

EVIDENCE AND OPPORTUNITY: 2.0

Second Report on Ireland's Trade
with its Key Partner Countries in Africa:
2011-2014

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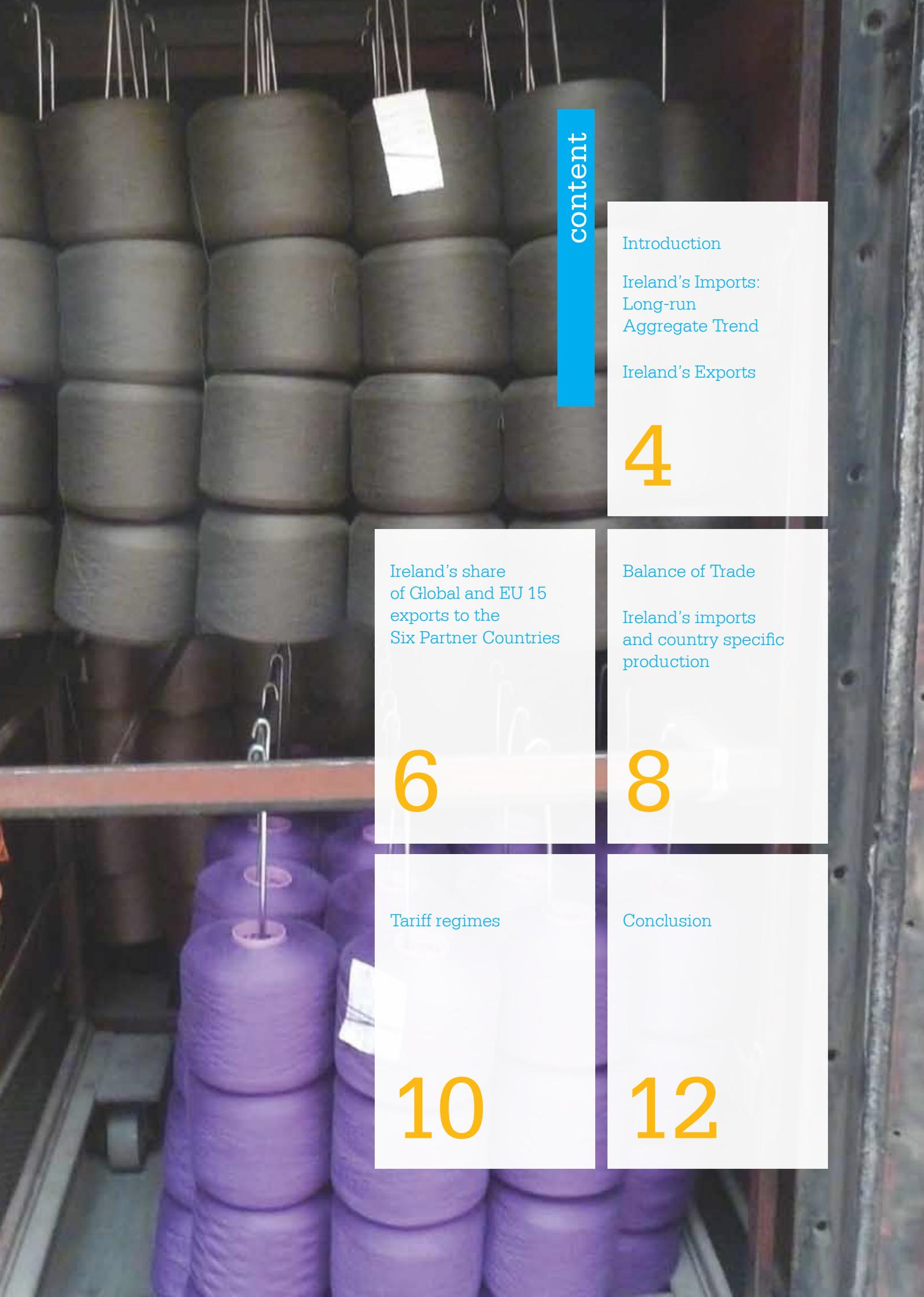
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Introduction

This update examines recent (2011-14) trends in Ireland's trading relationship with the six African countries with which it has a long established development assistance partnership. These Countries are Ethiopia, Lesotho, Mozambique, Tanzania, Uganda, and Zambia. This briefing paper is an update to an earlier (2011) study: *Evidence and Opportunity*¹, which involved an in-depth analysis of Ireland's trading relationship with the above mentioned countries over the preceding sixteen-year period 1995-2010.²

Ireland's Imports: Long-run Aggregate Trend

Previous research conducted for the 2011 report, covering the years 1995-2010, provided clear evidence of a reduction in Irish imports from the six key partner countries in the latter half of that period. The present updated import data for 2011-14, while showing minor increases year on year since 2010 up to and including 2013, again shows a decline in imports for 2014.

This data is indicative of the long-running decline in Irish imports from the six countries. The average annual import total for the six countries for the 2011-14 period, was 64% of the average annual figure for the sixteen-year period covered in the previous study.

Table 1 provides a graph of the long-running decline.

Ireland's Exports

Research for the 2011 study revealed a gradual process of expansion in Ireland's exports to the six key partner countries. This expansion gained pace from 2006 up to

and including 2010 despite a dip in 2008 coinciding with the onset of the global recession. This increase in exports is most likely attributable to a general increase in consumption and demand within those economies. This is evidenced by an increase in worldwide imports by the six countries.

The updated data examined for this report indicates that this increase in exports has been consolidated and continues to grow. With three of the four years are at levels equivalent to or above 2010 levels and all four years being significantly above all years preceding 2010.

In addition, the data on investigation reveal that the trade is not solely confined to one destination country. In fact four of the six show broadly similar levels.

Following a similar trading pattern to previous years, the main product exported by Ireland to the six programme countries in the 2011-2014 period, was a chemical ingredient used in the food and drinks industry.

This product category accounted for 51% of the total volume of Irish exports to the 6 countries under study over the four-year period.

¹ Conall O'Caoimh and Patrick McGauley, *Evidence and Opportunity: Ireland's Trade with its Development Programme Countries in Africa*, Value Added in Africa, 2011

² The present report focuses solely on 'Merchandise Trade', that being the trade in physical goods. The report is based on

an analysis of a series of extractions from two sources: firstly, the Eurostat 'Comext' database, which compiles data from each EU country; and secondly, the UN 'Comtrade' database which compiles data on almost 200 countries. Strengths and weaknesses of the data source were considered in the 2011 Report.

table 1

Ireland's imports from the 6 countries 1995-2014 (in Euro)

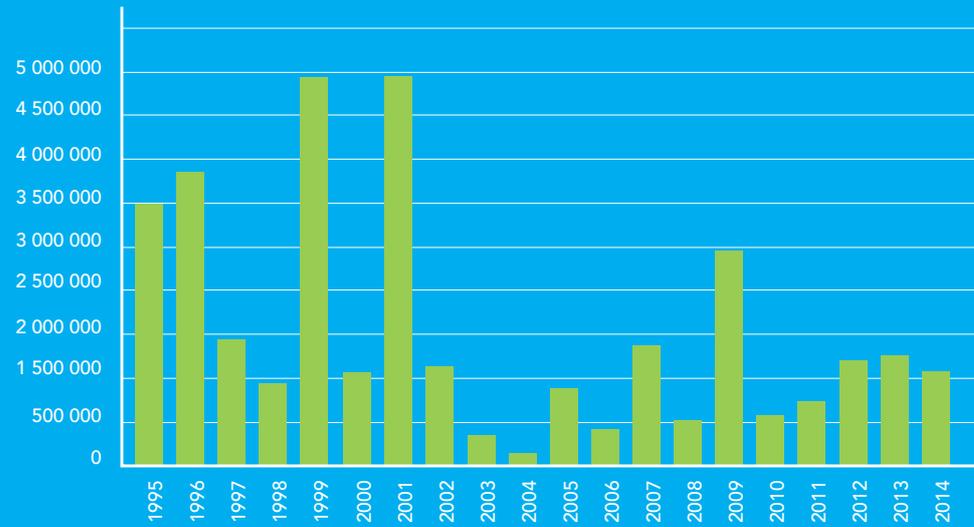


table 2

Ireland's exports to the 6 countries 1995-2014 (in Euro)

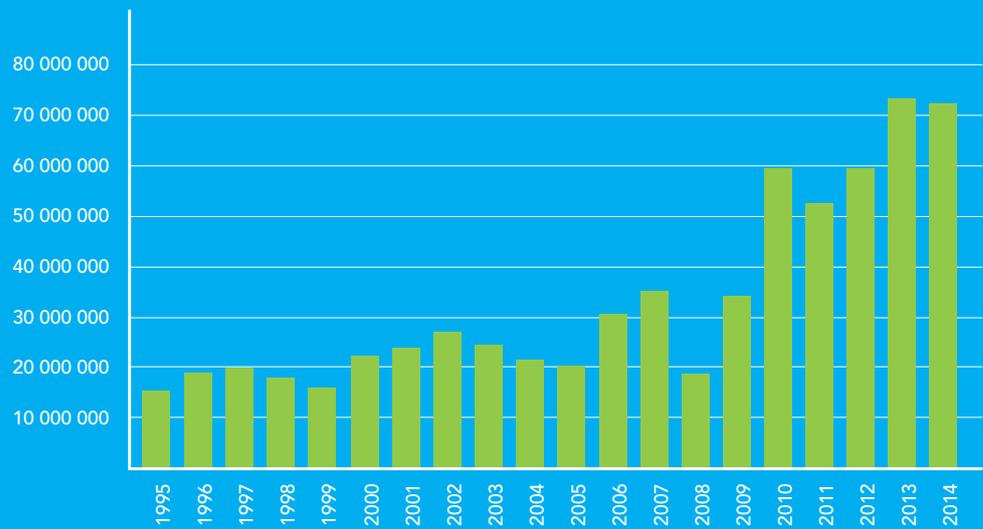
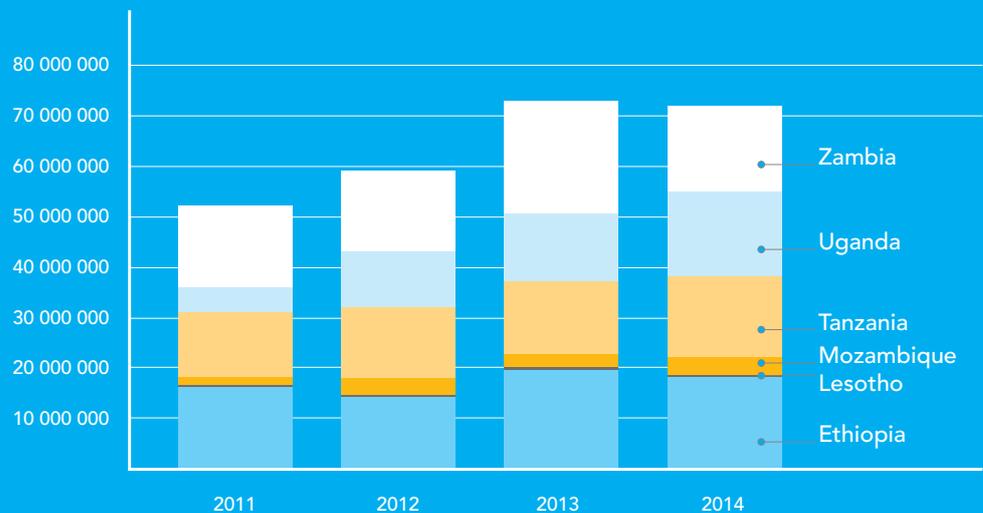


table 3

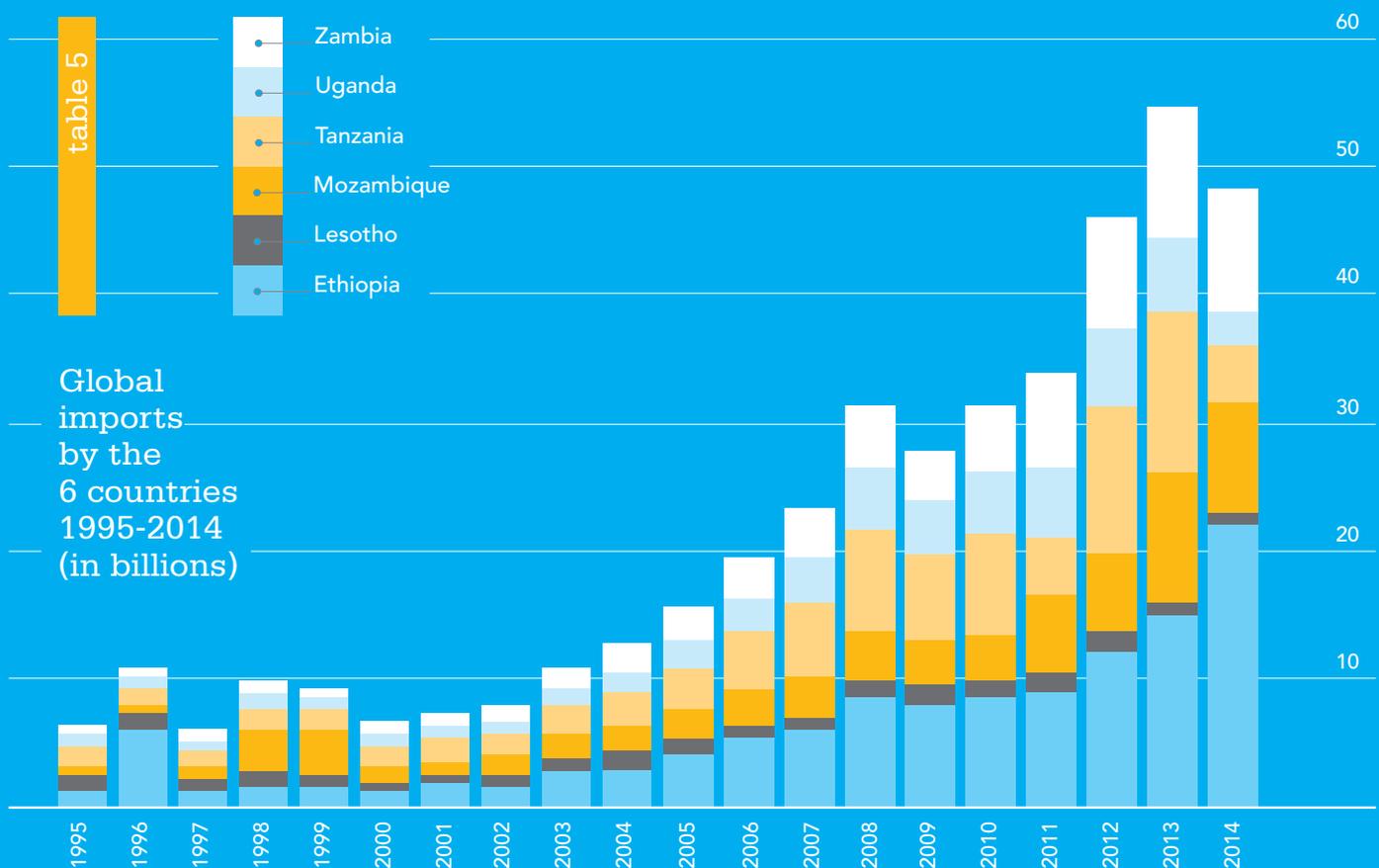
Ireland's exports by country 2011-2014 (in Euro)



Ireland's share of Global and EU 15 exports to the Six Key Partner Countries

Despite the aforementioned expansion of Ireland's export trade with the six key partner countries, Ireland's percentage share of Global exports to the six has remained low at 0.23% for the 2011-2014 period³. While this figure is lower than that for the years included in the previous study (1995-2010, 0.28%), it is an improvement on the four-year period (2007-2010) immediately preceding the years

included in this study which had a percentage share of 0.21%. **Table 4** graphs the long run trend. This low percentage share exists at a time when global imports by the six have been higher each year over the period 2011-14 than any year previous⁴. **Table 5** depicts this data. In addition, Ireland's percentage share of EU 15 exports to the 6 has grown from 1.52% for the 1995-2010 period to 1.73% for the years included in this update (2011-14). This is up from 1.53% for the four years (2007-2010) immediately preceding this update. **Table 6** graphs the long run data.



⁴ When compiling information on the six countries global import/export trade yearly averages were used where no data was available.

table 4

Ireland's % share of global imports by the 6 countries 1995-2014

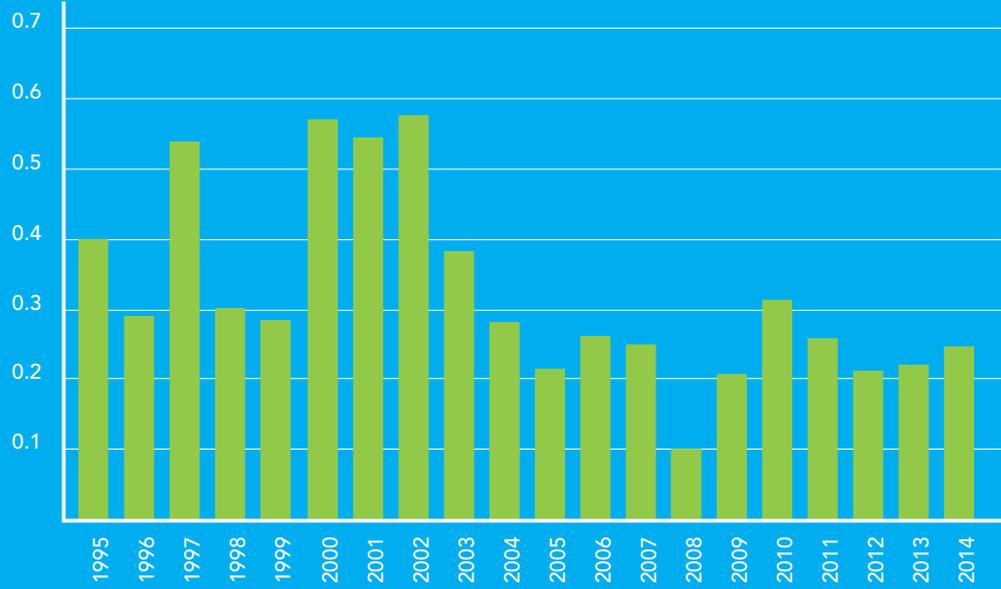


table 6

Ireland's % share of EU exports of the 6 countries 1995-2014



Balance of Trade

The 2011 report clearly indicates the existence of an imbalanced trading relationship between Ireland and the six key partner countries. The data analysed for this update reveals that rather than the relationship becoming more balanced, it has in fact become even more imbalanced in Ireland's favour. Over the sixteen-year period 1995-2010, the ratio of Ireland's exports against imports (**Figure 1**) to the six was 15:1.

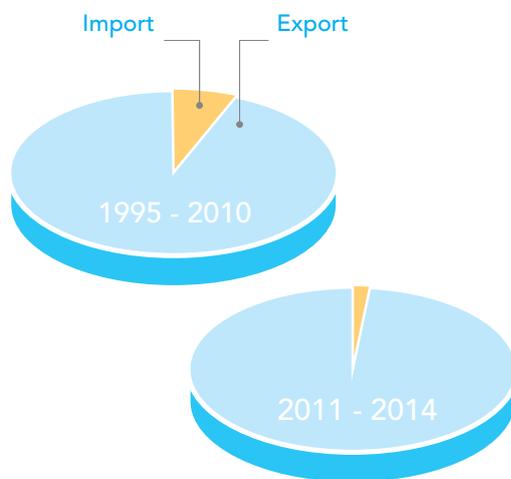


figure 1

In 2011-14 the ratio in Ireland's favour was many multiples of that figure.⁵

There is no doubt that Ireland benefits from increased merchandise demand however the relationship appears not to be a reciprocal one. The advantages accruing to Ireland far outweigh any advantages to the six countries in question.

Table 7 graphs the long run relationship of Irish exports to the six against Irish imports from the six, using 1995 as the base year.

Ireland's imports and country specific production

Table 8 graphs the country specific figures in Ireland's imports from the six countries over

the period 2011-2014. The figures show that Tanzania was the major exporter, with Ethiopia being a close second. However, when one delves deeper into the figures to assess the origin of the products Ireland imports from these countries, a clearer picture emerges as to the true level of indigenously produced goods that are actually imported.

In the case of Tanzania, goods of questionable origin account for 33% of the total aggregate value of Tanzanian exports to Ireland over the period. With the importation by Ireland of 'optical media' in 2013 amounting to 95% of this figure.

A similar case in point is Zambia. Here goods of questionable origin account for 97% of the total aggregate volume of Zambian exports to Ireland over the same period, almost entirely comprised of a single 2012 trade in 'measuring or checking instruments'⁶.

A likely explanation is that the goods in question are second hand products manufactured elsewhere in the world. This is a category that is not specifically 'flagged' in trade statistics. Should goods of a questionable origin be removed from the figures, then the estimated aggregate level of indigenously produced goods imported by Ireland from the six would be reduced by almost 40%. This brings the aggregate value of goods imported over the period down from €4,282,036 to €2,599,056.

Table 9 graphs this adjusted data.

The data also sheds light on a new trade developed with Mozambique, which involves the importation by Ireland of semi-processed 'lead waste and scraps'. This trade accounted for almost 74% percent (€297,252) of the four year aggregate for Mozambique, with similar values being imported in 2013 and 2014.

⁵ The ratio for 2011-2014 is 60:1. The short period to which this calculation relates should be taken into account.

⁶ Known as a profile projector, a type of optical checking instrument

table 7

Index of Irish trade with the 6 key partner countries (1995-2014)

(INDEX 1995= 100%)

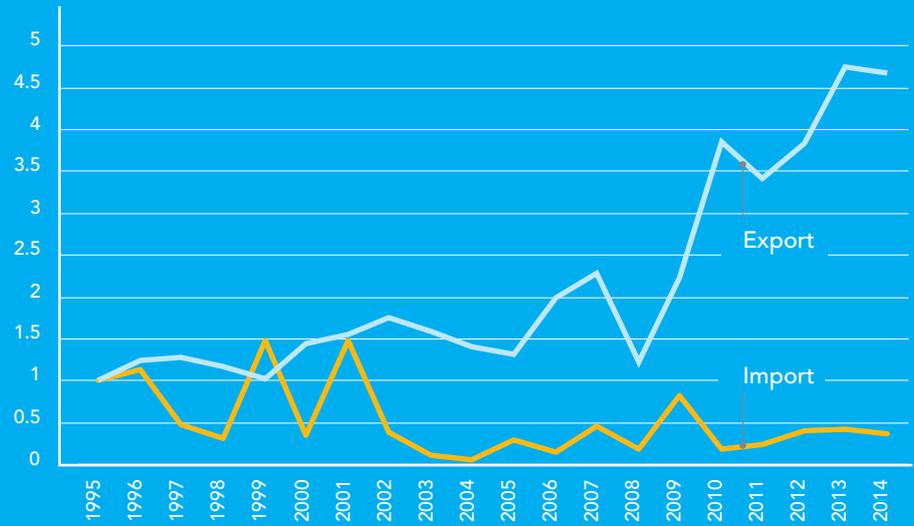


table 8

Ireland's imports by country 2011-2014 (in Euro)

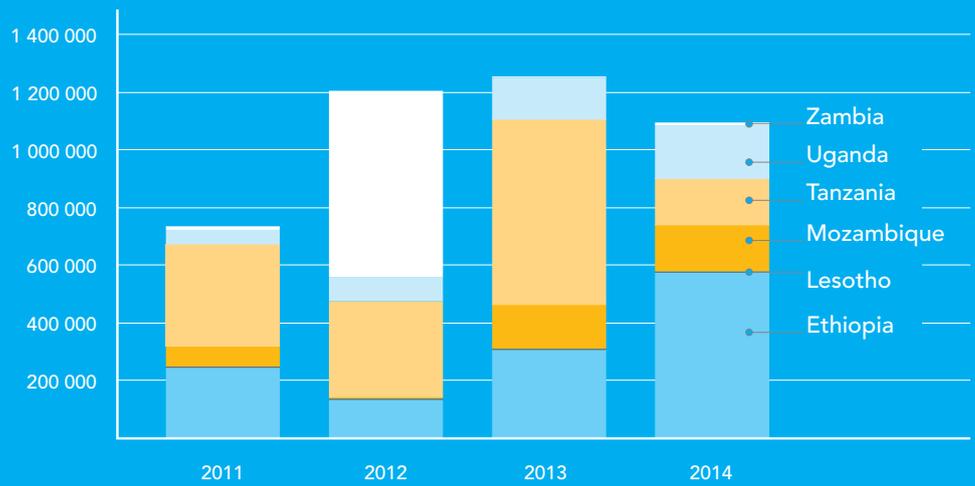
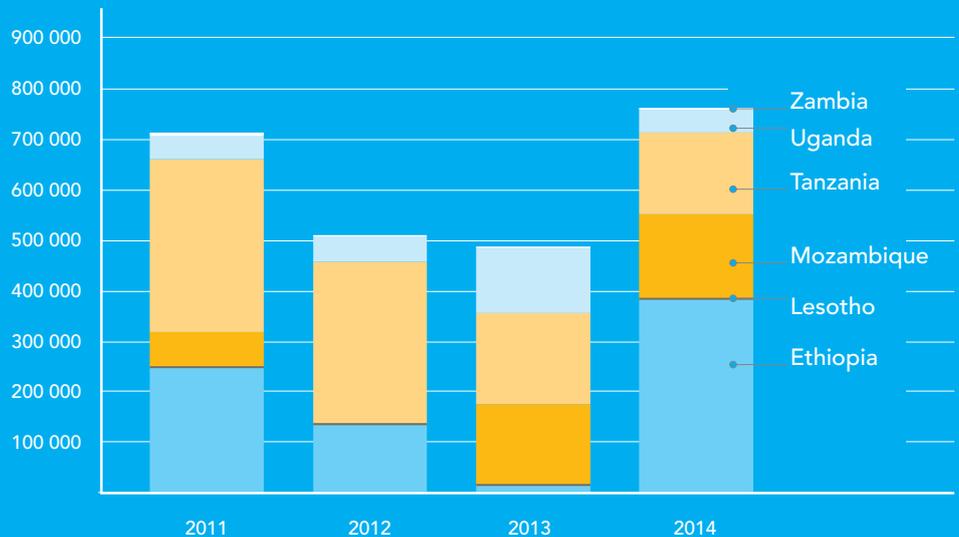


table 9

Ireland's imports by country 2011-2014 minus goods of questionable origin



Tariff regimes

Table 10 depicts the tariff regime utilised in relation to imports from the key partner countries for the period 2010-2014.

The majority of imports (75%) are constituted by unrefined and marginally processed goods entered at a rate of zero percent under the Most Favoured Nation⁷ (MFN) regime.

As such the products would have entered Ireland at zero percent irrespective of where in the world they originated.

In addition, 22% of the goods imported during this period were subjected to MFN tariff rates.

These goods, (marked orange in Graph 10), almost 80% of which originated in two countries Zambia (60%) and Uganda (18%),

⁷ MFN – Most Favoured Nations tariff is the highest tariff on a good which the EU would be allowed to apply under the WTO rules, meaning same or worse treatment than developed countries.

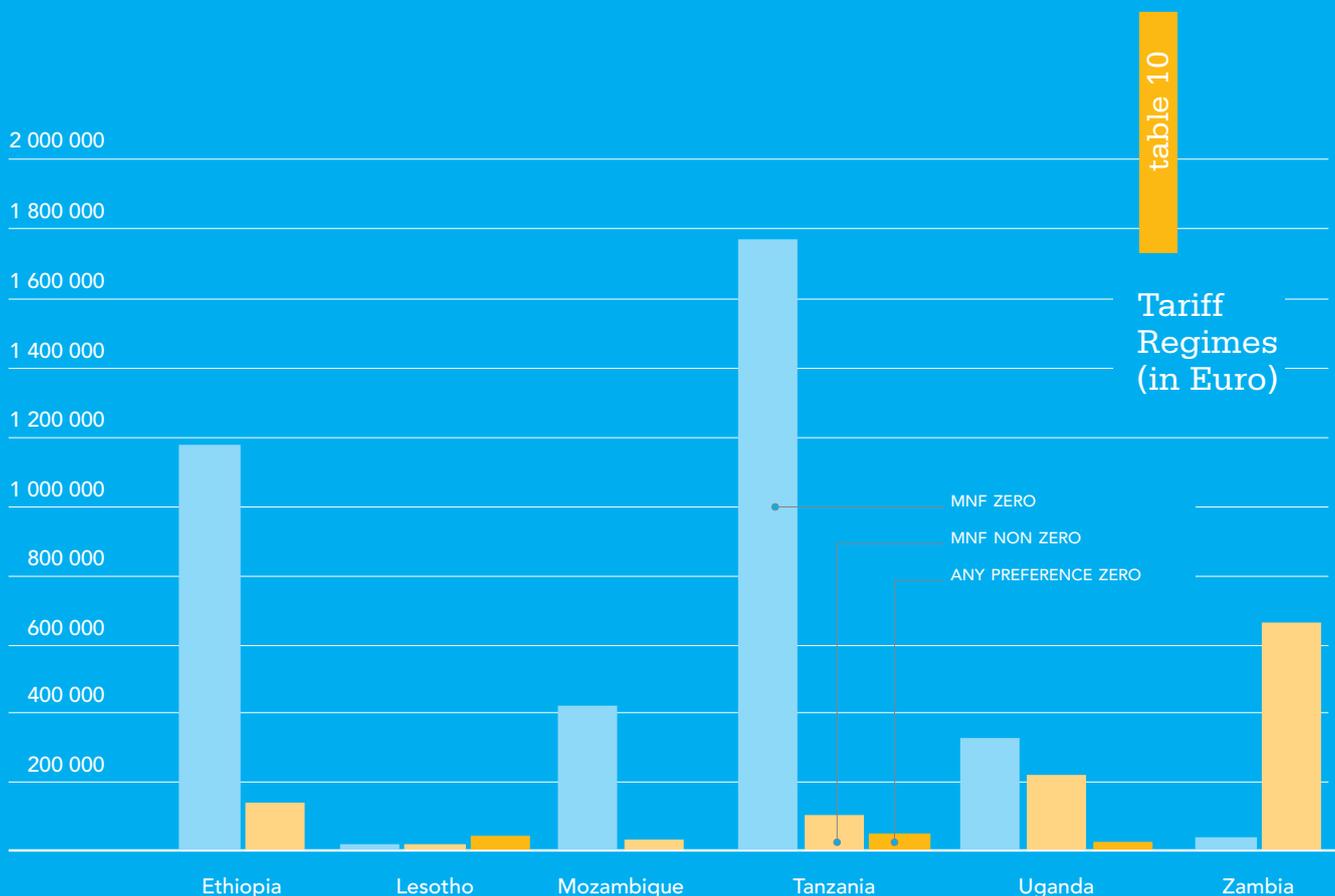
⁸ The EU's "Generalised Scheme of Preferences" (GSP) allows developing country exporters to pay less or no duties on their

exports to the EU. This gives them vital access to EU markets and contributes to their economic growth. A variant of which is the Everything But Arms Agreement (EBA) for least developed countries (LDCs), which grants duty-free quota-free access to all products, except for arms and ammunitions.

paid MFN rates despite each of the six programme countries being eligible for other more favourable trade conditions under the Generalised Scheme of Preferences (GSP)⁸. Regardless of the trade preferences available to LDC's which the programme countries could have claimed, a somewhat startling figure of under two percent (1.95%) of imports actually entered Ireland under the auspices of any preferential trade regime. This figure is down from the 14% recorded for the four-year period (2006-2009) considered for the investigation of tariff use in the 2011 study **Evidence and Opportunity** where Lesotho alone sent garments valued at half a million euro. The total value of goods that availed of any preference was €94,692 for the 2010-2014 time frame. The data indicates that Tanzania

has been to the forefront of availing of preferential regimes sending products valued at €46,450, with Lesotho €39,884 and Uganda €8,358 supplying the remainder.

This reduction in the use of preferential tariff regimes when entering Ireland raises a number of questions. The average usage of preferences across the EU15 is far higher than in the Irish case, with 97.34% of the goods eligible actually availing of preferential regimes compared to just 8.11% in Ireland. Further research would be needed to ascertain if Ireland's divergence from the EU trend is caused by statistical errors, lack of information by importing companies, categorisation practices by port authorities, or by other policy issues.



Conclusion

Analysis of Ireland's trading relationship with its six longstanding key partner countries in recent years, indicates that Irish imports from the six continue on their long-term decline. The relationship has become even more imbalanced than was shown in the 2011 study, **Evidence and Opportunity**. Meanwhile, Ireland's exports to the six continue to grow significantly.

In terms of the balance of trade between Ireland and the six countries the situation has unsurprisingly worsened from a development point of view. The 2011 study revealed an import/export ratio of 15:1 in Ireland's favour for the 16-year period under consideration. The present study has found that during the 5-year period under review the ratio is now 60:1 in Ireland's favour. This is a product of both falling imports and significantly increased exports by Ireland.

On first analysis, the fall in Irish imports from the six key partner countries might be explained by changes in the nature of Irish manufacturing. However, imports by other EU countries have not declined in similar fashion.



Further research might valuably examine why other new business relations did not replace the fall-off. At this rate, even the existing low level of Irish imports must be considered vulnerable. Efforts are needed to establish new export links from the key partner countries into Ireland.

The five years under review coincide with the period since Ireland's Africa Strategy was launched in 2011. That strategy states:

We are moving towards a more balanced and mature set of relationships with African countries, incorporating stronger political exchange and sustainable two-way trade and investment flows.⁹

The data shows that far from making progress towards such two-way flows, the relationship is becoming progressively less balanced. Greater efforts are needed by policy makers to balance the trade relation and reduce the dependence upon imports by just a small number of Irish companies.

The current study also indicates that although the six key partner countries are now importing more globally than at any other time, Ireland's percentage share of their

markets has not kept apace. That said, the data shows Ireland's share of EU exports to the six has risen slightly.

Preferential tariff schemes are a policy area on which Ireland has placed much emphasis in policy fora – including championing the introduction of the **Everything But Arms Initiative** and the **Economic Partnership Agreements**. Analysis of the data raises a number of questions about the efficacy of the preference regimes in place. Less than 2% of Irish imports from the six key partner countries actually benefitted from preferential trade rules at zero percent. As most Irish imports from these countries are raw unprocessed goods, a zero percent tariff would have applied no matter where in the world they originated. Of significant concern is that 22% of Irish imports from the six key programme countries actually paid tariffs. Again in this area Irish operations differ from the European trend, as 97% of imports by the EU-15 during the period paid zero tariff on entry. Further research will be needed to confirm what causes this in Ireland's case.

⁹ The Department of Foreign Affairs And Trade (DFA) 2011, Ireland and Africa: Our Partnership With a Changing Continent, DFA, Dublin, Viewed 3rd December 2015, <https://www.dfa.ie/media/irishaid/allwebsitemedia/20newsandpublications/publicationpdfsenglish/africa-strategy.pdf>

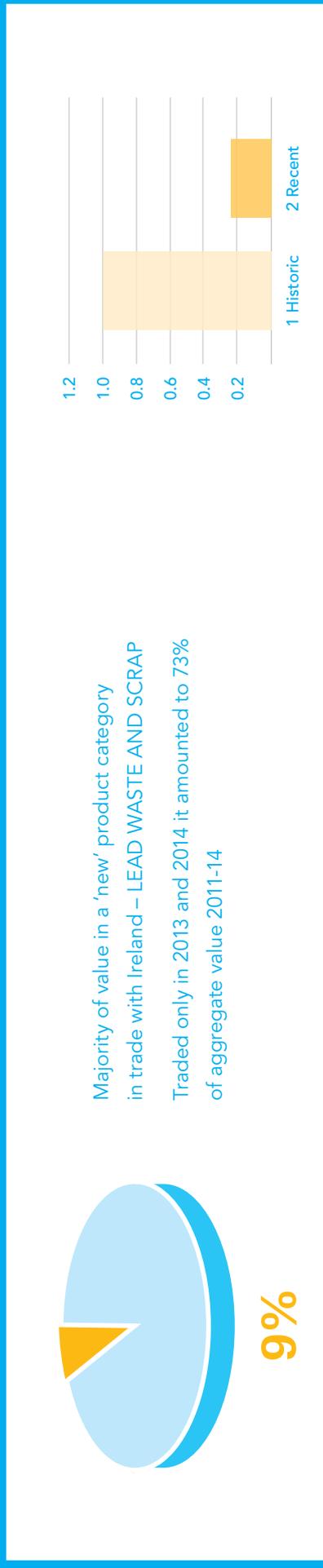
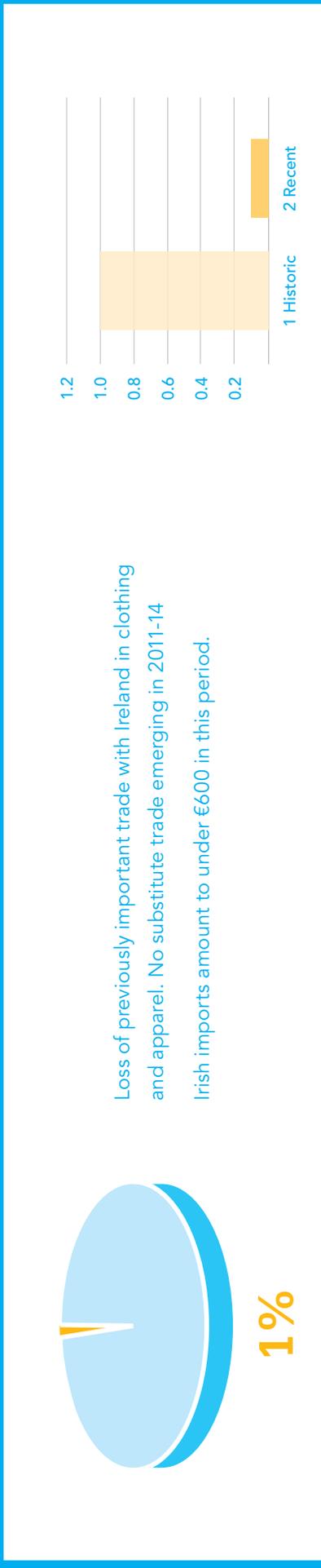
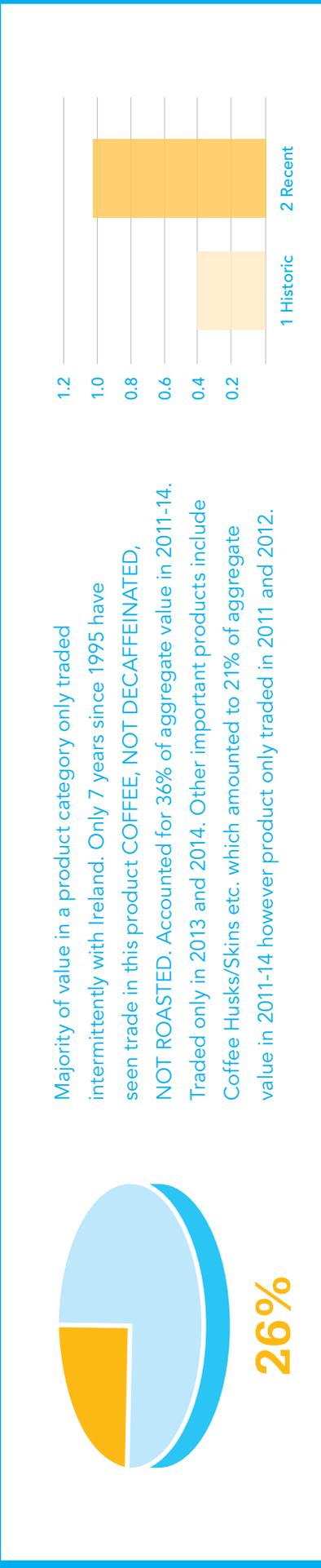


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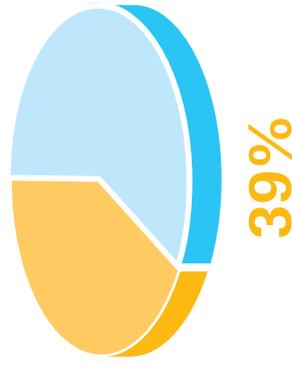
Share of Aggregate Imports (2011 - 2014)

Highlight Products/Trends (2011-2014)

Historic Comparison Ratio of Historic (1995-2010) to Recent (2011-2014) trade (averages)



Tanzania

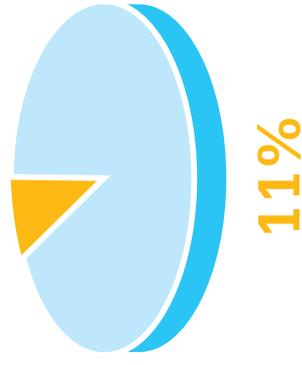


Major exporter in the group.

Unroasted Coffee the main product (70% of total).
Coffee had been absent in Tanzania's trade with Ireland for some ten years until 2011.
Other important products included Black Tea, Gravel/Pebbles.

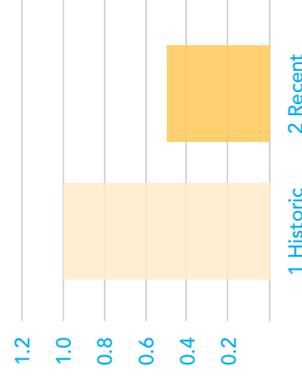


Uganda



Major product was unroasted coffee, but value was very modest in 2011 relative to historic trade however 2013 witnessed a return to historic levels.

Clothing, food preparations and pebbles were the other notable areas of trade.



Zambia



Virtually all of the value related to a product which seems likely to have originated outside Zambia (that is a second-hand good) MEASURING OR CHECKING INSTRUMENTS account for 96% of aggregate value 2011-14



Share of
Aggregate Imports
(2011 - 2014)

Highlight
Products/Trends
(2011-2014)

Historic Comparison Ratio
of Historic (1995-2010) to Recent
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