of war and conflict, the Eritrean economy got ground zero standard during independence. Eritrea's decision to join COMESA envisioned the revival of its war-torn economy into a thrive once more. Yet, years after its active engagement in this economic bloc, Eritrea remained unable to attain economic growth or economic development. Put differently, disparity in economic development and sustainability between Eritrea and other COMESA member states is still wide. This phenomenon sets the core agenda of this research. The key question to be addressed here is whether Eritrea's economic integration into COMESA leads to enhance its economic development and sustainability.

A. Profile of COMESA

COMESA with its 19 member states, population of over 458 million, GDP of $577,738.4 million and annual import amount of around US$32 billion with an export bill of US$82 billion forms a major market place for both internal and externaltrading. Its' geographical area which extends from North

Eastern Africa to Southern Africa covers around 12 Million (sq. km). The 19 member states of COMESA with their general profile of their population, life expectancy and GDP at current prices and other indicators in 2012 are presented in the table below. As we can see from table 1, COMESA comprises countries which are very tiny with a population of 0.1 million for Seychelles and 0.7 million for Djibouti and big countries like Ethiopia and Egypt with a population of 80.7 million and 91.7 million respectively. This indicates that there is a huge difference in the size and economy of the integrated countries and this could have effect on the welfare effect result of the member countries. The distribution of the benefits from the integration is also affected by the diversity of their macro-economic activities of the member countries.

Table 1 Overview of COMESA Member States

Member State	Total Area (km2)	Pop. (M) 2012	Density per km2 2012	Life Expec 2009	GDP. Curr. PricesUS$m2012	GDP per capita constant 2005 US$ 2012	Export** Curr. Prices US$m 2012	Import** Curr. Prices US$m 2012
Burundi	27830	9.8	352	51	2472.4	153.14	244.1	798.06
Comoros	1861	0.7	385	66	595.9	606.52	-	-
DRC	2344860	65.7	28	48	17204	164.52	6050	4825.3
Djibouti*	23200	0.9	37	56	1049	-	-	-
Egypt	1001450	80.7	81	70	262831	1559.62	29258.9	64282.7
Eritrea	117600	6.1	52	60	3091.8	200.45	437.1	308.7
Ethiopia	1104300	91.7	83	56	41605.4	253.07	1952.8	11875.9
Kenya	580370	43.2	74	55	40697.2	594.62	7283	16406.3
Libya*	1759540	6.5	4	75	62360	-	34910.2	11224.9
Madagascar	587040	22.3	37	61	9975.1	273.44	-	-
Malawi	118480	15.9	134	54	4263.8	219.91	1233.7	2858.3
Mauritius	2040	1.3	633	73	10486	6496.39	-	-
Rwanda	26340	11.5	435	51	7103	389.57	508.7	1653.5
Seychelles	460	0.1	191	74	1128.5	14387.12	658.8	997.2
Sudan	2505810	37.2	17	58	58768.8	837.29	3368.2	6189.6
Swaziland	17360	1.2	71	46	3744.7	2341.4	1948.4	1640.4
Uganda	241040	36.3	151	53	19881.4	405.4	2706.7	6088.0
Zambia	752610	14	19	46	20678	798.26	9644.4	8818.2
Zimbabwe	390760	13.7	35	45	9802.4	430.69	3957.4	6743.2
COMESA	11602951	458.8			577738.4			

(*) indicates that the population and GDP of these countries is drawn from the world bank database in the year 2010 due to the unavailability of data in 2012.

**Import and Export data are taken from the COMESA data base: http://comstat.comesa.int/DataQuery.aspx

Source: Calculations are made by the author based on data gathered from World Bank database. http://databank.worldbank.org/data/views/reports/tableview.aspx

II. MATERIALS AND DATA COLLECTION

The data collection and analysis method applied to examine the above mentioned research question involved extensive study of quantitative data from various secondary sources. Limited qualitative data was also employed. The descriptive research method along with its exploratory tools was utilized in the data collection and analysis processes.

For this purpose, wide range of secondary sources from journals, books, annual reports, government publications and research works contributed much to the research. To mention least; Reports and databases of World Bank, African Economic Outlook, COMESA's Periodicals, Economic Intelligence Unit (EIU), COMSTAT, and UNCTAD.

The specific types of data gathered for this research highly concentrated on Eritrea's Intra-COMESA and Extra-COMESA trade, global trade of Eritrea, real GDP growth, GDP per capita, FDI, and Eritrea's top global and regional trade partner's share. After gathering corpus of data, computation of certain indices for measurement along with searching for patterns of relationship that exist among the data groups started. The key aspect in this comparative examination of the varieties of data was the relationship between the regional economic integration and economic development of Eritrea. Through descriptive method of analysis the paper contextualized the economic development of the country in relation to the wider frame of COMESA bloc.

III. LITERATURE REVIEW

Countries engage in regional economic integration to foster their abilities to compete, to get access to large market, to exploit their comparative advantage in their production, to gain more bargaining power in the globalized world and etc.Even though, these are some of the thought aims of their engagement, proponents and opponents of the existence of positive relationship between economic integration and economic development present their arguments in different forms. Some scholars (Schiff & Winter, 2003)[6] believed that although regional economic integration raises inequality of income among individual member states, it has positive impact on the overall economic growth and development of each member state. Contrary ideas emerge (Maruping 2005)[7] focusing on the country's vulnerability caused by higher integration with other countries. The Financial crises which occurred in 2008 in the USA were one fact that exposed other countries' financial institutions and economic growth. Bahgwati& Krueger (1995) [8] highlighted that integration dominate the rights of individual countries and interfere in their domestic economic policies, and as a result such countries are exposed to unpredictable future.

Theories and praxis of regional integration possess multidimensional aspects that are related to each other in systemic manner. But above all, the welfare dimension of integration occupies a higher focus in many researches carried out on economic integrations. In other words, in the main stream/conventional economic theories, free trade is superior to all other trade policies, and hence becomes the foundation of preferential trade agreement that explain the welfare effect trade among integrated nations. In this direction, a diachronic analytical scheme is developed by Carbough (2004) [9] that attempts to examine the costs and benefits of economic integration in terms of static and dynamic effects of economic integration. Hoekmanet. al. (2002) [10] have suggested that the degree to which the regional economic integration extends beyond preferential elimination of barriers to trade in goods received particular importance to developing countries.

Furthermore, Hoekman et al. (2002) [10]have coined that the economic effects of regional integration include trade creation, trade diversion and transfers. According to Todaro& Smith (2006) [11], trade creation of regional economic integration occurs when high cost production in the rest of the world is replaced by low cost production in the partner country. However, trade diversion arises as a result of substitution of imports from the low cost of production in the rest of the world by imports of high cost of production in the partner country. "Trade diversion is normally considered undesirable because both the world and member states are perceived to be worse off as a result of the diversion of production from efficient foreign suppliers to the less efficient domestic industries of member states"(Todaro& Smith 2006: p.647). The overall gains depend on the relative strength of the two opposing forces, trade creation and trade diversion (Zu& Corpus, 2000) [12].McCarthy (1996) [13] expresses his fear that trade creation might not offset trade diversion in small economies like African countries. Real resources are saved if inefficient production is cut through trade creation but are lost if imports are switched from low-cost to high-cost partner sources through trade diversion. It is therefore necessary to consider effects felt using exports along with those stemming from imports and duty revenue. After all, trade diversion can lead to positive welfare effect if the consumers' substitutions effects (Pomfret 1997) [14] overweigh the loss of revenues which will occur due to the integration of the countries.

Whether economies benefit from a particular regional trade agreementdepends on the scope and coverage of its provisions and the nature of the enforcement mechanism (Fernandez, 1997)[15]. According to Hoekman et al. (2002) the development impacts of economic integration for membership depend importantly on the countries that are involved, the type of agreement, and its substantive coverage.

Recently,AmrSadek (2013)[16] outlined that regional economic integration can serve as means to motivate the involvement of private sector, FDI, and service facilities of a country. To this point, Park & Park (2007) [17] have concluded that it can serve as an incentive for investment and attraction of Foreign Direct Investment (FDI). The structural and institutional reforms that can be created under trade liberalization can motivate private investment in the member countries. Also as (Baldwin &Venables (2004)[18] pointed out, economic integration leads to specialization by ensuring that production is located according to comparative advantage in each member states which can further lead to increased output and services. What is more, Naveh et al (2012) [19] have also pointed out that economic integration can help countries to have access to large market.

Besides, regional economic integration can help developing countries to increase their negotiating capacity. "Formation of a regional unit can increase the bargaining strength of the member countries. This requires an ability to adopt a unified regional position on the relevant issues. This is particularly important for negotiating trade and international commodity agreements with third parties. A prerequisite for this, however, is the coordination of national agricultural and industrial policies. It may be possible to obtain more trade concessions en bloc as opposed to individually (FONDAD 1996)[20].

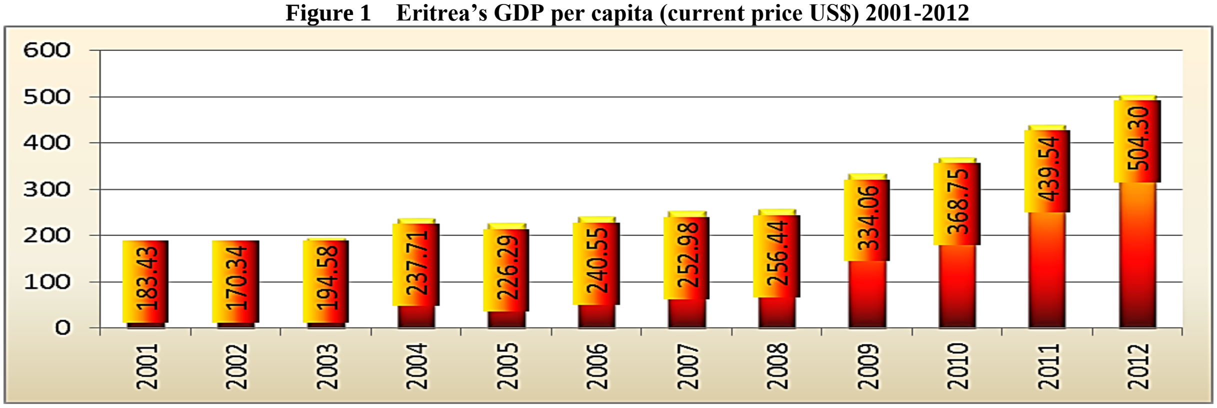
Generally, the benefits of regional economic integration can be seen in terms of larger markets, greater competition, and the realization of economies of scale depending on, the extent to the depth of the integration(Hoekman et al., 2002). Todaro& Smith (2006) have come to conclude that developing countries with similar market sizes and with a strong interest to bring together and rationalize their joint industrial growth patterns stand to benefit from the combined trade policies represented by economic integration. Todaro& Smith (2006) continued to argue that regional economic co-operations of small nations like those of Africa can create economic conditions for facilitating their joint development effort. According to,Maruping (2005)[21] Africa has been using the benefits of regional integration, and globalization as the critical workable development strategy. He continued to argue that the era of isolated tiny national economies has to give way to strategic groupings that harness knowledge and resource based on comparative advantages through integration.

IV. RESEARCH FINDINGS: DATA AND DISCUSSION

A. GDP Per Capita 2001 - 2012

Eritrea's GDP per capita declined from $183.43 in 2001 to $170.34 in 2002, and real GDP growth regressed from 8.8% to 3%. Later, the real GDP continued to shrink in 2003 and by the end of the year was 2.7%. In 2004 and 2005, the GDP per capita increased to US$ 237.71 and US$ 226.29 with a positive real GDP growth rate of 1.5% and 2.6% respectively. In 2007, its GDP growth was positive at 1.4% and its' GDP per capita at US$ 252.8 in which remittances were accounted to an amount of one-third of GDP and the largest source of foreign currency (Healy, 2007) [22]. Later, in 2008, the economy was badly affected by the sharp increase in food and fuel prices which together resulted in shrinkage of real GDP by 10% in real terms, from a growth rate of 1.43% in 2007 reduced by 9.8%. Between 2009 and 2010, Eritrea had a positive real GDP of 3.6% and 2.2% respectively with a corresponding GDP per capita at US$ 334.06 and US$368.75 in that order. In 2011, the GDP per capita of Eritrea was $439.54 which later rose to $504.30 in 2012 due to the new investment in the mining sector especially gold.

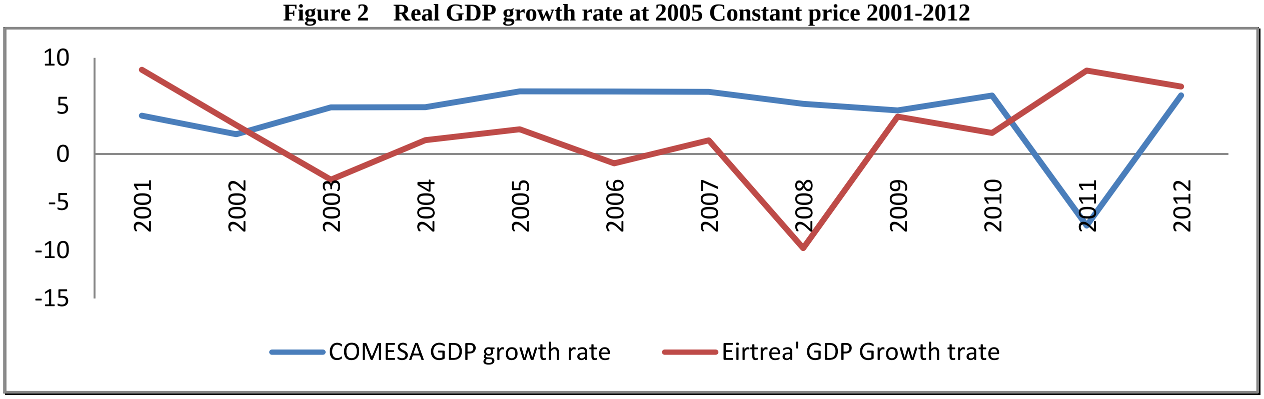
Figure 1 Eritrea's GDP per capita (current price US$) 2001-2012



Source: Compiled by the Author from World Bank database.

Compared to the average COMESA 4.5% real GDP growth rate in the last 12 years, Eritrea's average real GDP growth rate was the lowest of all member states witha 2.1% increase rate. For example, in 2012, Ethiopia and Zimbabwe ranked among the top five countries in Africa with highest economic growth, while Eritrea's real GDP growth showed slight improvement depending entirely in the mining sector. The growth was mainly stimulated by favorable harvest and the mining sector, which has attracted substantial foreign direct investment (World Bank, 2012) [23]. In 2011 and 2012 the real GDP growth of Eritrea was 8.7 and 7.02 respectively. The agricultural production and food security also improved in Eritrea in the latest three years due to good distribution and duration of the rainy season and widespread construction of dams across the country. The revenue earned from the new gold mining sector helped the country to improve its reserve problem which influenced its ability to import goods from the international market. The improvement of its reserve might result to increase its investment in capital goods which will have long run impact on the economic development and sustainability of the country.

Figure 2 Real GDP growth rate at 2005 Constant price 2001-2012



Source: Compiled by the Author from World Bank and UNCTAD databases

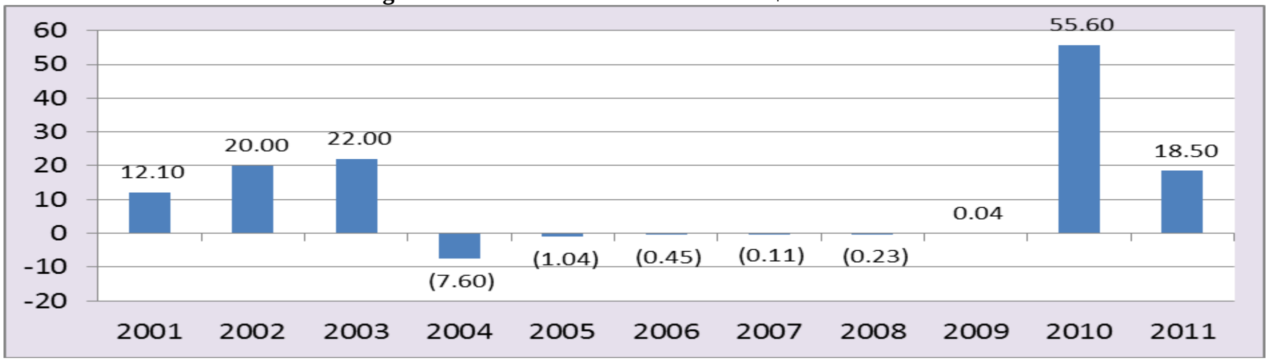
B. Eritrea's FDI in 2001-2012

Despite the effect of the Eritro-Ethiopian War (1998 – 2000), in 2001 - 2003 Eritrea was still attractive for FDI, and an estimated amount of US$12.10 million, $20 million and $22 million investment in those years existed in the country. In the next four consecutive years, the country's investment sector in general and foreign investment in particular regressed dramatically to negative due to the closure of major NGOs activities in the country for diplomatic and higher concerns of national security reasons. Furthermore, the use of price controls, regulations and rationing, particularly of foreign exchange (European Commission Report 2007) [24] created an unfavorable business environment.

The country's relations with international organizations and countries strained badly even though the government of the country tried to normalize foreign relations and introduce investment policy reforms to attract investment. The country introduced motives and incentives in the investment sector through prioritizing of foreign exchange allocation to exporters, up to 100% retention of foreign currency earnings, no tax on dividends declared, 2% customs duty on capital and intermediate goods, and industrial spare parts(Berhane 2012) [25]. In 2009, with the exploration of gold and silver mining prospects coupled with the investment incentives to foreign companies, the country was able to attract ample mining investments. Consequently, the country got US$ 55.6 million foreign direct investment in 2010.

As a result of the government's ability to attract foreign investors, mainly mining companies, the Bisha Mining Project launched exploration operation in 2003, and by early 2011 the project assumed an extraction phase. A Canadian company, Nevsun Resources, run the project, and the government shares a 40% stake(Natnael 2013) [26].Gold and copper ores make the prominent reserve of the mining area with small quantity of silver and zinc. Recently, the project made an agreement with Chinese companies for truck and other heavy equipment supplies particularly aiming at oil and gas exploration opportunities(Tesfa News 2011) [27].

Figure 3 FDI in millions at current US$ 2001-2011



Source: compiled by the author from UNCTAD stat and COMSTAT databases

C. Eritrea's Trade Development in 2001-2012

Foreign trade owes least contribution to real GDP in this period due to introduction of trade restrictions, and suspension of economic and trade relations with Ethiopia following a yet unresolved border conflict. As we can see from table 1, the total trade of Eritrea in the global economy increased by 60.17% from $201.77 million in 2002 to $323.64 million in 2003 and then decreased slightly by 0.45% in 2004 until it significantly declined by 27.95% in 2005 and 2006. This decrease in trade was resulted due to strict transfer of hard currencies and trade restrictions introduced by the government to hold the external imbalances resulted from fiscal deficits(European Commission Report 2007). The country's trade with COMESA rose by 4985.1% from $2.08 million in 2002 to $99.58 million in 2012 compared to an increase of 446.63% trade with the rest of the world during the same years. The country's trade with COMESA member states however hiked from 11.6% to between 2001 and 2012. And trade relations with Sudan reopened in this period.

Eritrea has shown progress in its trade volume with its COMESA member states but it has not yet exploited to the level expected. Thus, the contribution of its trade with COMESA towards the improvement of its GDP growth was negligible. This is due to the fact that all the COMESA member states export primary resources and imports manufactured goods. On the other hand, its trade with the rest of the world, other than COMESA, had increased by a larger percentage. The reason is that the country enjoyed the reduction of import tariff provided by the European Union under special treatment given for underdeveloped countries to every merchandize product, except arms (African Economic Outlook 2012p. 7) [28]. And, it had been in continuous negotiation for a broader economic partnership agreement with the EU as a member of the COMESA region.

Eritrea's international trade poses large deficits, although some improvements began to appear in the balance of trade in recent years. Boosted primarily by remittances from the Diaspora citizens(Fessehazion 2005 p.7) [22], which contributed about 10.4 million in USD in 2003 [29, p. 174] and rose more in the next years. Due to inadequate infrastructure and traditional agricultural production methods, Eritrea's non-mining trade and production is still low and barely satisfies domestic consumption. According to the African Economic outlook report (2012) the major barriers to trade include trade licensing requirements for all private imports, inadequate infrastructure, inefficient and lengthy customs processing, weak communication and information technologies, and limited export incentives. Nevertheless, the agricultural products' tariff protections are much less restrictive compared to non-agricultural products. The global and regional trade performance of Eritrea is presented below in table 2 below for more information.

Table 2 Eritrea's Global trade in millions 2001-2012

	Intra-COMESA			Extra-COMESA			Total world Trade		
	Export	**Import**	**total**	**Export**	**Import**	**Total**	**Export**	**Import**	**total trade**
2001		-		-		-	0.12	1.56	1.68
2002	0.06	2.02	2.08	7.07	192.6	199.69	7.13	194.64	201.77
2003	0.45	7.79	8.24	6.28	309.2	315.43	6.73	316.91	323.64

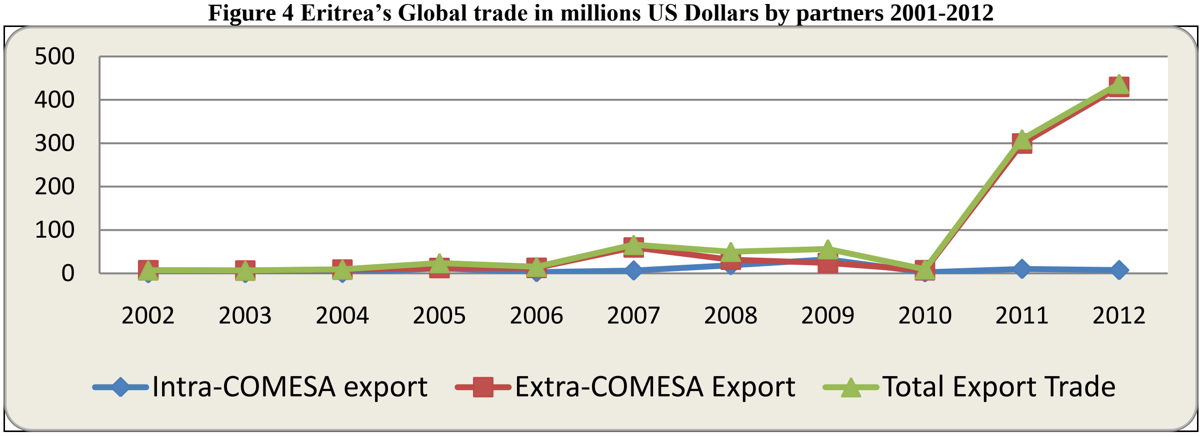
2004	0.64	3.24	3.88	8.62	309.7	318.3	9.26	312.92	322.18
2005	11.59	15.51	27.1	12.2	258.8	271.03	23.79	274.34	298.13
2006	2.63	26.62	29.25	12.62	191.3	203.93	15.25	217.92	233.17
2007	6.35	4.89	11.24	59.61	162.5	222.07	65.95	167.35	233.3
2008	18.59	24.09	42.68	31.3	261.8	293.07	49.9	285.86	335.76
2009	32.13	21.09	53.22	23.87	241.4	265.22	56	262.44	318.44
2010	2.14	155.5	157.7	7.19	224	231.19	9.33	379.54	388.87
2011	10.02	94.85	104.9	299.4	385.6	684.98	309.41	480.24	789.65
2012	7.289	92.25	99.53	429.8	216.5	646.322	437.12	308.73	745.85

Source: Compiled by the Author from COMESA database

D. *Eritrea's Export in the Global Economy*

Close examination of the total export of Eritrea to COMESA member states and non-COMESA reveals unstable and instantaneous fluctuation in the trade partnership and alliances. By 2002 Eritrea exports to COMESA represents a tiny portion, 0.84%, as compared to non-COMESA 99.16% of its global export trade. In 2003 the intra-COMESA export gradually began to rise up to the level of 6.69%. The following years witnessed sharp rise in the intra-COMESA trade into $6.28 million48.72% in 2005, and this is largely attributed to the reopening of Eritro-Sudan trade relations, and possibly to the emergence of the 'will be' a new country by then South Sudan. In 2007 however, the intra-COMESA trade declined into 9.63%, while in 2005 it suddenly rose into 37.25%. This figure mostly represents Eritrea's trade with Sudan because in 2008, because of the global financial crisis, Eritrea shifted its international trade partnership to Sudan. This trend continued up to 2011, when Eritrea began its first gold export to the world trade, and by 2011 and 2012 non-COMESA trade volume bounced into $299.4 million and $429.8 million. The rise in the extra-COMESA export in 2011 and 2012 was due to the export of gold and silver from the mining industries. On average, the COMESA region took only an average of 19.32% of Eritrea's total exports during the period 2001 to 2012. The implication is that Eritrea has not exploited the advantage of her membership to COMESA, with the existence of preferential trade arrangements (Zarai&Ihiga 2007).

Figure 4 Eritrea's Global trade in millions US Dollars by partners 2001-2012



Source:prepared by the author from COMESA database

Global export values rose by 9.5% in 2011 compared to 1.1% decline in 2012 mainly occurred due to a rise of gold price and silver, which together dominates exports.

Table 3 Eritrea Export by Trade partners in millions US Dollars 2006-2011

	2006	2007	2008	2009	2010	2011	2012
Canada	0.09	0.02	0.01		0.23	292.08	410.6
COMESA	2.63	6.35	18.6	32.13	2.14	10.02	7.29
EU	7.57	54.01	5.13	11.79	4.5	5.18	2.88

China	0.64	2.27	2.17	0.91	0.95	0.78	1.39

Source: Prepared by the author from COMESA database

In 2012 Eritrea exported US$437.12 million worth of products to different markets around the world, and commodities include crops, livestock, small merchandize, textiles, gold, and silver. The major export markets for Eritrea's products accordingly were Canada, COMESA, EU and China. For instance, Eritrea exported $410.6 million worth commodities to Canada primarily gold. Recently, fish, flowers, and salt were added to the export list. This resulted in a positive current account payment balance in its economy (African Economic Outlook 2012, p.7).In contrary, trade link between Eritrea and COMESA remained minimal for many reasons such as, higher transportation cost, the unawareness of the Eritrean producers and licensing problems. As a result, Eritrean producers and businesses prefer to export their goods in Middle East countries and Europe instead of export to COMESA market.

Table 4 Eritrea's top COMESA Export trade Partners, 2005-20012

	2005	2006	2007	2008	2009	2010	2011	2012
Kenya	10.54	0.38	0.01	5.22	28.74	0.02	8.29	3.18
Egypt				0.02	0.01	1.8	1.23	3.29
Sudan	0.74	1.48	6.17	9.86	1.76	0.04	0.33	0.07
Uganda	0.14	0.02	0.01	0.24	0.71	0.16	0.08	0.18

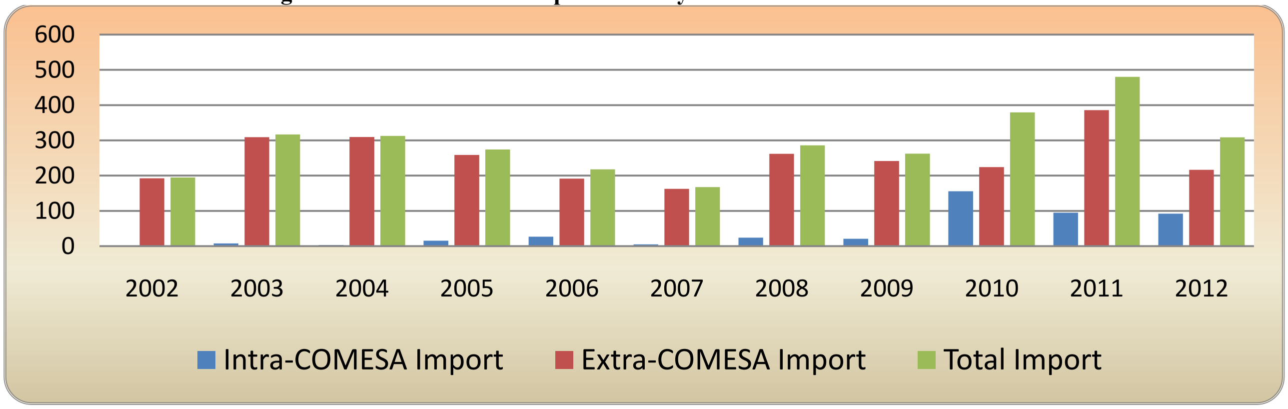
Source: COMESA data base

Eritrea's top COMESA export trade partners as indicated in table 3 were Kenya, Egypt, Sudan and Uganda respectively. For instance, in 2012, Eritrea exported a value of US$3.14, $3.29 and $0.07 million to Kenya, Egypt and Sudan in order. The entire exports to COMESA during the past 8 years, comprises nine products with Vegetable materials; Natural gums; and Articles of iron or steel used for household purposes taking the majority of these exports (Zarai&Ihiga, 2007).

E. Eritrea's Global Import Trade in 2001-2012

Eritrea in 2002 imported $194.64 worth of goods out of which only $2.02 million worth was imported from the COMESA member states (see Figure 5). Import increased the following year by 62.82% (US$316.91 million)but still the imported goods from COMESA's share remained, 2.46%, as compared to non-COMESA import - 98.96%. The total import of Eritrea regressed to $274.34 million in 2005 until it reached the lowest in 2007 which was $167.35 million from $312.92 million in 2004. The decline of imports in these years was mainly due to the tight import permit regulations implemented in mid-2003 whose real impact began exhibiting impacts three years later and partly due to satisfactory harvest which reduced the need for massive cereal imports (Zarai&Ihiga, 2007). This also influenced negatively the intra-COMESA import in these years and particularly in 2007 which was $4.89 million in comparison to $26.62 million in the previous year. In 2008, the total import progressed to $285.86 million until it reached the peak $480.24 million in 2011. The intra-COMESA trade also increased to $155.54 million in 2010 and $94.85 million in 2011 that covered 40.98% and 19.75% of the global imports of the country respectively. The high value of imports during these years was the result of large imports of cereals and cement because of the severe drought that had occurred during these years and also partly to supply the materials for the country's huge construction programs' needs (Zarai&Ihiga, 2007).

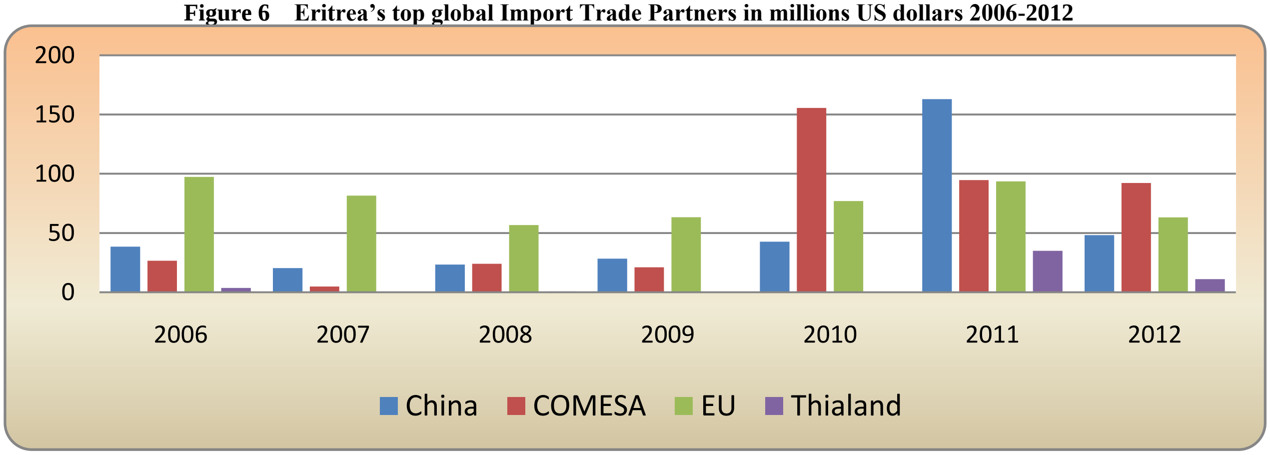
Figure 5 Eritrea's Global Import trade by Partner in millions 2001-2012



Source: Drawn by the Author using data gathered from COMESA data base

In 2011, Eritrea imported goods worth US$480.24 million, including machinery, petroleum products, food, and manufactured goods and the main suppliers were China, COMESA, EU, Thailand and South Africa in order. In the same year, China supplied Eritrea about $162.97 million worth of goods like machinery and other technological instruments. The intra-COMESA import trade improved in 2010 to $155.54 million due to the petroleum and gas imports from member countries.

Figure 6 Eritrea's top global Import Trade Partners in millions US dollars 2006-2012



Source: Compiled by the Author from COMESA database

Eritrea's top import markets from the COMESA region were Egypt, Sudan, Kenya and Uganda respectively as shown in the table below. For example, in 2012 Eritrea imported $63.26 million worth of commodities largely wheat and cement for its infrastructure constructions from Egypt. Next to Egypt was Kenya which exported $25.36 million worth of commodities to Eritrea.

Table 5 Eritrea's top COMESA Import trade Partners in millions US Dollars, 2005-2012

	2005	2006	2007	2008	2009	2010	2011	2012
Egypt				5.85	11.68	63.66	67.46	63.26
Sudan	0	17.01	0.02	13.67	1.61	85.16	20.73	25.36
Keniya	15.22	8.74	4.84	3.7	6.05	5.29	4.46	3.44
Uganda	0.26	0.47	0.03	0	0	0.1	0.41	0.18

Source: Prepared by the author from COMESA database

Among the major products imported from the COMESA region during the period 2001 to 2012 were cement and cereals, which took 24.7% and 21.2% of total imports from the region during the same years.

The major imports of Eritrea including petroleum oils, coffee, and pipes, and vegetable oils constitute about 70% of the total imports from COMESA member countries.

V. CONCLUSIONS

Based on the descriptive research results, there were improvements and progresses made on the total trade volume of Eritrea with the COMESA member states. The Country's trade with COMESA as a percentage increased from 1% in 2002 to 41% in 2010 having a lot of trends within these years. But, it is only 11.6% on average of Eritrea's global trade went to COMESA in these years. Compared to Eritrea's global exports and imports, its COMESA exports and imports share was on average of 19.32% and 12% respectively. Although these were the improvements made on trade volumes with COMESA member states, its trade share in the integration was still negligible at less than 1%.

There was no any impact on the real income of consumers resulted due to lesser price charge by the integration and no consumer choice availability of consumable goods had enjoyed during these years. In addition to that the producers and business did not take advantage of the reductions on tariffs and taxes made in the integration to exploit and enjoy the COMESA market. There was no any indication of trade creation for the Eritrean businesses from the COMESA market. Thus, from these research findings, it can be concluded that there was no any static welfare benefit enjoyed by the country from its integration with COMESA in these years.

COMESA as an economic integration had been working progressively on the infrastructure and communications sector to link the member states and to create favorable pre-condition for investment. And it had also progressed in creating cooperation among member states in the energy sector of the integration noticing the importance and impact of energy on the integrations' economic development. Eritrea as member of the integration had not benefited from these progresses and had been suffered because of shortage of energy. Therewas no any investment coming from the member states to the Eritrean economy. All the FDI of the country was coming from the rest of the world particularly from Canada, Europe and China. So, Eritrea had not gained any dynamic welfare benefits from this integration during these years. The Eritrean Businesses also did not benefit from economies of scale due to the integration.

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