

**BEYOND PREFERENTIAL MARKET ACCESS: ENHANCING THE  
DEVELOPMENT POTENTIAL OF THE AFRICAN GROWTH AND  
OPPORTUNITY ACT (AGOA)**

A FOCUS ON THE ECONOMIC COMMUNITY OF  
WEST AFRICAN STATES (ECOWAS)

Master of Arts in Law and Diplomacy Thesis  
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**CHAPTER 1: INTRODUCTION**

Trade preferences targeted at developing countries have been a feature of developed countries' commercial policies for the past forty years. Several developed countries, especially the Quad countries (United States, EU, Japan, and Canada) have extended varying forms of preferential trade arrangements to several developing countries. These preferential trade arrangements are typically non-reciprocal and based on the "trade not aid" paradigm, which has even more recently gained prominence in policies pertaining to economic relations between developed and developing countries. There is a lack of consensus that trade preferences have the potential to help developing countries foster sustained economic development.

Trade preferences can have benefits for the exporting countries, though empirical/quantitative estimates of its impact are difficult to ascertain. In the absence of stringent and robust quantitative analysis of the impact of preferences on individual preference receiving countries, several studies that rely on good intuitive estimates, maintain that trade preferences are important for the poorest countries and other vulnerable developing countries such as island nations and land-locked countries. Over the years, benefits associated with trade preferences have steadily eroded mainly because of trade liberalization. Nonetheless, in recent years, several of the Quad countries have reviewed their preferential trade schemes, often improving the terms of the preferences granted, such that they may yield sizeable benefits for the developing countries. For example, the European Union recently launched its "Every Thing But Arms" initiative, following decades and two iterations of preferential trade schemes, namely The Lomé and the Cotonou Convention. In addition, in 2000, the United States launched the "Africa Growth and

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Opportunity Act” (AGOA), a generous unilateral scheme that builds on its General System of Preferences scheme.

The goal of the AGOA initiative, according to United States Trade Commission is to facilitate market access for sub-Saharan African countries and to encourage them undertake economic reforms, with the goal of reversing the declining economic trend that characterizes sub-Saharan Africa, while strengthening its competitiveness and enhancing the effectiveness of the United States foreign policy.<sup>1</sup>

There are several debates, doubts actually, on whether such preferential trade agreements yield benefits to participating countries. This paper, using the example of the fairly generous Africa Growth and Opportunity Act (over 98% of products from qualifying sub-Saharan countries to the US receive duty free treatment), examines some of the underlying reasons for the poor performance of preferential trade arrangements on the export performance of eligible countries of the Economic Community of West African States (ECOWAS). That is the extent to which it generates incentives for both domestic and foreign investors to scale up production of goods for export to the US and other advanced economies.

The study focuses on the ECOWAS region because the relative position of West African countries and their counterparts in East and Southern Africa with respect to utilization of AGOA under non-oil and gas product is dismal. The reason for this disparity is not immediately apparent as with the exception of South Africa, the region has the same level of capability and

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<sup>1</sup> U.S. International Trade Commission (USITC), *U.S. Trade and Investment with Sub-Saharan Africa*, Fifth Annual Report (December 2004) Available from [www.usitc.gov](http://www.usitc.gov)

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natural resources; historical success under preferential trade agreements with EU, and fairly similar political and macroeconomic climate. For the above reasons, the ECOWAS region presents an interesting case for the purpose of this study. I conclude that while indigenous factors (a weak supply capacity, poor infrastructure, a lack of incentives for domestic production, poor or uncompetitive technology, a lack of short, medium and long-term capital and the high cost of capital in general, weak macro-economic fundamentals and a lack of negotiating capacity on trade issues); limitations of the AGOA trade preference scheme (restrictive rules of origins and unpredictability); and low level of export demand in the US, contribute to the poor performance of exports from ECOWAS, the low utilization of preference schemes such as AGOA is exacerbated because of the lack of a distinction between market access and market entry in the formulation of such preferential arrangements.

The study starts by providing a short overview of the regional economy of ECOWAS and the historical context, as well as evolution of economic and trade relations between the United States and ECOWAS (Chapter 2). It then proceeds to examine the impact of AGOA on ECOWAS trade performance and review econometric analyses of the impact of AGOA on export performance of ECOWAS (Chapter 3). On this basis, the study proceeds, utilizing the ITC's trade flow analysis, to determine the underlying constraints to the effective utilization of AGOA market preferences, with a focus on agricultural products, which have negligible utilization rates (Chapter 4). The study ends with a discussion of strategies to overcome market entry barriers with the goal of enhancing the development potential of the AGOA market access initiative (Chapter 5).

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## CHAPTER 2: SETTING THE STAGE

### 2. Background of Economic Community of West African States (ECOWAS)

#### 2.1.1. Historical Background

The Economic Community of West African States (ECOWAS) was created on May 28, 1975 in Lagos, Nigeria, with 15 states signing the Treaty of Lagos.<sup>2</sup> ECOWAS was established to promote cooperation and integration in order to create an economic and monetary union for promoting economic growth and development in West Africa. In July 1993, the ECOWAS treaty was revised to accelerate economic integration and to increase political co-operation. The revised treaty designates the achievement of a common market and a single currency as economic objectives, while in the political sphere it envisages the establishment of a West African parliament, an economic and social council, and an ECOWAS court of justice.<sup>3</sup> ECOWAS has encountered many problems in the process of regionally integrating West Africa, including political instability and lack of good governance; the insufficient diversification of national economies; the absence of reliable infrastructure; and the multiplicity of organizations for regional integration with the same objectives. Several ECOWAS-member countries are concurrently part of the West African Monetary Union (UEMOA)<sup>4</sup> a regional economic and monetary union that shares a common currency (the CFA Franc).

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<sup>2</sup> ECOWAS member states are Benin, Burkina Faso, Cape Verde, Côte D'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

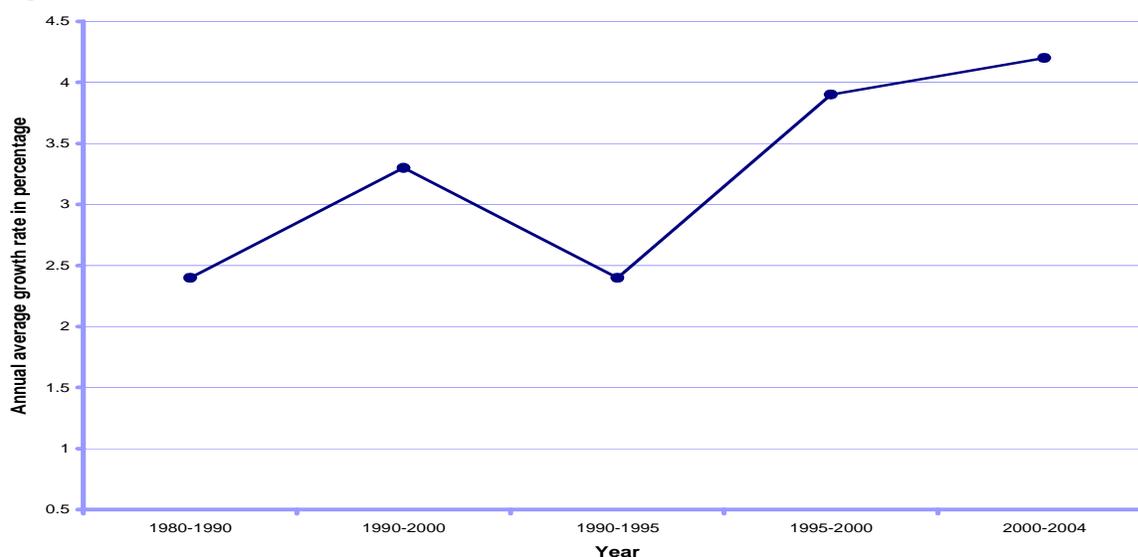
<sup>3</sup> "Economic Community of West African States" (accessed February 21, 2006) available from <http://www.mbendi.com/cb17.htm>

<sup>4</sup> The Francophone-countries of Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal, and Togo, with Guinea Bissau (Lusophone), comprise UEMOA.

### 2.1.2. State of the Regional Economy

The ECOWAS region represents a critical economic and geographic mass but in many respects not a single and coherent block, particularly economically and politically. The region is quite diverse in terms of natural resources and endowments. For example, there is a distinction between Sahel and non-Sahel economies, and between the countries in the region and Nigeria, which is the major economic driving force in the region. Furthermore, as mentioned in the previous section, there is a multiplicity of organizations for regional integration. Despite recent improvements, from an institutional perspective, ECOWAS is far from a well functioning customs union. However, it has the advantage of covering a large geographical area, including Nigeria, the second largest economy in sub-Saharan Africa, after South Africa. The average GDP growth rate of ECOWAS countries has increased in recent years from an average of 3.4% in 2000 to 4.4% in 2004.<sup>5</sup> The average real GDP growth in ECOWAS over the past five years is about 3.5% per annum.

**Fig.2-1: ECOWAS Real GDP Growth, 1980-2004**



Source: UNCTAD Handbook of Statistics, 2004

<sup>5</sup> World Bank Development Indicator Database, August 2005

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According to United States COMTRADE statistics database, in 2004, total regional exports, including intra-regional exports, were US\$47 billion, less than 1% of world exports. Between 1995 and 2000, exports from the region grew by approximately 6%. Between 2000 and 2004, the annual growth in value exports from the ECOWAS region to the world was approximately 10%. The region is heavily reliant on the exports of primary products. The region's major export commodities are oil and gas products (crude oil and refined petroleum products which account for about 4% of the regions' world market share of exports, minerals (gold, diamonds, and bauxite) and agricultural products (cocoa, groundnuts, and cotton) 20% of world market share, with cocoa and cocoa preparations having 15% of world market share (See Appendix E). With the exception of Nigeria whose economy is heavily reliant on oil and gas products, the ECOWAS economy is predominantly driven by the agricultural and natural resource sector. For example, in 2003, Nigeria's natural resource export (oil and gas exports included) as a percentage of total exports was 97%, Ghana was 11% and Côte d'Ivoire 16.4%.<sup>6</sup> The table overleaf provides a snapshot of each ECOWAS country's GDP contribution by sector.

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<sup>6</sup> Michael E. Porter and Richard Bryden, *International Cluster Competitiveness Project*, Institute for Strategy and Competitiveness, Harvard Business School.

**Table 2-1: ECOWAS Gross Domestic Product by Economic Activity, % (2003)**

| <b>Country</b> | <b>Agriculture</b> | <b>Industry</b> | <b>Manufacturing</b> | <b>Services</b> |
|----------------|--------------------|-----------------|----------------------|-----------------|
| Benin          | 35.0               | 14.7            | 9.0                  | 42.4            |
| Burkina Faso   | 33.8               | 17.3            | 11.4                 | 45.7            |
| Cape Verde     | 6.2                | 17.9            | 6.2                  | 70.5            |
| Côte d'Ivoire  | 25.9               | 20.9            | 15.6                 | 45.2            |
| Gambia         | 26.4               | 14.7            | 5.0                  | 68.2            |
| Ghana          | 36.1               | 24.9            | 9.1                  | 29.8            |
| Guinea         | 21.5               | 31.8            | 3.7                  | 42.0            |
| Guinea-Bissau  | 67.8               | 13.1            | 9.4                  | 17.3            |
| Liberia        | 75.8               | 8.2             | 6.0                  | 16.0            |
| Mali           | 36.3               | 27.0            | 10.8                 | 36.7            |
| Mauritania     | 19.9               | 27.3            | 7.1                  | 42.8            |
| Niger          | 38.4               | 12.2            | 6.3                  | 42.9            |
| Nigeria        | 25.7               | 48.2            | 3.9                  | 23.6            |
| Senegal        | 15.1               | 19.9            | 11.9                 | 64.1            |
| Sierra Leone   | 47.9               | 21.5            | 3.2                  | 26.1            |
| Togo           | 40.8               | 22.6            | 6.1                  | 37.7            |

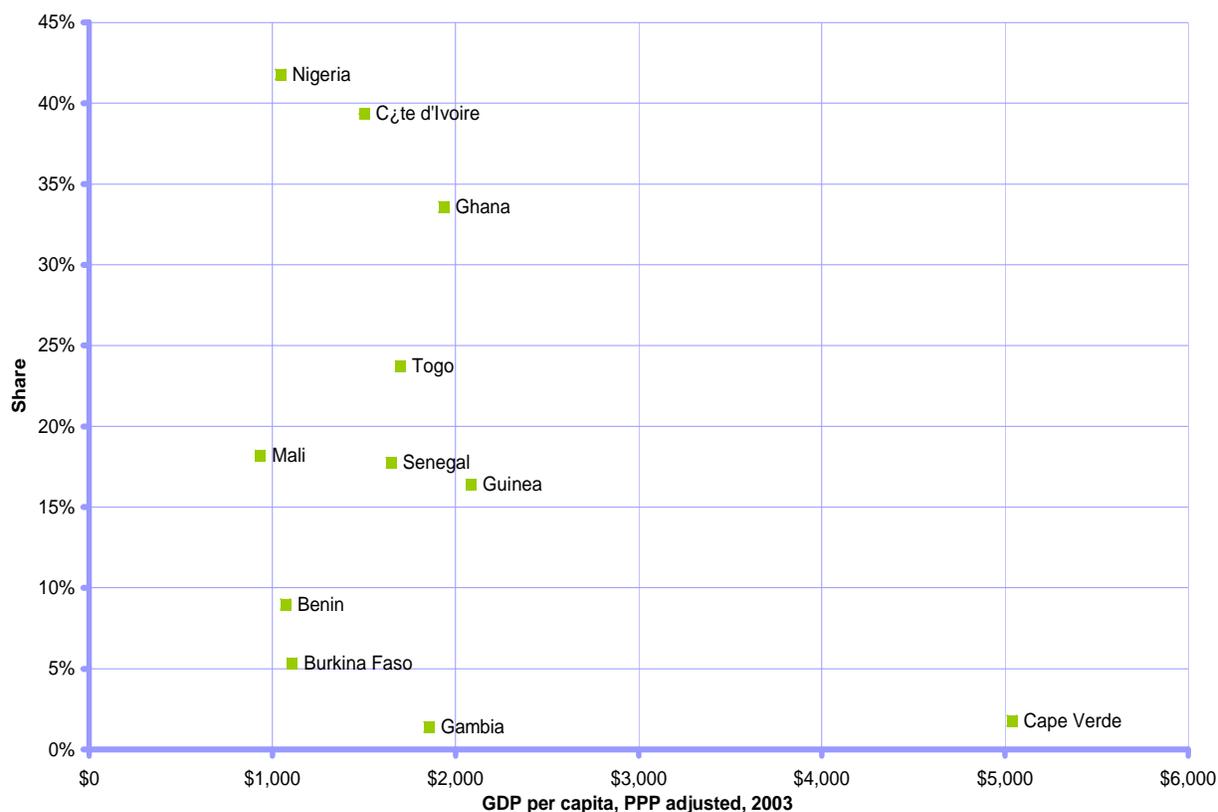
Source: UNCTAD Handbook of Statistics, 2004

The ECOWAS region as whole has a trade surplus with the world. For example, in 2004, the region had a US\$6 billion trade surplus. Industrial products and machinery and agricultural and processed food comprise the bulk of imports into the region.

### **2.1.3. Trade and Investment Trends**

ECOWAS has historically commanded a very small share of international trade. This share of world trade continues to steadily decline with a current share of approximately 1%. An examination of total exports as a share of GSP (2003 data) show that contrary to countries in East and Southern Africa (Swaziland, Lesotho, Botswana, Mauritius), ECOWAS nations have lower levels of exports. Nigeria (41%), Côte d'Ivoire (39%), and Ghana (33%) lead the pack with the rest having less than 15% of total exports as share of GDP.<sup>7</sup>

<sup>7</sup> Ibid.

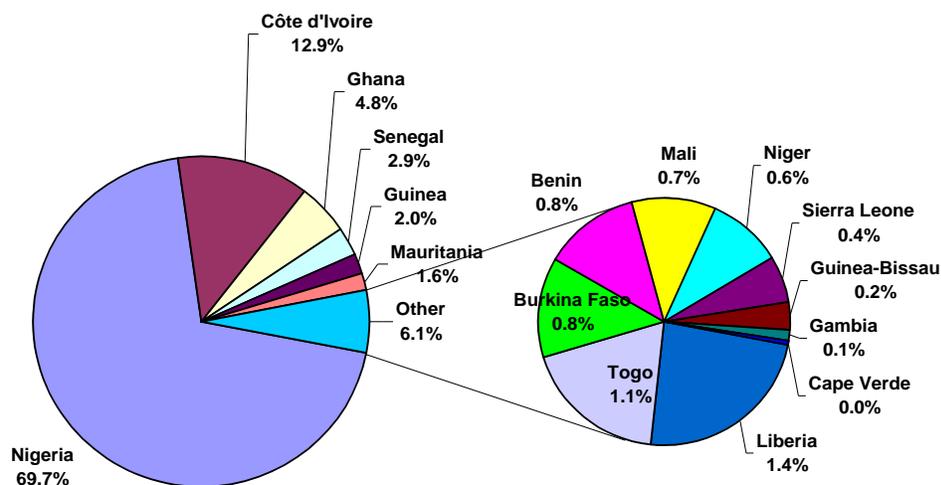
**Fig.2-2: Total Exports of Select ECOWAS Countries as Share of GDP, 2003**

Source: Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Underlying data drawn from the UN Commodity Trade Statistics Database and the IMF BOP statistics.

The principal trading partners of ECOWAS countries are the United States, United Kingdom, France, Germany, Italy, and Japan.<sup>8</sup> The European Union is the major trading partner for ECOWAS and the main destination for exports, and the main provider of industrial products imports. After the EU, the United States followed by Japan are next key markets of the region. The top three exporters in the region are Nigeria (69%), Côte d'Ivoire (13%), and Ghana (5%). Together, they account for 87% of all exports from the region.<sup>9</sup> The breakdown is similar to ECOWAS exports to the United States, with Nigeria, Côte d'Ivoire, Ghana, and Senegal as the main exporters from the region.

<sup>8</sup> International Monetary Fund, *Directions of Trade Yearbook 2004*

<sup>9</sup> "Structure of International Trade by Region" *UNCTAD Trade Statistics Handbook*, (Accessed March 2, 2006). Available from <http://stats.UNCTAD.org/Handbook>

**Fig. 2-3: Share of ECOWAS Member Countries' Exports to the World in 2004**

Source: <http://stats.unctad.org/Handbook>

The main exports from West Africa to the world are mainly in the form of non-diversified, limited processed products: petroleum oils and petroleum gas, cocoa, cotton. An examination of the products and services exported by ECOWAS in 2004 reveals the overdependence on traditional commodities, such as mineral fuels/oils, cocoa and cotton, edible fruits and nuts. The prices of these exports are volatile to shocks in the global markets. Generally, prices of commodities have been facing a downward trend over the past decade.<sup>10</sup>

<sup>10</sup> "Trade and Commodity Price Indices." *UNCTAD Trade Statistics Handbook* (Accessed March 2, 2006). Available from <http://stats.UNCTAD.org/Handbook>

**Table 2-2: Select Indicators for Top ECOWAS Exports**

|   | 2004             | 2000-2004           | 2000-2004                    | 2004                      | 2004                        |
|---|------------------|---------------------|------------------------------|---------------------------|-----------------------------|
| Product   | Value (US\$'000) | Growth in value (%) | Growth of world exports, (%) | Ranking in region exports | Share in world exports, (%) |
| Cocoa and cocoa preparations                            | 2,888,329        | 20                  | 16                           | 2                         | 15                          |
| Mineral fuels, oils, distillation products, etc         | 29,757,340       | 11                  | 11                           | 1                         | 3                           |
| Cotton  | 953,079          | 11                  | 8                            | 3                         | 2                           |
| Meat, fish and seafood food preparations nes            | 253,453          | 11                  | 10                           | 12                        | 1                           |
| Salt, sculpture, earth, stone, plaster, lime and cement | 213,851          | 17                  | 8                            | 13                        | 1                           |
| Raw hides and skins (other than furskins) and leather   | 168,154          | 14                  | 5                            | 14                        | 1                           |
| Coffee, tea, mate and spices                            | 138,697          | -13                 | 1                            | 15                        | 1                           |
| Ships, boats and other floating structures              | 858,502          | 15                  | 10                           | 4                         | 1                           |
| Edible fruit, nuts, peel of citrus fruit, melons        | 526,907          | 11                  | 11                           | 5                         | 1                           |
| Inorganic chemicals, precious metal compound, isotopes  | 501,389          | 16                  | 8                            | 6                         | 1                           |
| Wood and articles of wood, wood charcoal                | 487,680          | -5                  | 9                            | 7                         | 1                           |
| Vegetable plaiting materials, vegetable products nes    | 2,773            |                     | 1                            | 70                        | 1                           |
| Ores, slag and ash                                      | 484,807          | 3                   | 16                           | 8                         | 1                           |
| Fish, crustaceans, molluscs, aquatic invertebrates nes  | 443,744          | 5                   | 6                            | 9                         | 1                           |

Source: International Trade Centre, Trademap Database based on UN COMTRADE, 2004

As mentioned in the previous section, oil and gas products constitute a large portion of ECOWAS exports to the world. Thus, although Nigeria is the region's largest exporter, its exports mainly constitute petroleum and other petroleum derived products. Approximately, 96% of Nigeria's exports are made up of oil and gas products. Europe remains the largest market for ECOWAS non-oil exports, while oil trade is 86% of all U.S. imports from the ECOWAS region. The large disparities in the economies of the member nations of ECOWAS make an aggregate analysis of trends in the region rather misleading and inconclusive. An aggregate examination of

the region's economy provides generalized and skewed conclusions that are not adequate representations of the nature and performance of the exports of ECOWAS countries to the World.

There is a low level of intra-regional trade due to limited market for tradable goods, poor transportation, and communication links. Over the past decade, intra-regional trade has been stagnant. However, the sheer size of the Nigerian economy has steadily generated cross-border trade with its neighboring countries. Trade with other regions of sub-Saharan Africa hovers around 3.5%, with the majority of exports going out of the continent. The table below presents the state of intra-industry trade in the region.

**Table 2-3: Regional Distribution of ECOWAS exports (1995-2004), Percent**

|                                 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|
| <b>Intra-Regional trade</b>     | 8.9  | 8.4  | 8.5  | 10.6 | 10.2 | 7.6  | 8.3  | 10.7 | 8.3  | 8.2  |
| <b>Rest of the region (SSA)</b> | 2.6  | 2.9  | 3.7  | 3.93 | 3.9  | 2.6  | 2.8  | 3.4  | 4.3  | 4.3  |
| <b>Rest of the world</b>        | 91.0 | 91.6 | 91.5 | 89.3 | 89.7 | 92.3 | 91.7 | 89.2 | 91.7 | 91.7 |

Source: "Structure of international trade by region" *UNCTAD Handbook of Statistics*, <http://stats.UNCTAD.org/Handbook>

Sub-Saharan Africa, especially ECOWAS countries lag behind the rest of the world in attracting foreign direct investment. According to UNCTAD Annual *World Investment Report*, FDI flows into sub-Saharan Africa are minimal. In 2004, the region received only 2.8% of all world total investment. Of this, ECOWAS accounted for 19.7%. Again, the majority (60%) of FDI flows accrued to Nigeria.<sup>11</sup> Capital flows into the region mirror the dynamic export growth sectors namely the oil and other extractive industries. The United States investment in ECOWAS countries is fairly minimal.

<sup>11</sup> United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2005*

## **2.2. United States-ECOWAS Trade Relations**

### **2.2.1. Historical Background (GSP, GSP-LDC schemes)**

Trade preferences targeted at developing countries by developed nations have been a feature of industrialized countries' commercial policies for approximately forty years. They are considered to be an important element of a set of policies that aid in the economic growth of developing nations, bridging the gap between the richer and poorer nations of the world. These preferences, in addition to becoming an integral element of development policies, have increasingly become political in nature.<sup>12</sup>

The United States has several existing regimes of trade preferences for developing countries. These can be classified into three groups (i) the Generalized System of Preferences (GSP) (ii) special preferential regimes for a sub group of developing countries and (iii) regional free trade arrangements between the US and given groups of developing countries. The first two are non-reciprocal and of particular interest in our analysis of AGOA and the ECOWAS region.<sup>13</sup>

The origins of the Generalized System of Preferences dates back to the first United Nations Conference on Trade and Development (UNCTAD), held in 1964 when the need to improve trading relations between developed and developing countries were discussed. In 1968, UNCTAD recommended the establishment of the General System of Preferences (GSP) in favor of the least developed countries among developing nations to facilitate the expansion of their trade and improvement of social and economic situation. Under the GSP, developed countries would grant autonomous tariff preferences to developing countries on a non-discriminatory and

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<sup>12</sup> Stephan Tangerman "The Future of Preferential Trade Arrangements for Developing Countries and the Current Round of WTO Negotiations on Agriculture." *Food and Agriculture Organization*, (April 2001).

<sup>13</sup> Ibid.

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non-reciprocal basis. The GSP is designed to encourage beneficiaries to eliminate or reduce significant barriers to trade in goods, services, and investments and to provide adequate and effective means for foreigners to secure, and enforce exclusive international property rights. The EU was the first group of developing countries to implement the GSP scheme in 1971.<sup>14</sup> The United States initiated its GSP scheme in 1974. Authorized under the Trade Act of 1974 for a 10-year period, it has been renewed periodically since then, most recently in 2002, when President George Bush signed legislation that reauthorized the GSP program through 2006.<sup>15</sup>

The specific details of the preferential treatment are decided by each individual preference-providing country. As a result, the precise components of the GSP differ with each country in terms of product coverage, rules of origin, and specific preferences for the least developing countries. The GSP program is offered on a product-by-product basis or service-by-service basis depending on the granting country's decision and its economic structure. Products can be added or removed. Currently, the US GSP provides preferential duty-free entry for more than 4,650 products from 144 designated beneficiary countries and territories. In addition to the general GSP scheme, the United States provides additional nonreciprocal preferential market access for lesser-developed countries. Known as GSP LDC, the program expands the benefits under GSP by allowing duty-free imports for about 1,650 U.S. tariff lines.<sup>16</sup> Many SSA countries are

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<sup>14</sup> Arvind Panagariya, "EU Preferential Trade Policies and Developing Countries," *The World Economy* 25, i10 (November 2002).

<sup>15</sup> United States Trade Representative, "USTR-Generalized System of Preferences" (Accessed February 21 2006) Available from [http://www.ustr.gov/Trade\\_Development/Preference\\_Programs/GSP/Section\\_Index.html](http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html)

<sup>16</sup> Stephan Tangerman "The Future of Preferential Trade Arrangements for Developing Countries and the Current Round of WTO Negotiations on Agriculture."

participants of the GSP LDC program. In fact, of the 37 AGOA countries, 22 have preferential benefits under the GSP LDC program.<sup>17</sup>

In 2000, GSP covered about US\$4 billion out of the sub-Saharan Africa's total exports of US\$23 billion. The margin of preference compared with other most-favored nation (MFN) suppliers was about 5%.<sup>18</sup> Forty-eight African countries were eligible for GSP duty-free treatment.

In addition to the GSP scheme, the United States provides special and more favorable tariff preferences to a specific group of countries based primarily on regional political relationships. The United States has such special and different agreement in favor of Caribbean countries—the Caribbean Basin Initiative (CBI). In 2000, a similar special and different preferential arrangement was extended to sub-Saharan countries under the Africa Growth and Opportunity Act (AGOA). These special agreements are often more generous than the GSP with respect to the preference margins and product coverage. In some cases, as in the case of AGOA, product coverage is extended to 'sensitive' products excluded from GSP treatment.<sup>19</sup>

## **2.2.2. Enactment and Evolution of the African Growth and Opportunity Act (AGOA): AGOA I to AGOA III**

### **AGOA—Introduction**

The Africa Growth and Opportunity Act (AGOA) was signed into law in May 2000 as part of the Trade and Development Act of 2000. Building on the GSP scheme, the Act attempts to aid the

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<sup>17</sup> "Regulations Limit Use of African Growth and Opportunity Act Everything But Arms," (Accessed January 4 2006) Available from <http://www.ers.usda.gov/publications/err6/err6g.pdf>

<sup>18</sup> Aaditya Mattoo, Devesh Roy and Arvind Subramanian. "The African Growth and Opportunity Act and its Rules of Origin: Generosity Undermined?" *The World Economy* 26, Issue 6, (June 2003): 829-851

<sup>19</sup> Stefan Tangermann, "The Future of Preferential Trade Arrangements for Developing Countries and the Current Round of WTO Negotiations on Agriculture."

promotion of stable and sustainable economic growth and development and the reversal of the dismal trade performance and low investment levels in sub-Saharan Africa.

After a decade of refusal to meet aid obligations to the United Nations as required by international law, the United States in 1993, changed its foreign policy to “trade not aid,” defending the change as transforming aid dependency to trade choices.<sup>20</sup> The “trade not aid” paradigm pursues the logic that trade promotes development, not aid.

AGOA is the most recent in a series of initiatives in US trade policy based on the ‘trade not aid’ paradigm as the tool to promote economic development. The Africa Growth and Opportunity Act hereon, referred to as AGOA, liberalizes market access to the United States for qualifying sub-Saharan African (SSA) countries. The President of the United States determines the eligibility of countries for AGOA benefits by certifying that these countries have met the stipulations of the agreement. As of 2005, 37 sub-Saharan African countries were eligible for AGOA benefits.<sup>21</sup> To be eligible for AGOA, SSA countries have to commit themselves to the improvement of their economic policy environment, promote political and economic stability and ensure human and worker rights. Eligible countries have to fulfill requirements, such as:<sup>22</sup>

1. Establishing a market-based economy and the rule of law;
2. eliminating barriers to the United States trade and investment;
3. implementing economic policies to reduce poverty;
4. protecting internationally recognized worker rights;

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<sup>20</sup> Aaditya Mattoo, Devesh Roy and Arvind Subramanian. "The African Growth and Opportunity Act and its Rules of Origin: Generosity Undermined?"

<sup>21</sup> Angola; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Chad; Republic of Congo; Democratic Republic of Congo; Djibouti; Ethiopia; Gabon; The Gambia; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Sao Tome and Principe; Senegal; Seychelles; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; Zambia.

<sup>22</sup> “AGOA Eligibility—General Country Eligibility Provisions”(Accessed February 2, 2006) Available from [http://www.agoa.gov/eligibility/country\\_eligibility.html](http://www.agoa.gov/eligibility/country_eligibility.html)

5. implementing a system to combat corruption;
6. not engaging in activities that undermine the United States national security or foreign policy interest;
7. not engaging in gross violations of internationally recognized human rights;
8. not providing support for acts of international terrorism; and
9. implementing policies to reduce child labor.

As of 2004, twelve out of the 15 ECOWAS states are eligible for AGOA benefits. Côte d'Ivoire, Togo, and Liberia were considered ineligible. Togo did not receive AGOA beneficiary country status largely because of concerns related to economic reform, political pluralism, and rule of law, corruption, poverty reduction, and human rights.

The goal of AGOA is to offer trade preferences to qualifying countries as a complement to foreign aid and to encourage reform of trade, economic and investment policies.<sup>23</sup> Specifically, AGOA aims to<sup>24</sup>:

1. promote increased trade and investment between the United States and sub-Saharan African countries;
2. provide eligible African countries with liberal access to the US market;
3. promote economic development and reform in sub-Saharan Africa by granting tangible benefits to entrepreneurs, farmers and families;
4. promote increased access and opportunities for U.S. investors and businesses in sub-Saharan Africa.

AGOA has undergone a series of modifications since its enactment in 2000. The current AGOA legislation, in its third iteration adds 1,800 tariff lines items to the 4,600 items eligible for duty

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<sup>23</sup> Sub-Saharan Africa's share of world trade continues to decline. In the last two decades, the volume of world trade has tripled while that of SSA has grown less than 10%. As a result, SSA share of world trade has fallen from just under 4% to less than 1.5%.

<sup>24</sup> Andrew Nyaboga and Muroki Mwaura, "African Growth and Opportunity Act: Do the Beneficiary Countries Have the Industrial Capacity to Take Full Advantage of this Facility." *National Social Science Association Journal* (2003)

free treatment under the United States GSP. AGOA builds on existing U.S. trade programs by expanding the (duty-free) benefits previously available only under the Generalized System of Preferences (GSP). AGOA offers duty free status for a broader range of product, including product categories that have been historically classified as ‘import sensitive’ by the United States government. The commodities covered by AGOA include agricultural commodities (in particular, food items, with more than 600 tariff lines), petroleum products (20 tariff lines), minerals and manufacturing (more than 700 tariff lines), and apparel and footwear (more than 500 lines). Agricultural commodities that are new compared with the earlier provisions for LDCs include fresh-cut roses, citrus products (fresh or juice), and vegetables (tomatoes, celery, cucumbers, and dried onions).<sup>25</sup> Non-agricultural products that qualify are apparel, footwear, handbags, gloves, luggage and trunks, and watches. These were goods that have historically been considered “sensitive” by the United States. However, it is important to note that while AGOA removes import duties on eligible African imports preferential market access is granted only upon compliance with the relevant Rules of Origin. The Act originally covered the 8-year period from October 2000 to September 2008.<sup>26</sup>

The unique feature of AGOA is its provision of duty-free and quota-free access to the U.S. market without limits for apparel made in eligible Sub-Saharan African countries from U.S. fabric, yarn, and thread. It also provides for substantial growth of duty-free and quota-free apparel imports made from fabric produced in beneficiary countries in Sub-Saharan Africa. Under AGOA I, apparel imports made with regional (African) fabric and yarn are subject to a

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<sup>25</sup> Shahla Shapouri and Michael Trueblood. “The African Growth and Opportunity Act (AGOA): Does it Really Present Opportunities?” Paper presented for a conference sponsored by the International Agricultural Trade Research Consortium, Capri, Italy, June 24-26, 2003 Available from <http://www.ecostat.unical.it/2003agtradeconf/Contributed%20papers/Shapouri%20and%20Trueblood.pdf>

<sup>26</sup> “AGOA Legislation” (Accessed January 17, 2006) Available from [www.agoa.gov](http://www.agoa.gov)

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cap of 1.5% of overall U.S. apparel imports, growing to 3.5% of overall imports over an 8-year period.<sup>27</sup>

### **AGOA II**

In the latter part of 2002, U.S. president George Bush signed into law a number of amendments to the original terms of the African Growth and Opportunity Act. These amendments are collectively known as AGOA II. AGOA II was written to amend some of the limitations of the Act and to improve SSA countries utilization of the AGOA program. AGOA II clarifies and narrowly expands the trade opportunities for SSA countries and encourages more investment in the region. These amendments pertained mainly to textiles and apparel. For example, AGOA II doubles the applicable percentage cap for apparel made in Africa from regional yarn from 3% to 7% over eight years. It also doubles the annual quantitative limit on apparel articles assembled in the beneficiary countries from regional fabric.<sup>28</sup>

### **AGOA III**

Despite the AGOA II amendments, utilization of AGOA remained fairly low especially with non-oil and gas product exports as did the nature of investments into the region. Several investors cited the temporary nature of the act as a major disincentive. After intense lobbying from various stakeholder groups, including the Presidents of various African countries, AGOA III was finally passed by both the US House of Representatives and the Senate.<sup>29</sup> Central to the AGOA III legislation is an extension to the waiver from normal Rules of Origin for wearing

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<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> “AGOA Legislation—AGOA III” (Accessed January 17, 2006) Available from [http://www.agoa.info/index.php?view=about&story=agoa\\_three](http://www.agoa.info/index.php?view=about&story=agoa_three)

apparel as applicable to so-called “Lesser Developed Beneficiary Countries” (LDBCs). AGOA III also extends the Act’s original date of expiry from 2008 to 2015 with the hope of creating a positive impact on trade and investment in Africa.<sup>30</sup> While the apparel preferences are likewise extended to 2015 (this does not apply to the time-bound waiver on the use of third country fabrics discussed above). Other additional provisions in AGOA III relate to technical assistance for Africa, and are aimed at assisting African producers especially with issues relating to compliance with US agricultural standards.<sup>31</sup>

With AGOA III, trade in agriculture product was elevated to the forefront of the agreement. There is an additional emphasis on trade in agricultural products, and recognition that that AGOA has not lived up to its potential for the agricultural sector. During 2002, only a quarter of the US\$ 867 million worth of agricultural products exported to the US from AGOA-beneficiary countries was AGOA-eligible, of which half would have qualified under the GSP anyway. The AGOA III bill commits itself to several mechanisms for enhancing agricultural trade. These include:<sup>32</sup>

1. measures to help identify the potential for enhanced competitive agricultural products and exports to the US;
2. identification of constraints to US-African agricultural trade;
3. formation of partnerships with the private and public sectors in Africa for the removal of agriculture-related constraints to trade;
4. access to vital market information, price data, product quality, and aggregate demand, quality of inputs and associated costs as well as customs rules and regulations relating to agriculture.

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<sup>30</sup> “AGOA Acceleration Act of 2004” (Accessed January 17, 2006) Available from [http://agoa.gov/agoa\\_legislation/AGOAIIII\\_text.pdf](http://agoa.gov/agoa_legislation/AGOAIIII_text.pdf)

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

As it stands now, AGOA provides the following benefits to eligible SSA exporters:

1. Extends the duty- free treatment under the GSP program through 2015.
2. Eliminates most of the restrictions of the GSP program for eligible SSA countries
3. Exclusive expansion of product coverage under the GSP program to only SSA countries including formerly sensitive items including petroleum products, apparel products, and a range of other agricultural and industrial products (electronic materials, footwear, steel articles, leather goods, luggage, handbags, textiles, flatware), have been extended.
4. Exempts eligible countries from normal GSP program limitations on value and percentage of trade in specific product (Competitive Need Limitations). Under this limitation, a GSP participant loses benefit for a particular product if its exports to the US exceed 50% of total US imports of that product or if imports reach a certain value.<sup>33</sup>

While AGOA is primarily a preferential trade agreement, it also provides some complementary services mainly to boost utilization of preferences under the agreement. Some of these services include:<sup>34</sup>

1. Establishment of the US sub-Saharan Africa Trade and Economic Cooperation Forum. This is a presidential and cabinet level forum that aims to secure through cross-sectoral structured dialogue economic development and poverty alleviation initiatives to countries that need it.
2. AGOA also directs the Overseas Private Investment Corporation to increase loans, guarantees, and insurance to support projects in SSA. The intention is to support the initiatives of exporters and investors in SSA through risk mitigation.
3. Provision of technical assistance to companies and governments of qualifying countries. Assistance includes trade liberalization and export promotion, facilitation of integration of SSA countries into the WTO and promotion of regulatory and fiscal reforms.

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<sup>33</sup> United States Trade Representative, "African Growth and Opportunity Act Implementation Guide" (October 2000) (Accessed January 17, 2006) Available from [http://www.ustr.gov/assets/Trade\\_Development/Preference\\_Programs/AGOA/AGOA\\_Implementation\\_Guide/asset\\_upload\\_file5\\_05\\_6510.pdf](http://www.ustr.gov/assets/Trade_Development/Preference_Programs/AGOA/AGOA_Implementation_Guide/asset_upload_file5_05_6510.pdf)

<sup>34</sup> "AGOA Legislation."

The rationale for implementation of these measures is to improve SSA market access for the United States products and services while at the same time increasing the competitiveness and efficiency of SSA economies. The changes will also help SSA governments to implement political reforms, such as improving transparency and governance, strengthening the rule of law and fighting corruption. Finally, these measures will encourage SSA countries to deregulate their economies and help to promote private sector development.<sup>35</sup>

There are significant differences between the GSP scheme and preferences granted under the AGOA scheme. First, AGOA provides preferential treatment for what is considered ‘sensitive’ goods by the United States the GSP scheme exclude these products. Second, the AGOA scheme provides increased stability and predictability in comparison with the GSP scheme. Contrary to the GSP scheme, the eligible products under AGOA are not reviewed annually. SSA countries are also exempted from competitive need limitations, which cap the GSP benefits available to beneficiaries in other regions.

AGOA is by far one of the most generous non-reciprocal trade preferences. The differences as outlined above would indicate that qualifying SSA countries stand to enjoy more favorable access to the US market than other LDCs, thus presenting a vast opportunity to trade and invest with the United States. Thus, a logical conclusion is that as a result of these provisions, AGOA stands to provide these countries with a competitive edge over suppliers from other countries to the United States—both countries with and without special and different preferential trade arrangements. This however remains to be seen.

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<sup>35</sup> Ibid.

### 2.2.3. Bilateral Trade Profile Between ECOWAS and the United States

To understand fully if the generous provisions under AGOA have had any impact on the trade performance of ECOWAS, it is important to understand the nature of trade flows, particularly export flows between the two regions.

Trade between the United States and the ECOWAS region grew at an average rate of 11% over the 2000-2004. The total value of exports to the United States was approximately US\$18 billion in 2004, only 1.2% of total US imports from the world.<sup>36</sup> The US is a significant market (single largest market) for the ECOWAS region accounting for 45% of exports from the ECOWAS region.<sup>37</sup>

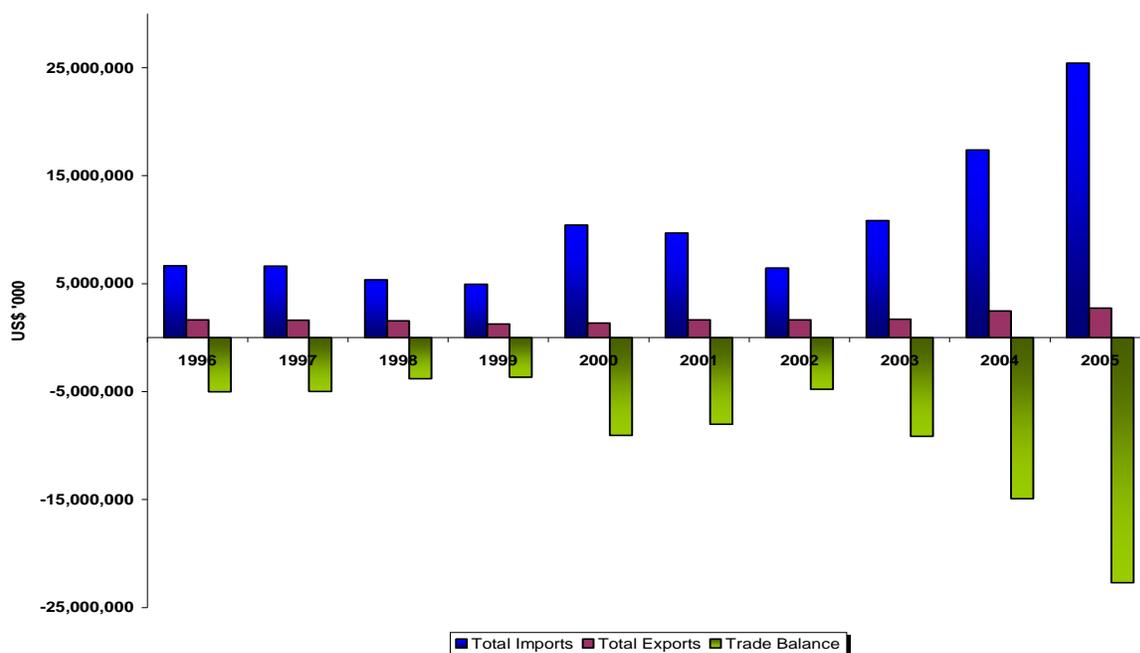
Historically, trade between the ECOWAS region and the United States has been very low and quite volatile. While imports from the United States have remained fairly stable over the last decade, exports from ECOWAS to the US have been fluctuating. Export flows steadily declined in the late 1990s, reaching an all time low in 1999. Between 1999 and 2000, export revenues as a result of trade between the U.S. and ECOWAS increased by a whopping 111%.<sup>38</sup> This increase coincides with the passage of the African Growth and Opportunity Act. Interestingly, exports dropped in the subsequent years following AGOA, only to increase drastically. For example, over 2004-2005, exports from ECOWAS to the United States increased by approximately 43%. Despite these fluctuations, the U.S. has maintained a trade deficit with ECOWAS countries. The trade deficit is driven by its large imports of oil and gas products.

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<sup>36</sup> Author's Calculations from U.S. Department of Commerce and the U.S. International Trade Commission. USITC Interactive Tariff and Trade Database, 2004

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

**Figure 2-4: Profile of US Trade with ECOWAS (1996-2005)**

Source: U.S. Department of Commerce and the U.S. International Trade Commission

Since 2003, ECOWAS exports to the United States have been growing significantly. On the other hand, ECOWAS exports to the EU have remained stagnant, in spite of the strong and historic ties between ECOWAS and several EU members, as well as the existence of preferential arrangement such as Lomé/Cotonou conventions.<sup>39</sup>

ECOWAS exports to the United States are composed mainly of primary commodities and very few manufactures. An examination of sector-specific trade between the United States and the ECOWAS region reveals that in 2004 over 98.5% of exports from the region to the US were oil and gas products (crude oil and other petroleum-derived products). Agriculture products account

<sup>39</sup> Charles Krakoff, "West African Regional Integration: Implications For The Textile Industry In The ECOWAS Region," Paper presented at the USAID Regional Integration Seminar Accra, Ghana 23-24 October 2002

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for 0.41%, minerals and metals accounts for 0.36% and textiles and apparel for 0.03%.<sup>40</sup> Unsurprisingly, there is a huge demand for oil and gas products in the United States. The US imports approximately 10% of its oil and gas products from the ECOWAS region, while approximately 60% of all oil and gas products produced in ECOWAS region is destined to the U.S. The ECOWAS region supplies 19% of the US's demand for cocoa and cocoa preparations. (See Appendix A).

ECOWAS imports from the United States are heavily comprised of manufactured goods. In 2004, transportation equipment (33%) machinery (9%) and electronic products (9%) made up approximately half of imports.<sup>41</sup> Agricultural products constituted approximately one-third of US exports to the ECOWAS region. It is critical to note that with these product clusters (machinery, transportation equipment, electronic, chemicals, and related products) the US has a trade surplus with ECOWAS. It should be noted that these averages mask the export structures of individual countries because exports in many countries are highly concentrated in few commodities. In the case of ECOWAS, the dominant role of oil and gas products in the bilateral trade is the culprit. Adjusting for this dominance, the export profile of ECOWAS—AGOA beneficiary countries is 19% agricultural products and 81% non-agricultural commodities.

This chapter has examined the history and current nature of trade relations between the United States and ECOWAS region. Trade between the two regions is highly disproportionate and concentrated within a few product groups. The next section will further examine the impact of

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<sup>40</sup> Author's Calculations from U.S. Department of Commerce and the U.S. International Trade Commission. USITC Interactive Tariff and Trade Database, 2004

<sup>41</sup> Ibid.

AGOA on trade flows between the two countries with the goal of bringing to light what if any impact the enactment of AGOA has had on inter-regional trade.

**CHAPTER 3-IMPACT OF AGOA PREFERENCES ON ECOWAS ECONOMY****3. Introduction**

Several econometric studies have been undertaken to determine the performance of AGOA against its stated goals and objectives, despite the fact that it is a relatively new non-reciprocal trade agreement. Most of the studies focus on examining its impact on export performance of the entire sub-Saharan Africa region and some focus on specific designated countries. The very nature of preferential trade agreements renders it difficult to identify and measure empirically the resulting benefits. The challenge lies in the isolation of the impact from other factors to inform which development was a result of trade preferences and would not have occurred had the trade preferences not been granted. Nonetheless, several studies attempt to ascertain the impact of AGOA, though there are currently no studies that specifically examine the impact AGOA has had, thus far, on the export performance of ECOWAS countries and the implications thereof. Several studies look broadly at AGOA's performance in designated countries, some more broadly and others sector specific, particularly in the case of textiles, given the unique preferences granted under AGOA. While the results of these studies do not pertain directly to the region of interest in this paper, the results of these studies are illuminating and for the purpose of this analysis enable us to draw some critical inferences. This section will begin examining the performance of AGOA on ECOWAS nations by reviewing and comparing aggregate trade data since implementation of the agreement. It will also review the results of the econometric analysis available. The goal is to ascertain the impact of AGOA on export growth and diversification (long-run supply side effects), investment responses and the overall welfare of the designated countries with an eye towards the ECOWAS nations. Examination of

aggregate trade data as a basis for the analysis is rife with limitations. Nonetheless, a combination of robust empirical analysis and aggregate trade assessments provides insight into the response of specific product sectors to the preferences granted under AGOA.

### **3.1. Trade Effects of AGOA Preferences**

In 2004, AGOA exports from ECOWAS<sup>42</sup> totaled US\$22.5 billion (ECOWAS exports to the US totaled US\$24.2 billion), an approximately 45% increase from 2003. ECOWAS exports under AGOA have been increasing since 2000. ECOWAS exports under AGOA totaled US\$9.3 billion and US\$15.5 billion in 2002 and 2003 respectively. There are several factors that account toward this high annual growth of exports. This includes the pre-existing low levels of pre-AGOA exports for the previously “sensitive goods,” increase in number of AGOA eligible countries, and increased awareness and exporter compliance to the requirements of the scheme.

Oil and gas products continue to dominate AGOA exports from the region with approximately 99% of US imports from ECOWAS falling under this product group. Additionally, since the inception of AGOA, export growth within the oil and gas product group has been growing at one of the fastest rate. Over the period 2002 to 2004, oil and gas product exports from ECOWAS states to the United States increased by 137%. Prior to the enactment of AGOA, oil and gas exports had been declining. Over the 1996-1999 period, exports of oil and gas product declined in value by 34%. The shift of sub-Saharan Africa’s oil and gas exports from the US GSP system of preferences to a duty-free status has more economically driven implications than

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<sup>42</sup> ECOWAS member countries that were AGOA eligible in 2004 were Benin ,Cape Verde, The Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

developmental. As the oil and gas industry is controlled by large multinational corporations, some of which are US-owned, their development implications for the region are severely limited.

The second largest export product group under AGOA is apparel and textiles, which accounts for 0.031% of total ECOWAS AGOA exports. Exports of apparel and textiles experienced strong expansion in 2000-2001 due to the apparel provisions in AGOA. However, exports of textile products have declined by approximately 13% over 2001-2004. The poor performance of textiles in ECOWAS presents an interesting point of exploration given the very liberal rules for textiles under AGOA.

In addition to these principal product groups, other sectors, particularly the agriculture sector, are yet to realize such gains though they continue to increase steadily. The share of agriculture in total exports from ECOWAS countries to the United States varies widely from less than 1% for large oil producers like Nigeria to more than 95% for countries such as Liberia. Other major exporters of agricultural products from ECOWAS to the United States are Cote d'Ivoire<sup>43</sup> and Ghana. Over the period 2002-2005, agricultural and forest products have seen an increase of 55% and 37% respectively. Finally, formerly classified "sensitive" products such as footwear that was not allowed into the United States under previous preference regimes are growing rapidly and exports have increased by more than a 100%. Exports of fish and fish products, and forest products are also growing in the region, though exports under AGOA remain negligible. Countries such as Cote d'Ivoire and Ghana are increasingly exporting fish and seafood, which are second to only coffee and cocoa. However, exports of these commodities face non-tariff barriers in the form of stringent sanitary and phytosanitary regulations, as well as tariffs if

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<sup>43</sup> As of 2005, Côte d'Ivoire is no longer eligible for AGOA benefits but still eligible for GSP.

processed.<sup>44</sup> Exports of small and labor-intensive manufactures continue to be negligible. ECOWAS countries are yet to export machinery, transportation equipment, and electronics under AGOA preferences. Ghana and Nigeria produce miscellaneous automobile and engine parts but continue to export them under MFN and GSP. The majority of exports in these product categories are still subjected to MFN tariffs with a small percentage coming in under GSP preferences due to the complex Rules of Origin requirements. On the other hand, South Africa has seen a sixteen-fold increase in exports of auto parts under AGOA.<sup>45</sup>

A comparative review of trade flow data and anecdotal evidence reveals that ECOWAS states, in comparison to their counterparts in East and Southern Africa, lag behind in terms of utilization of AGOA. Kenya, South Africa, Lesotho, Botswana, Mauritius (all non-oil and gas producing states) have experienced significant export growth and welfare gains since qualifying for the Act. Overall, with a 93% utilization rate, ECOWAS seems to have embraced AGOA. A desegregation of the data by product indicates that oil and gas related products skew the results of the analysis, as utilization ratios vary extremely among products.<sup>46</sup> In 2004, agricultural products and textiles and apparel, and oil and gas products had had a utilization ratio of 0.43%, 87.5%, and 94% respectively. Agriculture and forest products continue to enter the US largely under the MFN tariff rate. In 2004, 94% of agriculture imports entered the US under the MFN tariff rate, despite the presence of AGOA. Thus, by all indications, elimination of oil and gas products shows that ECOWAS countries have extremely low degree of utilization of AGOA.

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<sup>44</sup> Shapouri and Trueblood (2003)

<sup>45</sup> "Africa's trading ambitions on the table," *AGOA News* (16 January 2003) (Accessed January 17, 2006) Available from <http://www.agoa.info/?view=.&story=news&subtext=115>

<sup>46</sup> The *utilization ratio* is defined as the ratio of imports actually receiving preferential treatment to imports covered by preferential arrangements.

Appendix B presents further specific details on distribution of tariff treatments of ECOWAS exports.

### **3.2. Findings from Related Empirical Analysis of Impact of AGOA**

As discussed in Chapter 2, AGOA expands the benefits under the GSP and GSP LDC program. As a result of the existence of these non-reciprocal trade arrangements prior to AGOA, it is important first to recognize that the impact of AGOA on designated countries will differ depending on whether the country received preferential treatment under GSP or GSP LDC. The GSP LDC program expands the benefits under GSP by allowing duty-free imports for about 1,650 U.S. tariff lines. Many SSA countries are participants of the GSP LDC program. In fact, of the 37 AGOA countries, 22 have received preferential benefits under the GSP LDC program. Ten of the ECOWAS countries qualify for preferences under the US GSP LDC program; Côte d'Ivoire, Ghana, Liberia, Mauritania, Nigeria, Senegal do not. Nigeria does not qualify for any of the GSP schemes.<sup>47</sup>

In an initial assessment of the impact of AGOA, Ikezuki and Brenton indicate that there is a wide variation in the value of the trade preferences across countries covered by AGOA and as a result, the impact of AGOA is not evenly distributed among SSA countries. For example, looking specifically at the agricultural sector, the impact of AGOA in agriculture differs substantially between the LDCs and the non-LDCs in the region that qualify for the trade preference. For the LDCs AGOA liberalizes only an additional 26 agricultural tariff lines whereas for the non-LDCs AGOA adds 541 products to the 519 products already eligible for duty-free preferences under the

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<sup>47</sup> Author's Calculations from U.S. Department of Commerce and the U.S. International Trade Commission. USITC Interactive Tariff and Trade Database, 2004

GSP. Thus the impact of AGOA on the non-LDCs is much greater.<sup>48</sup> The table below highlights the differing impact.

**Table 3-1: Liberalization of Agricultural Products under AGOA—The Number of Tariff Lines Liberalized**

|  | Non-LDCs  | LDCs  |
|--|---|---|
| Total Tariff Lines   | 1723  | 1723  |
| Total GSP  | 519   | 1038  |
| GSP  | 519   | 547   |
| GSP LDC  | ---   | 491   |
| GSP LDC but not AGOA                                       | ---   | 4   |
| AGOA   | 541   | 26  |
| Duty-Free Lines  | 440   | 440   |
| Lines excluded from AGOA                                   | 223   | 219   |
| Countries  | Republic of Congo, Côte d'Ivoire, Eritrea, Gabon, Ghana, Nigeria, Seychelles, Botswana, Cameroon, Kenya, Namibia, Senegal, Swaziland, Mauritius | Benin, Central African Rep., Chad, Dem. Congo, Djibouti, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Rwanda, Sao Tome & Principe, Sierra Leone, Cape Verde, Ethiopia, Lesotho, Madagascar, Malawi, Mozambique, Uganda, Tanzania, Zambia |
| Main sectors containing products excluded from preferences | Meat, Dairy Products, Sugar, Chocolate, Prepared Food Products and Tobacco  |   |

Source: Ikezuki and Brenton (2004)

In a further analysis, Ikezuki and Brenton argue that for non-oil exporting countries that are not eligible for preferences on clothing products, the benefits of AGOA amounts to less than 1% of the value of exports to the US. Hence, given the small share of the US in the overall exports of most of these countries (less than 10%), the broader macroeconomic impact of preferences will be negligible. According to the study, AGOA is yet to have a significant impact on a constituent group of countries—those that are not eligible for clothing benefits.<sup>49</sup> Evidently, AGOA preferences on clothing are the main source of gains under AGOA and have been a stimulus for export diversification for a small but increasing group of countries. In the ECOWAS region,

<sup>48</sup> Paul Brenton and Takako Ikezuki. "The Initial and Potential Impact of Preferential Access to the U.S. Market under the African Growth and Opportunity Act." *World Bank Policy Research Working Paper 3262* (April 2004)

<sup>49</sup> Ibid.

seven countries qualify for the special textiles preferences—Ghana, Nigeria, Senegal, Benin, Mali, Cape Verde, and Sierra Leone with Benin, Nigeria and Senegal gaining eligibility in 2004. Exports of textiles and apparel are insignificant vis-à-vis other exports from the region. In 2004, the U.S received 60% of Ghana's textiles and apparel exports.<sup>50</sup>

As discussed in the preceding sections, oil and gas products are a major component of SSA-US trade. Data analysis from Mattoo, Roy, and Subramanian suggest that US share of SSA oil exports is much larger (23%) than its share of non-oil exports, which is estimated to be about 7.4%.<sup>51</sup> While oil and gas products constitute a large share of the exports its benefits under AGOA to beneficiary countries are negligible as tariff rates prior to AGOA was 1.5% and removal of the tariffs does not translate into higher benefits. As a result, very small benefits accrue to countries participating in the scheme. The concentration of benefits under AGOA is confined to a few countries--Nigeria, South Africa, and Gabon—major oil and gas producing countries. The only other segment with significant benefits is in the textiles and apparel segment. In an *ex-ante* simulation using a general equilibrium model, Ianchovichina *et al* indicate that an increase of 0.6% in non-oil exports for SSA countries as a group comes from preferential access to the US clothing market under the special textiles provisions of AGOA.<sup>52</sup> ECOWAS nations are yet to take full advantage of the special textiles preferences under AGOA.

The results of empirical analysis are not all dismal. Some of the analysis have revealed evidence of a positive impact on non-oil exports and envisage growth in these areas. Mattoo, Roy, and

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<sup>50</sup> Author's Calculations from U.S. Department of Commerce and the U.S. International Trade Commission. USITC Interactive Tariff and Trade Database, 2004

<sup>51</sup> Mattoo, Aaditya, Devesh Roy and Arvind Subramanian (2003).

<sup>52</sup> Ianchovichina, E., A. Mattoo, and M. Olarreaga. "Unrestricted Market Access for Sub-Saharan Africa: How Much Is It Worth and Who Pays?" *World Bank Policy Research Working Paper no. 2595* (2001).

Subramanian indicate that AGOA benefits are likely to come from two groups of non-oil exports: apparels and non-apparel exports such as footwear and agricultural products. They indicate that AGOA will provide real opportunities to Africa. They conclude that non-oil exports could be increased by about 8-11%. They also maintain that the medium term gains of AGOA could have been much greater if AGOA had not imposed stringent rules of origin.<sup>53</sup>

The specific and stringent provisions under AGOA reduce the level of utilization of preference scheme. The table below presents further details on this issue.

**Table 3-2: Limitations of the AGOA Preferential Scheme**

| <b>Feature</b>               | <b>Reduce impact on country</b>                              | <b>Enhance impact on Country</b>                                    | <b>AGOA Provisions Enhance or Reduce?</b>  |
|------------------------------|--|---|--|
| <b>Geographical Coverage</b> | Most supplying states receive preference                     | Few supplying states receive the preference                         | Reduces as 37 SSA countries; U.S. has similar agreement with Caribbean nations and the Andean region, and several FTAs |
| <b>Depth of Preference</b>   | Small improvement in market access compared with competitors | Substantial improvements in market access compared with competitors | Depends on if country was receiving preferences under GSP or GSP LDC; Deeper preferences exist for GSP beneficiaries.  |
| <b>Tariff Quotas</b>         | Global Quotas  | Country-specific quotas   | Enhances as AGOA eligible country have specific quotas   |
| <b>Duration</b>              | Short, Unpredictable   | Long  | Reduces, preferences are short and unpredictable   |
| <b>Legal basis</b>           | Autonomous, subject to arbitrary change                      | Contractual, with effective dispute settlement                      | Reduces, preferences are unilateral and non-contractual  |
| <b>Rules of Origin</b>       | High domestic processing requirement with limited cumulation | Lower domestic processing requirement with broad cumulation         | Reduces, complex stringent rules of origin   |

Source: Christopher Stevens and Jane Kennan, "Making Trade Preferences more Effective," *Institute of Development Studies*. (2004) and author's analysis.

The Mattoo et al., analysis estimate that the absence of these conditions would have magnified the impact of AGOA nearly five-fold, resulting in an overall increase in non-oil exports of US\$0.54 billion compared with the US\$100-140 million that is expected in the presence of these

<sup>53</sup> Mattoo, Aaditya, Devesh Roy and Arvind Subramanian (2003).

restrictions. They conclude that while AGOA has increased the scope of preferential access for African exports, this increase is only important for categories of products, which have significant protection. These currently account for 5% of total exports and 23% of non-oil exports.<sup>54</sup> Data from Mattoo *et al.* indicate that there are small preference margins on oil and tariff peaks on non-oil exports. Even for these categories, the real benefits are dependent on the impact of the rules of origin.<sup>55</sup>

Shapouri and Trueblood's analysis of the impact of AGOA on SSA exports yields similar results to that of Mattoo *et al.* Using a partial equilibrium model, they aggregate the commodities into three main groups: agriculture, apparel and footwear and manufacturing and minerals (excluding oil and oil-related commodities to eliminate their distortionary effect). According to their analysis, the provisions of the program do not match the profile of the exports of the designated countries and relative to the provisions under the GSP-LDC program, AGOA provided limited additional access for the lower income countries.<sup>56</sup> This is perhaps one of the reasons why several eligible countries have not yet participated in the program. On the more positive side, several countries have begun exporting new commodities to the US. For example, Ghana, Ethiopia, and Sierra Leone are exporting dried beans (new commodities) under the program. Furthermore, results of the study indicate that exporters in SSA are responding to the AGOA initiative and this has been gradually increasing. Countries (east and southern Africa) that were in the position to take advantage of the apparel provisions have done so successfully, with some countries moving towards more value-added exports. Lederman and Ozden, using a gravity

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<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

<sup>56</sup> Shapouri and Trueblood (2003).

model, find that in aggregate AGOA countries export between 20 to 40% more than excluded countries of similar economic and geographic characteristics.<sup>57</sup>

Nouve and Statz use panel data regression using a fixed effects gravity trade model to answer the question whether AGOA has increased agricultural exports from SSA to the United States. Focusing on a sample of 27 countries with average agricultural exports exceeding US\$100,000 in the post AGOA period, they conclude that the marginal contribution of AGOA to agricultural exports is approximately US\$0.5 million. However, they note that the inclusion of South Africa severely distorts the results of the analysis. The removal of South Africa reduces the estimate to nearly US\$0.4million. The authors also caution that as none of the estimates are statistically significant, the conclusions on the observed positive impact of AGOA on SSA's agricultural exports are not robust. (R-squared ranges from less than 2% to 13%). Thus, the results of the analysis are rather inconclusive.<sup>58</sup> Nouve and Statz conclude that there is a positive, albeit marginal relationship between AGOA and the expansion of agricultural trade in sub-Saharan Africa.<sup>59</sup> The AGOA-induced gains in agricultural exports are found to be not significantly different from zero. Nouve and Statz conclude that the mere existence of a positive relationship between AGOA and agricultural trade is encouraging for the continent, making it even more imperative to maintain and reinvigorate efforts towards making the relationship even more significant.<sup>60</sup>

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<sup>57</sup> Daniel Lederman and Caglar Ozden "U.S. Trade Preferences: All not Created Equal," *The World Bank Group Policy Paper* (January 2004)

<sup>58</sup> Kofi Nouve and John Stataz, "Has AGOA Increased Agricultural Exports from Sub-Saharan Africa to the United States," Paper presented at the International Conference: Agricultural Policy Reform and the WTO: Where are we heading? Capri (Italy), June 23-26, 2003

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

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The results of these studies on the impact of AGOA on exports from these regions indicate that the impact of AGOA, if any, is yet to be realized in the majority of eligible countries. This may be attributed to the very nature of the specific details of the preferential trade agreement vis-à-vis the pre-existing special and different trade schemes, such as the GSP and GSP LDC. It is important to note that AGOA does not extend new or unique benefits to qualifying countries. Most sub-Saharan countries were already designated for benefits under the GSP and GSP LDC when AGOA came into law. The trade impact of AGOA depends first on the importance of those products that are subject to AGOA preferences in total exports of each eligible country and its pre-AGOA tariff treatment.<sup>61</sup>

The preceding section has focused on the impact of AGOA on the export performance of qualifying countries. There are broader real implications of preference agreements on preference receiving countries. According to UNCTAD, market access preferences generate effective benefits when “structural (durable and sustainable) socio-economic progress has taken place”<sup>62</sup> This is demonstrated by investment in relevant economic sectors, job and income creation and the strengthening of innovative and productive capacities.<sup>63</sup> Using the UNCTAD definition of effective benefits, the next section focuses on isolating some of the durable and sustainable socio-economic progress that has taken place since 2000 when AGOA came into law. There is limited data on the direct benefits rendered as a result of AGOA; as such the broader benefits accrued is determined through extrapolation from available data and inferences from anecdotal evidence.

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<sup>61</sup> Shapouri and Trueblood (2003)

<sup>62</sup> UNCTAD, *Main Recent Initiatives In Favor Of Least Developed Countries in the Area of Preferential Market Access: Preliminary Impact Assessment* (7 August 2003).

<sup>63</sup> *Ibid.*

### **3.2. AGOA Preferences and Investment**

While it is certainly difficult to discern general FDI flows from AGOA-specific FDI flows, foreign and local investments at various stages of the production process under AGOA have been fairly limited and where present confined to specific sectors and countries. In 2003, sub-Saharan Africa received US\$8.5 billion in new foreign direct investment (FDI), which is 6.3% of global foreign investment flows to developing countries. A strong correlation between FDI inflow and oil and gas producing countries persist. For example, the 24 African countries classified by the World Bank as oil- and mineral-dependent have, on average, accounted for close to three quarters of annual FDI flows over the past two decades. In 2003, Equatorial Guinea and Nigeria attracted the largest amounts of U.S. FDI flows, with US\$823 million and US\$340 million, respectively. Of the non-petroleum-exporting countries, South Africa and Cameroon attracted the largest amounts of U.S. FDI, with US\$89 million and US\$73 million, respectively.<sup>64</sup>

Proponents of AGOA are of the view that AGOA holds some promise for expansion of trade and investment in Africa especially as government officials, companies and international firms become more familiar with AGOA benefits. According to the USITC AGOA report, in the first two years of its inception, AGOA helped stimulate FDI of US\$12.8 million in Kenya and US\$78 million in Mauritius.<sup>65</sup> Other reports indicate that close to US\$500 million in new investments have been announced in connection with AGOA. Strikingly, almost all of these new investments have taken place in Eastern and Southern Africa, particularly in Kenya, Namibia, Lesotho, Mauritius, Malawi, Swaziland, and Uganda. This could be attributed to the presence of existing

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<sup>64</sup> UNCTAD, World Investment Report, 2004

<sup>65</sup> United States International Trade Commission, US Trade and Investment with Sub-Saharan Africa, Fifth Annual Report, Chapter 2 (December 2004) Available from <http://hotdocs.usitc.gov/pub3741/Chapter2.pdf>

vibrant export sectors (Kenya has a strong horticultural export industry and Mauritius a vibrant textiles and apparel sector pre-AGOA) and government incentives.

In a testimony on the benefits of AGOA, Stephen Hayes, president of the Corporate Council on Africa stated that over a dozen AGOA-driven factories have opened in Lesotho. In Kenya, direct AGOA related jobs number nearly 30,000. South Africa, by far the major beneficiary of AGOA is now the single largest supplier of oranges to the US and according to the South African government approximately 90,000 jobs have been created as a result of AGOA.<sup>66</sup>

Besides significant investment in oil and gas in Nigeria, the ECOWAS region plays host to only one significant non-oil investment, a planned \$30 million textile factory in Senegal.<sup>67</sup> A substantial portion of new investment continues to target the apparel sector. For example, apparel-related and AGOA-related investment has begun in earnest in ECOWAS countries. Textile firms have been investing in Senegal, Côte d'Ivoire, and Mali. Sectors outside the textile and apparel sector have also attracted investments although they are often small-to medium-scale investment. There have been a number of small-scale investments in the footwear sector in Nigeria and Cape Verde. Cape Verde records significant investments in the footwear industry by Portuguese corporations to take advantage of AGOA preferences.<sup>68</sup> Recent investments, in Ghana and Burkina Faso, in the shea butter processing, also highlight the extension of AGOA-related investment into small- and medium-sized businesses in SSA.

There are few cases of new large-scale export-oriented investments in agricultural and horticultural industries in ECOWAS nations. Investment and some expansion of acreage for export production did

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<sup>66</sup> Statement of Stephen Hayes, President, Corporate Council on Africa, Testimony Before the Subcommittee on Trade of the House Committee on Ways and Means (April 29, 2004)

<sup>67</sup>

<sup>68</sup> Office of the United States Trade Representative. *African Growth and Opportunity Act Competitiveness Report* (July 2005).

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occur in some ECOWAS countries for tropical fruit and vegetables, as well as for fresh flowers and plants, e.g. for organic bananas in Ghana and asparagus in Senegal.<sup>69</sup> There was very little investment in export-oriented agricultural processing industries. Most of the foreign investment that did take place was in conditioning of basic commodities. Further examples include investment by South East Asian firms in an export-oriented palm oil plant in Ghana and a plywood factory in Sierra Leone; a new cocoa-processing plant established by a Transnational Corporation in Ghana; a new pineapple juice factory that started production for export in Côte d'Ivoire in 2002; and the rehabilitation of the Senegalese tomato processing plant.<sup>70</sup> The table overleaf highlights some of the recent AGOA-related investments in ECOWAS countries.

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<sup>69</sup> Food and Agriculture Organization of the United Nations, *Improving the Value and Effective Utilization Of Agricultural Trade Preferences, A Conceptual Framework for Case Studies of the Impact of Trade Preferences in Agricultural Products*. Commodity Policy and Projections Service Commodities and Trade Division 2003.

<sup>70</sup> *Ibid.*

**Table 3-3: Selection of AGOA-related Investments in ECOWAS Region**

| COUNTRY       | EXAMPLE  |
|---------------|--|
| CÔTE D'IVOIRE | A Chinese/Ivorian joint venture has invested \$9 million in a textile factory to export under AGOA. <sup>71</sup>  |
| GHANA         | <p>“Impact Clothing Ghana Ltd has acquired 20 acres of land within the Presidential Special Initiative (PSI) Garment Village for the construction of a garment factory. A lease agreement was signed...for the project aimed at taking advantage of the Africa Growth and Opportunity Act (AGOA). ...An estimate of over three billion cedis is to be generated in export revenue over 5 years [from the Garment Village]. The [Impact Clothing] project is estimated to bring into the economy an investment capital of US\$3-4 million and also bring export revenue of US\$20 million. The company, expected to start operations from July 2004 would bring employment opportunities for over 1000 people.”<sup>72</sup></p> <p>Belin Textiles International, a Ghana-Mauritius partnership company established to export products to the United States under the AGOA program, opened its first factory in July 2004. The Ghanaian President added that, “another company from Mauritius had expressed the desire to invest about \$100 million in sugar production in the Northern part of Ghana.”<sup>73</sup></p> |
| MALI          | In February 2004, the President of Mali opened a new spinning factory. It represents a \$10.7-million investment by Malian, Mauritian, and French entrepreneurs. The facility is “one of the few outside of South Africa capable of producing quality thread for use in manufacturing apparel for export to the United States under AGOA... The factory, the first of its kind in Mali, created 200 new jobs.” <sup>74</sup>   |
| NIGERIA       | “One of the largest shoe manufacturers in Italy, Filanto s.p.a, has announced its intention to set up a plant in Kano [Nigeria] with an initial capacity of between 2,000 and 3,000 shoes per day. ... [The plant would] provide export opportunities for Africa, America, and Europe. ... [This] is an important step towards diversification of the economy away from over-dependence on oil.... [Nigeria’s AGOA advisor] said the footwear industry in the United States alone stands at \$40 billion [and the] AGOA tariff advantage on footwear and foot wear parts are as high as 51 percent.” <sup>75</sup>   |

<sup>71</sup> U.S. Department of State telegram, “USITC Study on U.S. Sub-Saharan African Trade and Investment,” message reference No. ABIDJAN 002218, prepared by U.S. Embassy, Abidjan, Sept. 2003.

<sup>72</sup> Martin Luther Otu, “Ghana to Export Garments to the International Market,” Public Agenda (Accra), Nov. 3, 2003 <http://allafrica.com/stories/printable/200311031059.html>.

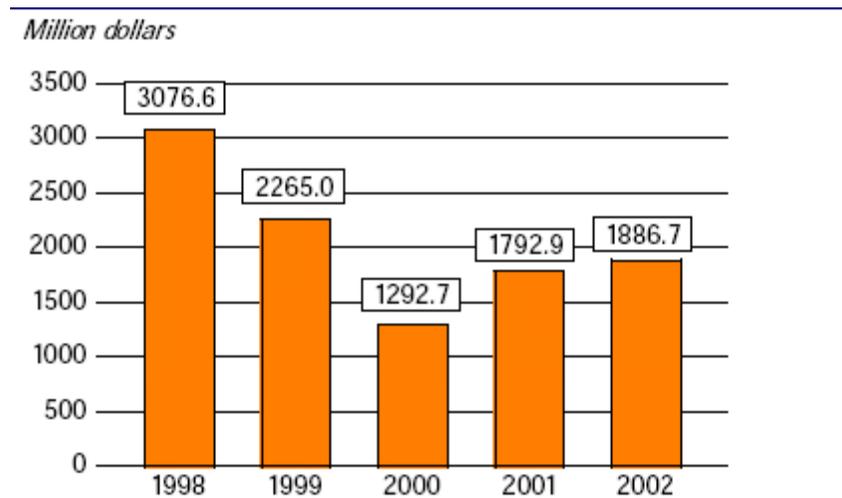
<sup>73</sup> “First Textile and Garments Factory Inaugurated,” July 6, 2004, Accra Mail (Accra), <http://www.allafrica.com>

<sup>74</sup> EIU, “Mali: Regulations: News analysis,” May 4, 2004, <http://viewswire.com>

<sup>75</sup> Reuben Yunana, “Italian Shoe Firm to Establish Plant in Kano,” Daily Trust (Nigeria), May 13, 2004, <http://www.allafrica.com>

Overall, foreign direct investments from the United States have been fairly low and where present have been confined to the extractive industries. US investment position in sub-Saharan Africa in 2003 was US\$8.9 billion.<sup>76</sup> Net foreign direct investment in ECOWAS nations has been steadily increasing since passage of AGOA.

**Fig. 3-1 ECOWAS Net Foreign Direct Investment (1998-2002)**



Source: United States International Trade Commission, US Trade and Investment with Sub-Saharan Africa, Fifth Annual Report, Chapter 3 (December 2004)<http://hotdocs.usitc.gov/pub3741/Chapter3.pdf>

Investment flows are increasingly from Southern transnational corporations, especially Asian entities whose investments span the entire gamut of opportunities ranging from the natural resources extractive industries, textiles and apparel, as well as processed food. Asian investors are increasingly investing in the clothing and apparel sectors with natural resources gradually playing a much smaller role. These investors originate mainly from Taiwan, India, Malaysia,

<sup>76</sup>USITC, 2004 Comprehensive report on U.S. Trade and Investment Policy toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act, (May 2004).

Japan, China, and Korea. Several European firms are also investing in the region to take advantage of AGOA preferences.

The nature of investment flows into specific sectors—extractive and textiles and apparel—has created structural biases particularly in the oil and gas sector, where the FDI regime has low value added, and limited reinvested earnings. Furthermore, as indicated above, the distribution of investment flows are not quite varied, but rather confined to specific countries with an attractive investment climate. A recent study examining the preferential trade of apparel and textiles from the Caribbean region to the United States offers useful insights and parallels to AGOA. The analysis revealed that the impact of preferential trade agreements on investment was not instantaneous. On average, it took approximately five years for the countries under the agreement to make the transition. Low-income countries have limited capacity to expand production in the short-run as they lack key factors of production, such as FDI, skilled labor and market infrastructure.<sup>77</sup>

### **3. Conclusions**

A meaningful assessment of the effective benefits derived from market access preferences essentially requires country-specific examination of the causal link between the preferences and their impact on investment and trade flows, and on the related socio-economic performance. The analysis of trade flow data and the results of robust econometric analysis highlight some of the broad trends and impact of AGOA on the sub-Saharan Africa regional economy. Recognizing the limitations of aggregate two-way trade analysis, the next section will assess changes in ECOWAS exports to the US since implementation of AGOA. AGOA has worked well for all oil

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<sup>77</sup> P. Pelzman and G. Schoepfle, "The Impact of the Caribbean Basin Economic Recovery Act on Caribbean Nations' Exports and Development. *Economic Development and Cultural Change* 36 (1988)

and gas related products and performed less than average for other product groups. Agricultural exports, particularly, have been fairly stagnant under AGOA. In terms of product performance, there have been significant variations by country and commodity groupings. Countries with more diversified economies have taken advantage of the market opportunities much more than countries whose exports are highly concentrated in a few areas

The success of AGOA in promoting export growth in the region depends on the compatibility of the commodities under AGOA with the export profiles of ECOWAS countries and how responsive countries are in taking advantage of the program. The discussion above reaffirms the below average performance of food and agricultural products under AGOA. Experts cite several reasons for this trend. To begin with, food and agricultural product exports have declined substantially in recent decades. Second, the EU continues to be the largest market for agricultural products originating from ECOWAS. Third, the stringent rules of origin under AGOA are costly and/or difficult for most exporters in ECOWAS nations. Evidently, AGOA is yet to grant ECOWAS exporters a competitive advantage in non-oil and gas products. The next section of this paper will highlight some of these constraints and ascertain the extent to which they are accountable for the second-rate performance of agricultural exports to the United States.

**CHAPTER 4: IDENTIFYING CORE CONSTRAINTS TO UNTAPPED EXPORT POTENTIAL****4.1. Introduction**

There are several products, non-agricultural and agricultural, that ECOWAS countries could be exporting duty free to the United States. AGOA provides generous preference treatments that should catalyze export growth. However, five years into its enactment, many of the goals for which AGOA was established have not been met, thus begging the question: is the problem with the Act, lies within Africa, or in the competitive nature of the US market?

Conventional trade and development theory has always attributed the low utilization of market preferences to supply-side constraints (domestic trade policies and supply capacity), specificity of preference scheme (rules of origin, unpredictability of the scheme) and the prevalence of non-tariff barriers to the market. Market access does not necessarily guarantee market entry into preference-giving country markets. Improved market access is meaningless if the ECOWAS nations cannot produce in the sectors in which they have preferential treatment and if they lack the marketing skills, information and connections to convert market access into market entry.

Overcoming prevailing competitive conditions in the U.S. market to gain market entry is a critical component of the equation for effective utilization of preferences, one that is often overlooked in the granting of preferences. Acknowledging that supply-side constraints, and the very nature of AGOA hinders effective utilization of the preferences, I postulate, that market entry barriers mainly in the form of intense competition is one of the core, yet less acknowledged constraints for ECOWAS countries that want to leverage AGOA to gain a foothold and penetrate the US market.

To prove this assertion, this section will assess the performance of ECOWAS product exports with significant import demand by the United States, substantial supply capacity from ECOWAS and that enter the U.S. duty free under AGOA. The analysis enables isolation of all other constraints associated with supply-side capacity, allowing for a focus on market entry barriers.

#### **4.2. Trade Flow Analysis—Research Methodology**

The analysis in this section is based on the Trade Flow Analysis (TFA) method. UNCTAD and the International Trade Centre in Geneva developed the methodology for Trade Flow Analysis. This analysis compares a country or region's exports of a given commodity with a target country's imports of that commodity from all sources, yielding what is referred to as an "indicative export potential." Indicative export potential is the lesser of a country or region's exports of a given commodity to the entire world, and a target country's imports of the same product from the entire world. The goal is to identify complementary products between the U.S. and ECOWAS—goods with significant import demand by the US and are produced and exported by ECOWAS. The fact that the U.S imports these products proves existing demand and that those same products exhibit growth in exports indicates existing supply capacity under competitive global trade conditions.

The TFA approach is very simple, in that it can be readily replicated. While the "gravity method" is the most common tool for gauging trade potential between countries or regions and it has been proven empirically to have predictive value. The gravity model does not work terribly well in analyzing potential trade between two trading blocs that do not have an existing trade relationship of sizeable significance, as is the case with trade between ECOWAS and the United

States. More importantly, it is not an approach that, given limited resources, can be replicated by Trade Departments and Ministries, Trade Promotion Authorities and Exporters' Organizations in the ECOWAS region.

The analysis is augmented by looking at the growth trends<sup>78</sup> in ECOWAS exports and United States imports, to get a clearer sense of the true potential for increased ECOWAS exports of non-oil products with high indicative export potential to the U.S. given demand conditions and patterns as well as market conditions in the United States. The indicative trade potential is only suggestive and serves as a platform for further investigation into the underlying factors underlying trade flows between the two regions. Where export potential is identified, but actual trade between the two regions particularly under AGOA is limited or non-existent, is the crucial point of investigation. The investigation will focus on determining if market entry factors (accessibility and competition in U.S. domestic market) are the underlying factors for ECOWAS' inability to grow export in the U.S. market despite high indicative trade potential and AGOA preferences.

Trade Flow Analysis is used in benchmarking export performance in a specified market, to identify potential markets, as well as to monitor the role of competitors in the global market. For the purpose of this paper, the trade flow analysis will be used to examine the export performance of products identified to have high indicative inter-regional trade potential. This will be conducted through an examination of current trade between ECOWAS and the U.S., the

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<sup>78</sup> Growth rates can inflate the indicative export potential since past performance is not necessarily a guarantee for future performance. A low value in the base year will inflate the growth rate, while actual flows may be low, thus making growth rates irrelevant. Growth rates at least 20% above world trade growth is considered very dynamic growth, a least 5% above world trade growth is dynamic growth. Average growth is close or equivalent to world trade, low or negative growth rate at least 5% below world trade growth.

dynamics of ECOWAS supply and U.S. demand, and the level of competition for select product groups.

The results of the trade flow analysis can be presented in any number of ways. On the following pages, the results of the analysis are presented in three-dimensional charts. The bubbles indicate the size of the indicative inter-regional trade potential; the horizontal axis indicates a measure of performance of ECOWAS exports to the U.S., and the vertical axis, the growth of United States demand.

The data for the Trade Flow Analysis is derived from COMTRADE, database of the United Nations Statistics Division (UNSD). Mirror statistics is used for countries that do not report their own trade data. The analysis is based on the Harmonized Tariff System (HTS) nomenclature of products, and is carried out at the six-digit level to reach the lowest level of disaggregation within product groups. The aggregate nature of the trade flow analysis can overstate the trade potential since products within the same six-digit level product group might not be perfect substitutes. The results of the trade flow analysis are based on the most recent available data (2004). The growth rates listed in the different tables are calculated on an annual basis over the 2000-2004 period. The Trade Flow Analysis has limitations in that statistical trade data do not always capture supply and demand characteristics in the commercial sense. Thus, the outcome of a trade flow analysis as presented here needs to be further validated at the country, sector, and firm levels. See Appendix C for details on the limitations of trade statistics.

### 4.3. Results of Trade Flow Analysis

#### **Step 1-Identifying Products with High Inter-Regional Trade Potential**

For the purpose of the analysis and recognizing the disproportionate size of the ECOWAS market relative to that of the United States, products with an inter-regional trade potential greater than US\$20 million will be defined as having a high inter-regional trade potential.

Applying the TFA methodology outlined above, the export potential (untapped trade) between ECOWAS and the United States for 2004 is estimated to be approximately US\$17.8 billion, which is almost equal to 2004 ECOWAS exports to the United States (US\$ 17.4 billion<sup>79</sup>). This means that *all things being equal*, ECOWAS countries can double their exports to the United States. The table in Appendix D lists the products with the high export potential, according to the definition established in the preceding paragraph. For ease of analysis, products with high inter-regional trade potential is categorized into product groups namely, agro-based products, oil and gas products, metal mining and manufactures, chemical products, fish and fishing products, jewelry and precious metals, etc.)

- 1. Oil and Gas Products**—Oil and gas products have the highest inter-regional trade potential at US\$12 billion. This product group accounts for 68.5% of ECOWAS' indicative export potential to the US. For example, the product group of *petroleum oils and oils obtained from bituminous minerals* (HS270900) holds the highest indicative inter-regional trade potential, evaluated at approximately US\$11 billion. Other products such as different types of petroleum and natural gas account for the rest.

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<sup>79</sup> U.S. Department of Commerce and the U.S. International Trade Commission, *USITC Interactive Tariff and Trade Database*, 2004

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- 2. Agricultural Products**—agricultural products has the second highest inter-regional export potential, although the size of this potential is one-twelfth the size of the oil and gas products. The total indicative inter-regional trade potential is approximately US\$1.4 billion. *Cocoa beans, whole or broken, raw or roasted* (HS180100) has the highest inter-regional trade potential. Several cocoa semi-processed products including *cocoa butter, fat and oil* (HS180400) *Cocoa powder, not containing added sugar or other sweetening matter* (HS180500) and *cocoa paste wholly/partially or not defatted* (HS180320) fall in this category. Here semi-processed cocoa products present significant trade opportunities, as the indicative trade potential is fifteen times that of current trade levels. Other products within this product group with high inter-regional trade potential include *bananas including plantains, fresh or dried* (HS80300), *pineapples, fresh or dried* (HS80430), *Coffee, not roasted, not decaffeinated*, (HS 90111), *Sesamum seeds, whether or not broken* (HS120740), *Ground-nut oil, crude* (HS150810), *Raw sugar, cane*, (HS170111), *Guavas, mangoes and mangosteens, fresh or dried* (HS80450), *Palm oil and its fractions refined but not chemically modified* (HS151190), *Oil seeds and oleaginous fruits, whether or not broken* (HS120799).
- 3. Metals Mining and Manufactures Products**—this product category has an inter-regional trade potential of US\$640 million. Within this category, *Aluminum ores and concentrates* (HS260600) presents the highest opportunities for trade expansion with an inter-regional trade potential of US\$270 million. The indicative trade potential is about four times that of current trade levels. Other sub products with high potential for inter regional trade include *Natural uranium* (HS284410).

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- 4. Fish and Seafood Products**—Fish and fish products have an inter-regional trade potential of approximately US\$519 million. Within this category, *Tunas, skipjack prepared/preserved, whole/in pieces* (HS160414) has the highest inter regional trade potential at US\$176 million. *Shrimps and prawns, frozen, in shell or not, including boiled in shell* (HS30613), *Octopus, frozen, dried, salted or in brine* (HS30759) and other frozen and prepared fish also have significantly high inter-regional trade potential.
- 5. Forest Products**—Forest products also have quite a significant inter-regional trade potential (US\$400 million), with lumber and rubber products commanding a huge portion of the trade potential. *Technically specified natural rubber (TSNR)* (HS400122), *Lumber, tropical hardwood* (HS440729) and *Lumber, non-coniferous* (HS440799) account for approximately three-quarters of the trade potential of this category.

There are several other products with high inter regional trade potential. These include building materials such as Portland cement and cement clinkers, precious minerals such as gold and non-industrial diamonds, and beauty and make-up preparations. Product groups that can be broadly classified as traditional exports (oil and gas, precious minerals, metals and mining) do not have sizeable inter-regional trade potential when compared to current levels. Alternatively, non-traditional exports such as fish and seafood products and select agriculture products have a comparatively huge potential. (See Appendix D)

### **Step 2—Market Performance of Products with High Inter-Regional Trade Potential**

Having identified products with existing high potential for inter-regional trade, a comparison of current trade, with growth in import demand by the United States reveals the market performance of these products in the US market. Share of US imports in ECOWAS exports in

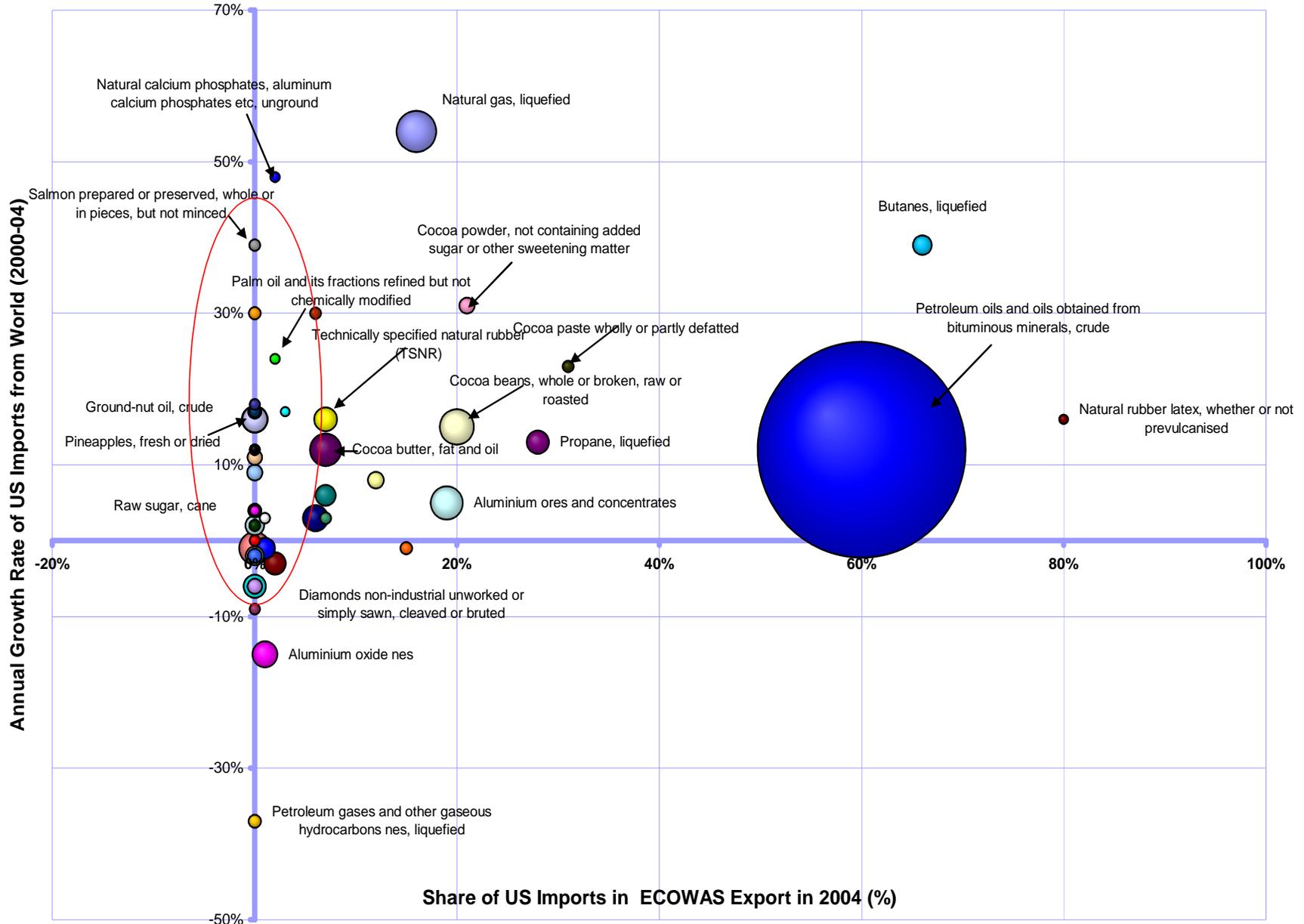
2004 is used as a proxy measure for current trade/market share. In the matrix on the next page, these product groups are positioned in terms of level of current trade (share of US imports in ECOWAS exports on the horizontal axis) and the United States' demand absorption (annual growth rate of U.S. imports for the world on the vertical axis) Again, the bubbles reflect the size of inter-regional trade potential. The matrix reveals that while some products have traction in the market and are gaining ground, the majority are yet to penetrate the market. The majority of the products also have positive U.S. import demand growth, an indication of a growing domestic market. The traditional ECOWAS exports—oil and gas products, natural rubber, and cocoa beans and some cocoa-derived products—predictably have a strong market performance in the U.S. market with high current trade levels in a growing market (top right quadrant). Products with positive growing demand and low share of U.S. imports are of particular interest. These products are enclosed by the circle in the matrix overleaf and listed below:

1. Tunas, skipjack, bonito, prepared/preserved, whole/in pieces, ex minced
2. Pineapples, fresh or dried
3. Fish nes, frozen, excluding heading No 03.04, livers and roes
4. Octopus, frozen, dried, salted or in brine
5. Wood (lumber) continuously shaped non-coniferous (hardwood)
6. Salmon prepared or preserved, whole or in pieces, but not minced
7. Ground-nut oil, crude
8. Raw sugar, cane
9. Guavas, mangoes and mangosteens, fresh or dried
10. Cuttle fish and squid, shelled or not, frozen, dried, salted or in brine
11. Soups and broths and preparations thereof
12. Natural rubber in other forms nes
13. Palm oil and its fractions refined but not chemically modified
14. Coffee extracts, essences, concentrates
15. Oil seeds and oleaginous fruits, nes, whether or not broken

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These products are predominantly agricultural products, forest products, and fish and seafood products. For example, products such as *Bananas including plantains, fresh or dried* (HS080300), *Tunas, skipjack, bonito, prepared/preserved, whole/in pieces* (HS160414), *pineapples, fresh or dried* (HS080430), and *Technically specified natural rubber (TSNR)*(HS400122) have significant inter-regional trade potential with US\$254 million, US\$176 million, US\$171 million, and US\$141 million respectively; are in a growth market, yet have no or very little share of the market. The inability of these products to penetrate the US market could be due to a multitude of factors ranging from tariff and non-tariff barriers to supply capacity constraints, and as mentioned above stringent rules of compliance under AGOA.

**Fig.4-1: Performance of High Inter-Regional Trade Potential ECOWAS Exports in U.S. Market**



Source: Author's Calculations using ITC Trademap Database, UNCTAD Handbook on Statistics (2004)

**Step 3—Identifying Supply Capacity of Products with Low U.S. Market Penetration**

To determine if constraints associated with supply capacity is the underlying factor for the poor performance of the identified agricultural, forest and fish products, the next stage of the analysis incorporates a measure of ECOWAS supply capacity. Supply capacity of ECOWAS will be measured using the products' historical (4-year) world export growth rate. The goal is to determine if lack of supply capacity is driving the difficulty in market penetration. Again, growth in import demand is incorporated into the analysis as a control variable.

The products are positioned on the matrix according to U.S.'s demand absorption and ECOWAS supply capacity. Again, the size of the bubbles represents the indicative inter-regional trade potential, the horizontal axis, ECOWAS share of U.S. imports, and the vertical axis the growth of United States demand. In addition, the chart indicates the average nominal growth of total exports of ECOWAS for the period 2000 to 2004 (dotted vertical reference line) and the average nominal growth of world imports over the same period (horizontal reference line). The diagonal line (i.e. the line of constant world market share) divides the chart into two parts: exports of products to the right of this line have grown faster than world imports and thereby increased their share in the world market. Conversely, products to the left of the diagonal line have seen erosion in their world market share. Products, whose world imports have grown below this rate, are classified as declining products, as their share in world trade is declining. Growth rates are calculated using the ordinary least squares trends. Annual trends above 100% have been cut off and set at 100% per annum. The diagonal and the horizontal reference lines are of particular interest from a trade development perspective, since they divide the chart into four quadrants with different characteristics and are the criteria used for distinguishing growing and declining

products is the average nominal growth rate of total world imports from 2000 to 2004. For ease of reference, each of these quadrants has been given a name as illustrated below:

**Fig.4-2-Export Performance Matrix**



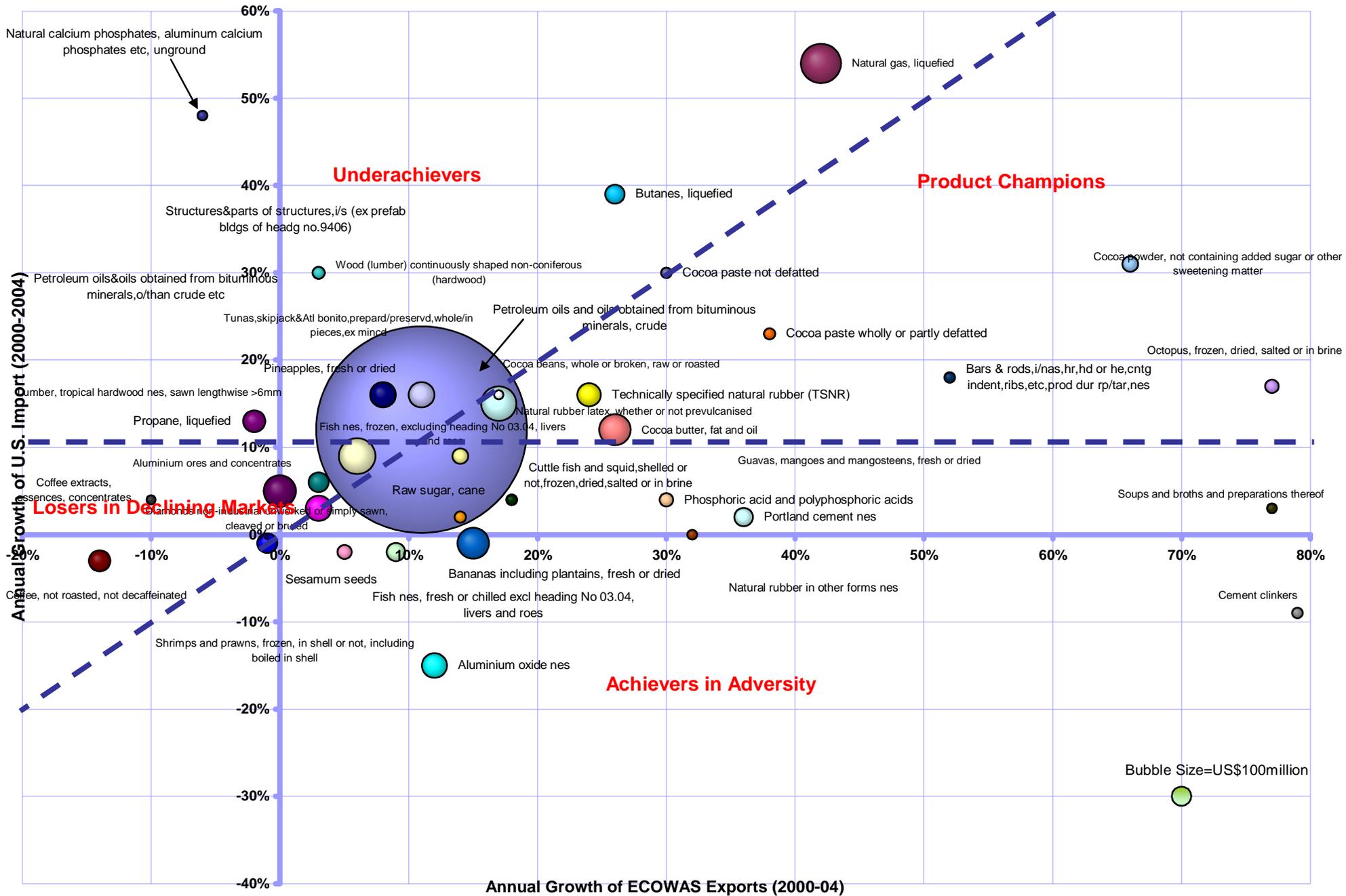
Source: ITC UNCTAD Trademap User guide

1. **Champions—winners in growth markets** (upper right, first quadrant): these are the export products that are performing well. They comprise of particularly dynamic products that are growing faster than world trade in general.
2. **Underachievers—losers in growth markets** (upper left, second quadrant): these products represent exports that have either declined or grown less dynamically than world trade, while international demand has been growing at above-average rates. This represents products that are facing supply side constraints.
3. **Losers in declining markets** (lower left, third quadrant): these products represents exports whose demand has been stagnant, growing at a below average rate, or actually declined in tandem with a decline or less than average growth in supply capacity.

4. **Achievers in adversity - winners in declining markets** (lower right, fourth quadrant):  
products in this quadrant are characterized by an increase in the country's market share, in world import markets, which are declining or growing below average.

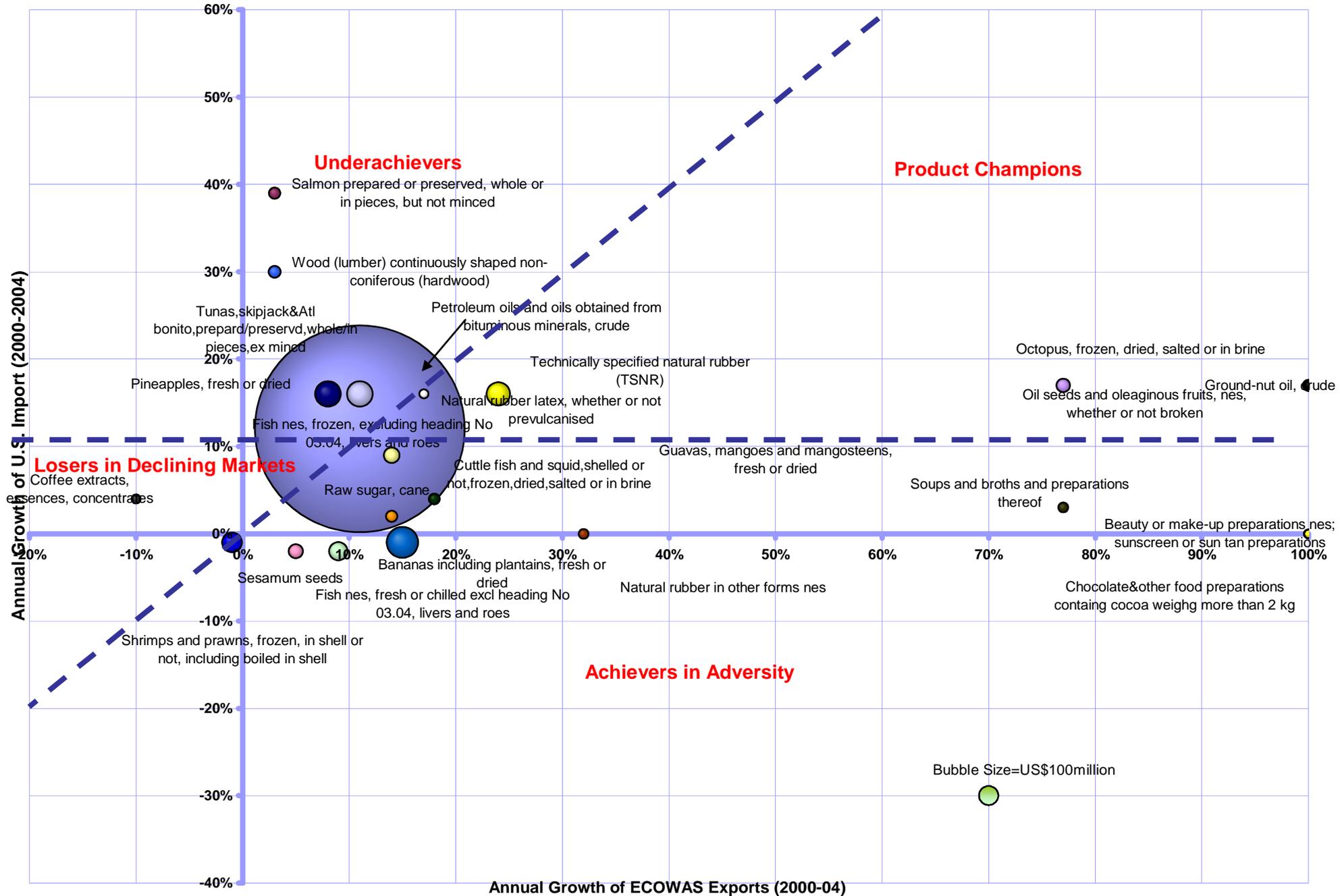
The nominal average growth rate of US imports from the world is approximately 11%, that of ECOWAS exports is 10%. Together with diagonal reference line (the line of constant world market share), the chart can be divided into four part quadrants, each with specific and different characteristics. Bubbles to the right of the line represent products in which the region is gaining share faster than share of global goods exports overall. Figure 4-3 on the next page presents the results.

Fig.4-3: Growth of ECOWAS Supply & U.S. Demand for High Indicative Inter-regional Trade Potential Products



Source: Author's Calculations using ITC Trademap Database, UNCTAD Handbook on Statistics (2004)

Fig.4-4: ECOWAS Supply Capacity for High Trade Potential Products with Low U.S. Market Share



Source: Author's Calculations using ITC Trademap Database, UNCTAD Handbook on Statistics (2004)

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The matrix above reveals that the majority of the products are in the top right quadrant. The top right hand quadrant highlights the best possible product positioning, indicating that ECOWAS has not only enough capacity to enter these markets but also to grow in it. Petroleum and other petroleum-derived products feature predominantly in this quadrant. In addition, several agricultural products are represented in this top right quadrant. Naturally, these are traditional non-oil exports such as cocoa and other cocoa-derived products, natural rubber and other forest products unique to ECOWAS. Several of the products identified to have low penetration of the U.S. market such as palm oil, frozen fish, and squid and octopus among others also fall into this category. The rest of these agricultural and food products fall into the category of achievers under adversity. These include, bananas (plantains), sesame seeds, fresh/chilled fish, which have dynamic supply capacity but virtually zero to negative demand growth in the U.S. market.

Comparing the results of this analysis to levels of current trade between the two regions reveals that for many of these products, ECOWAS countries' supply capacity as indicated by historical growth in exports is not the primary reason for low penetration into the US market. Many of the products with growing supply capacity in growing markets have zero to insignificant share of the US market (See Fig. 4-1). For example, pineapples, tuna, groundnut oil, prepared salmon, octopus, palm oil, oilseeds have an insignificant share of the US market despite growing US demand for the product. Likewise, bananas (plantain) coffee, shrimp, fresh fish, sesame seeds are products with high export potential but present no trade opportunities due to declining import growth by the US.

The above analysis proves that despite the existence of high inter-regional trade potential, some products with historically high demand in the U.S. market will realize existing trade potential whereas others will face an uphill battle realizing the existing trade potential. For example, while petroleum, petroleum-derived products, and other extractive products can realize the indicative trade potential, the majority of agricultural exports with high export potential from ECOWAS countries may never realize this potential regardless of the existence of special and different preferential treatments such as AGOA. As all the products examined, with the exception of raw sugar and prepared foods (soups and broth), enter the U.S. duty free under AGOA, we can conclude that the inability of agricultural and other food products from the ECOWAS region to penetrate the U.S. market is underscored primarily by the fact that the majority of ECOWAS exports to the United States are demand driven and face non-tariff barriers, rather than an issue of supply capacity constraints. A review of the data and Fig. 4-4 confirms that the majority of product groups with zero to minimal share of U.S. imports have adequate supply capacity per historical supply capacity trends.

Indicative inter regional trade potential may remain unrealized for a host of policy and business reasons. Based on the analysis above, we conclude that the primary reason for the un-realization of the inter-regional trade potential of most agricultural products is that they are demand driven and face non-tariff barriers, irrespective of AGOA. Being demand driven, these products face strong competition from domestic and other exporters, marketing deficiencies, and transport costs. The next section provides further details.

#### 4.4. Accessibility and Competition in the U.S. Markets/

The United States imports a large percentage of the world's imports. As discussed above, under AGOA, the majority of the exports identified to have a high export potential can enter the United States market duty free. Indicative trade potential for ECOWAS agricultural exports may be unrealized due to the strong competition from other country suppliers. As one of the largest markets in the world, the US market is highly competitive and difficult to navigate. To determine if this is the case, we shall identify the top U.S. suppliers of these products and the ease of penetrating and gaining a strong foothold in the US market. An examination of supplying markets indicates that ECOWAS faces strong competition mainly from the Caribbean, Latin America, and Central America, including in particular Mexico. In some product categories such as seafood, South and East Asian countries are the number one suppliers. Table 4-1 on the next page presents a sampling of some of the key suppliers to the US market of products with high indicative export potential for the ECOWAS region.

By all indications, for agricultural products, there appears to be a strong correlation between geographic proximity and success in the US market. Typically, countries at the centre of a fast growing region are more likely to benefit, *ceteris paribus*, than countries situated outside that region. For example in 2003, agricultural imports from the four Andean Trade Preferential Act (ATPA) countries accounted for almost two-thirds of the total \$784 million ATPA imports.<sup>80</sup>

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<sup>80</sup> Ibid.

**Table 4-1: Competitive Landscape of Select Agricultural Products in U.S. Market**

| <b>PRODUCT</b>  | <b>U.S. IMPORTS FROM WORLD</b> | <b>TOP 5 SUPPLIERS TO U.S. MARKET</b>                          |
|---|--------------------------------|--|
| Raw sugar, cane   | 10%                            | Dominican Republic, Guatemala, Brazil, Philippines, Costa Rica |
| Guavas, mangoes and mangosteens, fresh or dried                       | 28%                            | Mexico, Peru, Brazil, Ecuador, Philippines                     |
| Coffee extracts, essences, concentrates                               | 10%                            | Netherlands, Mexico, Brazil, Switzerland, Canada               |
| Fish nes, frozen, excluding heading No 03.04, livers and roes         | 9%                             | China, Taiwan, Chile, Argentina, India, Vietnam                |
| Cuttle fish and squid, shelled or not,frozen,dried,salted or in brine | 9%                             | China, Thailand, Taiwan, India, New Zealand                    |
| Tunas, skipjack & bonito, (prepard/preservd, whole/in pieces, minced) | 22%                            | Thailand, Ecuador, Philippines, Fiji, Indonesia                |
| Pineapples, fresh or dried  | 20%                            | Costa Rica, Honduras, Mexico, Guatemala, Thailand              |
| Octopus, frozen, dried, salted or in brine                            | 5%                             | Philippines, Indonesia, Japan, China                           |
| Ground-nut oil, crude   | 35%                            | India, Argentina, Nicaragua,                                   |
| Salmon prepared or preserved, whole or in pieces, but not minced      | 8%                             | Chile, Thailand, Canada, China, Norway                         |
| Palm Oil  | 2%                             | Malaysia, Indonesia, Singapore, Columbia, Netherlands          |

Source: calculated from COMTRADE

Apart from the export competitiveness of these countries, their proximity to the U.S. market is a major contributor to their successful penetration of the US markets. Evidently, transportation is a critical factor. There is a negative correlation between geographic distances and bilateral trade volumes. A study by Grossman, using gravity trade models of international trade, show that countries trade less with distant partners.<sup>81</sup> Grossman argues that transport costs are too low to explain the magnitude of distance effects. Using distance as a proxy for transportation costs and unfamiliarity (informational barriers), Grossman conjectures that countries trade disproportionately more with close neighbors and with countries with colonial and language ties

<sup>81</sup> Gene Grossman, "Comments on Alan V. Deardorff, "Determinants of bilateral trade: Does gravity work in a neoclassical world?" in *The Regionalization of the World Economy*, ed. Jeffrey A. Frankel, (Chicago: University of Chicago for NBER 1996)

and less with distant partners.<sup>82</sup> In comparison to the United States, the EU (mainly United Kingdom, Germany, France, Netherlands) are the largest markets for agricultural products from the ECOWAS region. Furthermore, structural changes in international trade have increased the premium on accurate market information, timely delivery, and packaging especially in developed countries; distance presents some challenges. Second, competition and trade policy of the United States towards its neighbors also contributes to the intense competition that ECOWAS exports face in the U.S. market.<sup>83</sup> The United States has and continues to negotiate free trade agreements, as well as non-reciprocal preferential trade agreements with several of these major U.S. market suppliers. These include the Caribbean Basin Initiative (CBI), Andean Trade Preference Act (ATPA), Central American Free Trade Agreement (CAFTA), and NAFTA, among others. The proliferation of regional trade agreements and preferential trade agreements presents a potential obstacle to ECOWAS exporters. In accessing the U.S. market, the playing field becomes even, due to the erosion of special market preference granted to ECOWAS nations under AGOA. Generally, the pervasiveness of FTAs limits access to alternate markets, placing ECOWAS countries at a severe competitive disadvantage. Third, there is a wide range of non-tariff barriers to trade with ECOWAS countries, especially for agricultural products. For agricultural products, a central challenge is the need to meet stringent sanitary and phytosanitary (SPS) requirements and other USDA regulations. Insofar as tariff barriers are concerned, under AGOA groundnuts (peanuts) sugar and dairy are sensitive goods with high tariff rates and quotas.

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<sup>82</sup> Ibid.

<sup>83</sup> Marco Fugazza, "Export Performance and its Determinants: Supply and Demand Constraints," *Policy Issues in International Trade and Commodities Study Series* No. 26 UNCTAD (2004).

In addition to the challenges highlighted above, macro trends in global agricultural trade also account for ECOWAS inability to expand its trade potential. Trade in agricultural products has been growing much less rapidly than manufactures. ECOWAS countries, like the majority of sub-Saharan African countries, do not have the capacity to participate in trade of manufactures ranging from high-technology products and labor-intensive manufactures (textiles and apparel, included), which according to UNCTAD are the most market dynamic products in world trade. For example, trade in primary commodities that have historically accounted for an important portion of total exports of ECOWAS, such as cocoa, coffee, cotton, and sugar, have been sluggish. ECOWAS' comparative advantage lies in natural resources and agricultural products, where approximately 70% of Africans earn their living. Over the past five years, however, ECOWAS nations have experienced above average growth in exports of some non-traditional exports such as mollusks, crustaceans, oil seeds, and oleaginous fruits (See Appendix D). Overall, global and U.S. demand for ECOWAS' main non-fuel commodity exports is sluggish. This is aggravated by high price volatility, declining real prices, and increased competition and a global shift away from trade in traditional commodity exports, which are often subject to high price volatility and declining terms of trade.

The above discussion has enabled us to understand why, despite the presence of AGOA, agricultural trade has had a rather limited impact on the growth of exports and why the effective utilization of these preferences have remained well below its potential. The effective exploitation of trade preferences thus requires the preference-receiving countries to carry out a comprehensive trade review to identify dynamic export sectors, implement policy reform to

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stimulate competitiveness and productivity in these export-growth sectors.<sup>84</sup> The analysis should be conducted with the objective of deepening ECOWAS' trade relations globally rather than a focus on targeting a specific trading partner. The next chapter proceeds to make recommendations on strategies that ECOWAS can employ to deepen its trade relations globally.

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<sup>84</sup> Bonapas Francis Onguglo, "Developing Countries And Unilateral Trade Preferences In The New International Trading System," in *Trade Rules in the Making: Challenges in Regional and Multilateral Negotiations*, ed. Miguel Rodriguez Mendoza, Patrick Low and Barbara Kotschwar. (Washington, D.C.: The Brookings Institution Press/Organization of American States, 1999) Available from [http://www.wto.org/english/tratop\\_e/devel\\_e/sem01\\_e/ongugl\\_e.doc](http://www.wto.org/english/tratop_e/devel_e/sem01_e/ongugl_e.doc)

## **CHAPTER 5-BEYOND PREFERENTIAL MARKET ACCESS—STRATEGIC CONSIDERATIONS AND RECOMMENDATIONS**

### **5.1. Introduction**

Several factors militate against successful export performance by ECOWAS countries, despite the existence of a generous market preference arrangement under AGOA. The restrictive, complex, and relative unpredictability of the preferences themselves and the persistence of structural impediments in the supply capacities of eligible countries are credible reasons for low utilization of AGOA. The preceding analysis highlights that the ease of market entry (demand and competitive environment) in preference-giving markets is a critical determinant factor in export performance.

Market entry is a critical component of efforts to expand market access of developing countries. While the possibility of entering foreign markets depends on market access conditions (determined by the legal and administrative conditions imposed by the importing countries under internationally agreed trade rules), the actual ability to enter a market is a function both of the competitiveness of the exporter (determined by the relative cost and quality of the product, including environmental/health aspects) and of the characteristics of supply chains and the level of competition in the markets they are attempting to enter. Thus, market access is a prerequisite for market entry to occur, but it is not sufficient.<sup>85</sup>

The distinction between market access and market entry, though rarely highlighted, is an important difference to make as market access conditions in principle are subject to international

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<sup>85</sup> UNCTAD, “Market Access, Market Entry, and Competitiveness” (19 December 2003)

jurisdiction under WTO rules, whereas market entry conditions are not. Thus, producers have to conform to and overcome market entry impediments or lose the opportunity to enter markets.

Thus, regardless of the limitations inherent in AGOA, it is important for ECOWAS countries to go beyond market access concerns, increasing focus on the conditions governing actual market entry. ECOWAS faces a formidable task to develop the necessary competitiveness to diversify their export earnings beyond primary commodities given market entry barriers.

The trade flow analysis indicates that opportunities to realize existing inter-regional trade potential for eligible ECOWAS countries almost inevitably lie in agro-related industries: industries using either agricultural products as their main raw materials or those producing agricultural inputs. These industries have tremendous spillover effects in the real economy in the form of job creation and rural and infrastructure development. However, turning country-level comparative advantage into competitiveness is by no means a simple task—a challenge that ECOWAS and most LDCs face.

The success of such preferential trade agreements granting non-reciprocal market access are short-lived, unless measures are put in place to ensure the competitiveness of qualifying countries in the global markets and more specifically in the US market. AGOA has the potential to provide stimulus to initial export expansion of specific sectors and sub-sectors. Increasing export competitiveness is indispensable to the economic development of ECOWAS nations.

The bottom line is that developing countries need to improve their capabilities to produce high quality, cost-competitive goods to facilitate deepening of global trade relations.<sup>86</sup> Recognizing this, the next section presents two strategic imperatives that must underscore policy recommendations that aim to facilitate export growth and economic development especially in the context of non-reciprocal trade preferences. Broadly, these two strategic imperatives aim to smooth the progress of diversification into value-added processing for both domestic and export markets.

## **5.2. Vertical (Value Added Processing) and Horizontal (product) Diversification for Export**

The scope of value-added processing in Africa is still limited with the exception of South Africa. Processing for export is negligible despite prevailing sizeable margins. There is a huge price differentiation between prices paid by final consumers and those received by producers because of the higher returns at the latter stages of the value chain. The stage in the value chain where concentration is largest tends to acquire a larger share of the final product price, with a smaller share of the final price going to the other stages. For example, several commodities such as cocoa, tea, and coffee command higher prices for final processed products, whereas the prices received by the primary producers in developing countries are minimal.

African producers continue to incur income losses, whereas traders and firms in the higher steps of the value chain continue to reap profits. For example, according to the International Coffee Organization (ICO) the value of retail sales of coffee is approximately US\$70 billion, while

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<sup>86</sup> Vernon Thop, "Are Trade Preferences Helpful in Advancing Economic Development," *Australian Bureau of Agricultural and Resource Economics (ABARE)* (2003).

producers of coffee receive only US\$5.5 billion.<sup>87</sup> Similarly, a value chain analysis of the cocoa market reveals that a growing share of total incomes in the chain accrues to economic agents in importing countries such as Germany and the Netherlands. Incidentally, the Netherlands is the number one exporter of cocoa powder to the United States.

Non-reciprocal trade preferences certainly do not provide incentives for qualifying countries to pursue broader trade reforms and to fully integrate into the global economy. However, they do serve as an interim measure to signal a gradual progression to reciprocal trade arrangements and a multilateral trade regime. Thus, while these measures alone do not guarantee the full benefits of sustainable export expansion, the continuation and expansion of well-targeted preferential treatment is desirable for many African countries. The response of African countries is critical. In the words of Michael Porter, ‘a nation’s competitiveness depends on the capacity of its industry to innovate and upgrade.’<sup>88</sup> There is an imminent need to develop vertically integrated industries to strengthen the competitiveness of production in export-oriented industries, that is, to increase the ability to produce and sell good quality, high-margin products and services to demanding clients both at home and abroad. For example, there should be efforts aimed at creating organizations that grow cotton, spin the yarn and manufacture finished products. The challenge herein lies in capital accumulation and attraction of foreign investment to undertake such large investment initiatives.

Under the umbrella of several industrial development policies, export processing zones (EPZs) included, several LDCs in sub-Saharan Africa have attempted to develop vertically integrated

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<sup>87</sup> International Coffee Organization

<sup>88</sup> Michael Porter, “The Competitive Advantage of Nations,” *The Harvard Business Review* (1990)

industries.<sup>89</sup> These have failed, for the most part, due to a myriad of problems ranging from absence of sound macroeconomic policies, unstable political environment, poor management, and low levels of productivity. Above all, these industrial policies have failed because of heavy government involvement. In light of this precedent, cluster development policy is an excellent strategy to developing the industrial base due to its collaborative, multi-stakeholder approach.

Cluster Development is an excellent complementary strategy to the creation of vertically integrated industries. Industrial clusters are geographical concentrations of firms working in the same industry. When leveraged for export competitiveness and integration into global markets, they offer small and medium-sized enterprises (SMEs) the prospect of competitive growth. There are numerous examples of small firm clusters in developing countries successfully competing in global markets – from the shoemakers of Brazil’s Sinos Valley to the garment producers of Tiruppur and Ludhiana in India.<sup>90</sup>

Clusters generate agglomeration benefits, from skilled labor and specialized inputs to know-how and information. According to Rabelotti, the major characteristics of the industrial model that renders them ideal for export and economic development are:<sup>91</sup>

1. geographically clustered small and medium sized firms which are sectorally specialized,
2. forward and backward linkages based on market and non-market exchanges of goods, information, and people,

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<sup>89</sup> Peter L. Watson, Export Processing Zones, Has Africa Missed the Boat? Not Yet! *World Bank Africa Regional Working Paper Series No. 17* (May 2001)

<sup>90</sup> “Small Firm Clusters: Working to Reduce Poverty,” *IDS Policy Briefing* (21 May 2004)

<sup>91</sup> Roberta Rabelotti “Is There an “industrial district model?” Footwear districts in Italy and Mexico compared,” *World Development*, vol. 23(1) (January 1995): 29-41

3. explicit but often implicit network of public and private local institutions supporting the economic agents acting within the cluster,

With a cluster development policy, production may not take place within one firm. Various separate firms carry out the production process, which includes input production, manufacturing, and complementary services. Firms in clusters often benefit from *market entry* through the attraction of the attention of buyers, which improves the chances for firms to sell their products. The challenge for African governments is to make these changes durable; success is by no means assured given the time-bound and preferential nature of AGOA and the fact that foreign investors have not yet developed many local linkages in this sector. Nevertheless, if the clustering of investors leads to agglomeration economies and dedicated infrastructure, it is possible that they will continue to export from the region even after benefits of preferential access have disappeared. At the very least, such activity demonstrates that foreign investors and some African economies can react remarkably quickly to opportunities to supply the global market.

A successful cluster policy builds on sound overall economic policies and improvements in the general business environment. In addition, it hinges on strong collaboration among multiple stakeholder—government, private sector, and civil society—each with a vital role. It is critical to harness the power of the private sector in this endeavor.<sup>92</sup> The participation of the private sector could range from actual investment in these export-oriented sectors to the provision of various services to support the functioning of the private sector, such as the provisions of special tools and assistance for trade and business analysis, provision of special business development services like the Export/Import operations management, legal services, and quality management

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<sup>92</sup> Christian Ketels, “Cluster Development Policy-Picking Winners or Energizing the League,” (2004) Available from [http://www.cluster.kz/files/Cluster\\_Selection\\_ARTICLE.pdf](http://www.cluster.kz/files/Cluster_Selection_ARTICLE.pdf)

and provision of practical market information to entrepreneurs. Government, in cooperation with the private sector, must identify all existing and emerging clusters. Government policy should reinforce established and emerging clusters rather than attempt to create entirely new ones. Government should support the development of all clusters, not choose among them and more importantly, government's role in cluster initiatives should be as facilitator and participant.<sup>93</sup> The most successful cluster initiatives are a public-private partnership. Finally, a cluster-based approach to export development enables FDI promotion, builds the productive capacity of the enterprise sector, promote technology transfer, and increases productivity all the while shifting trade specialization towards higher-value-added products, enhancing the international competitiveness of domestic firms (industrial capacity), and transforming the economy towards long-term, stable economic growth.<sup>94</sup>

It can be expected that commodity prices will not significantly increase in the future and periods of excess supply and low prices will continue. Engagement in value-adding activities is the only escape from the impact of low prices and deteriorating terms of trade. The greatest opportunities for producers may lie in activities that add value to their products and move their point of first sale downstream towards consumers. US efforts towards enhancing AGOA exports resulted in the creation of the West African Trade Hub, which to date has focused on strengthening the capacity of cashew, shea butter and hand-loomed textile producers to meet US market requirements; encouraged the public-sector to create an environment conducive to trade in these products; and expanding the production and export of textiles and these specific agricultural

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<sup>93</sup> Michael E. Porter, "Clusters and the New Economics of Competitions," *Harvard Business Review* (November-December 1998)

<sup>94</sup> Michael E. Porter, "Location, Competition and Economic Development: Local Clusters in a Global Economy," *Economic Development Quarterly* 14, no. 1, February 2000: 15-34.

commodities within the continent and to international market.<sup>95</sup> Cashews and shea nuts are products with high indicative inter-regional export potential and thus warrant some attention. Very little has been done in terms of developing local processing capability for these agricultural products. There is a large potential to be tapped for the development of processing industries. The development of value-added products for export should not be undertaken in isolation. It is critical that present export markets are analyzed to determine opportunities for product diversification. Over the 1990s, several developing countries achieved some significant success in diversifying production and exports in favor of other vegetable and animal products with high-income elasticity of demand in the growing consumption markets of major developed countries.<sup>96</sup> There is considerable potential for innovation and the development of markets for new products and new tastes, but its exploitation has been by and large left to economic agents in the consumption centers in the developed countries, such as supermarket chains, or to major international fruit traders and canners. Local producers, investors, in collaboration with foreign partners could do more in the production and marketing chain to exploit the potential for many tropical fruit and juices. There are also niche specialty products.

There is a need to focus on the market and the consumer while increasing value addition, as the drivers of change shaping the new international trade environment in agriculture are diverse. For example, there is a constant change in consumer values and trends, especially in developed countries. Growth of Fair-trade and organic market trends is illustrative of this trend. Differentiation, through quality attributes or geographical specifications can provide significant

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<sup>95</sup> “Export Business Development,” *USAID West African Trade Hub* Available from [http://www.watradehub.com/index.php?option=com\\_content&task=view&id=90&Itemid=105](http://www.watradehub.com/index.php?option=com_content&task=view&id=90&Itemid=105)

<sup>96</sup> Food and Agriculture Organization of the United Nations, “Improving the Value and Effective Utilization Of Agricultural Trade Preferences, A Conceptual Framework for Case Studies of the Impact of Trade Preferences in Agricultural Products,” *Commodity Policy and Projections Service Commodities and Trade Division* (2003).

prospects. For example, the premium position of 100% Colombian coffee in developed markets of Europe and the United States is a result of a marketing/country branding campaign initiated 30 years ago.<sup>97</sup> Just as the Federación Nacional de Cafeteros (FNC) initiated and financed the 100% Café de Colombia campaign, producers must respond to market developments, determine what factors will drive the future of their industry, and adapt to change. The incorporation of customer needs is a formidable task, especially for the commodity sector of developing countries, from the point of view of both human and financial requirements, but surely attainable.

Exporters are increasingly facing exigencies in developed country markets. These emerging market factors tend to generate substantial costs for developing country exporters. ECOWAS producers/exporters who want to enter dynamic markets have to insert themselves into the very sophisticated trading network of developed economies. The diversification into new and value-added products and improving competitiveness of production in export-oriented industries should be done in conjunction with strategies to meet new and changing technical sanitary and phytosanitary, environmental and labor standards in target markets. The integration of competitiveness/supply strategies on the one hand and demand explanations on the other, results in a stronger link between exports and economic growth of the ECOWAS region.<sup>98</sup>

There are several sectors into which ECOWAS could diversify to grow exports. High-value horticulture (cut flowers, fruits and vegetables), fish and seafood, agro-processing (cocoa, coffee,

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<sup>97</sup>Bryan Lewin, Daniele Giovannucci, and Panos Varangis, "Coffee Markets: New Paradigms in Global Supply and Demand," *The World Bank Agriculture and Rural Development Discussion Paper 3* (March 2004).

<sup>98</sup>Jessica Poon, "Effects of world demand and competitiveness on exports and economic growth." *Growth and Change* 25.n1 (Winter 1994): 3(22).

seafood, lumber, fruits and vegetables) and light manufacturing are all areas with high indicative inter-regional trade potential. In addition, these products are good candidates as they have higher income elasticity in export markets and face lower rates of protection at least in the EU and North American markets. International trade in fruits, fish/seafood and beverages continue to grow at rates of 15%, 12%, and 10% respectively. These value added commodities represent possible high growth areas as demand for processed agricultural products is increasing in developed countries. Currently, processed products account for less than 10% of sub-Saharan Africa agricultural exports and even much less for that of ECOWAS. Developed countries such as Germany, and the Netherlands dominate the exports of processed coffee and cocoa to the US market.<sup>99</sup> As several ECOWAS countries are producers of these primary commodities, diversification into these value-added products accompanied with adequate market access initiatives and strategies to overcome market entry barriers could lead to a substantial increase of exports from the region.

As a consequence of the higher market entry barriers in EU and US markets, exports from ECOWAS stand to be vulnerable to these increasingly sophisticated supply chains and increasing competition. Thus, the ECOWAS region needs to expand into new export markets in the short to medium term while developing the capacity to export high-value products. The greatest potential for new export market development may lie in other developing country regions, with South–South trade expanding rapidly, including in agricultural products. Additionally, intra-ECOWAS trade should be enhanced through deeper regional integration. It is critical to note that there are some pitfalls in pursuing a south-south trade strategy. Some developing countries have small economies with a relatively similar and concentrated production structures so that

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<sup>99</sup> Shapouri and Trueblood (2003)

there is *a priori* not much hope for strong gains in terms of new opportunities for production and trade.<sup>100</sup> This fact should underscore any market diversification strategy into other southern markets.

### 5.3. Market Diversification

By focusing on trading with historical trading partners (the EU, UK, and US), ECOWAS countries exports are based on inherited comparative advantages such as natural resources and cheap labor which has lead to and will continue to lead to a narrow export base and limited local company presence in the value chain. Second, a continued focus on accessing these developed markets continues the trend of inbound FDI flows into extractive sectors and traditional export sectors, rather than into sustainable productive activities with developmental spillovers. This perpetuates the continued dependence on a few sectors, rendering the economy vulnerable to exchange rate swings and macroeconomic shocks.

On the other hand, by diversifying into other markets, exports can be based on created competitive advantages. This could emerge from industries where a country has achieved greater productivity than its neighbors have, differentiated products that meet regional needs, and has more efficient production processes, given factor costs. Export market diversification has the potential to broaden the export base, widen skills in the value chain, and promulgate both outbound and inbound FDI.<sup>101</sup> This creates a launching pad for greater internationalization of trade from the region.

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<sup>100</sup> A Venables. "Winners and Losers from Regional Integration agreements," *Economic Journal*, 113 (2003).

<sup>101</sup> UNCTAD, *Developing Countries in International Trade—Trade and Development Index*, 2005

ECOWAS is highly dependent on the EU market, which continues to be its largest trading partners with approximately 52% of all exports going to the region. The EU is also the largest trading partner in agricultural and fishery products. However, this market may no longer be capable of providing substantial growth in demand for African exports as exports from other developing countries have become much more competitive relative to African products. There is an immediate need to diversify trading partners.

South-South trade is growing significantly and represents an important opportunity for developing countries to grow their exports. Over 40% of developing country exports are to other developing countries, and trade between them is increasing at a rate of 11% per year. This “silent” transformation is further underlined by increasing investment, transfer of technology, and enterprise-level interaction at the intraregional level, but increasingly also at the interregional level. This presages the emergence of a new “trade geography” in the South. South-South trade can also be a useful testing ground for developing countries to build export capacities, including in dynamic and new sectors.<sup>102</sup>

Of particular note is the emergence of Asia as an important trading partner of sub-Saharan Africa. Exports have been increasing in both relative and absolute terms. As is the case in the EU and the United States, mineral resources, and crude oil constitute a large portion of ECOWAS exports to Asia. Nonetheless, exportation of other types of raw and processed materials is rapidly increasing. This includes cotton, wood, leather, food, as well as other agricultural commodities. The large populations with growing income levels in Asian countries can explain the growth in ECOWAS exports of food and agricultural commodities to Asia.

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<sup>102</sup> Ibid.

Agricultural products such as coffee, cocoa, tea, and nuts are experiencing stronger demand in Asia than in the saturated and highly competitive markets of the EU and the United States. Asia could thus become a strategic target in diversifying the markets of African products especially as demand from Asian markets has a potentially good fit with the existing supply base of traditional primary commodities in Africa.<sup>103</sup>

The deepening of trade relations between the two regions will not only facilitate market diversification but also contribute to export product diversification. A World Bank study on patterns of Africa-Asia Trade and Investment, a sectoral analysis of several Asian investments in Africa, indicate that investment relations between the two regions are often motivated by trade.<sup>104</sup>

In addition to expanding trade to other developing economies, intra-regional integration must be enacted to provide a minimum market size to capture economies of scale for the ECOWAS regional market and sub-Saharan Africa at large. Realistic and substantive regional integration schemes must be implemented in addition to efficient intra-regional transportation and other logistics flows. The creation of merchant networks in intra-regional business activities is also essential and could be the key to success in building credible and mutually beneficial business relationships, along with trade in actual products.

Compared to other regions of the world, sub-Saharan Africa has the lowest level of intra-regional trade. Expanded trade among sub-Saharan African countries could also enhance the quality and

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<sup>103</sup> World Bank Group, "Patterns of Africa-Asia Trade and Investment: Potential for Ownership and Partnership. (October 2004)

<sup>104</sup> Ibid.

competitiveness of their products in the global market. There is a need for all stakeholders to revitalize, consolidate, widen and deepen sub-regional, bilateral FTAs and preferential agreements within the region and the continent, as well as make plans towards the harmonization of trade instruments towards the ultimate goal of regional and continental integration.

Significant barriers to intra-regional trade still remain within ‘free’ trade areas, and even within customs unions, in sub-Saharan Africa. The ECOWAS FTA has not yet really been implemented with the main problem being Nigeria. Nigeria’s economy is larger than that of all of the other ECOWAS countries put together, and its trade policy is much more restrictive.<sup>105</sup>

Given the importance of increasing market size and of providing scale to attract FDI to Africa, efforts at regional integration continue to be important. The New Partnership for African Development (NEPAD) could be a catalyst in this respect.

While deepening trade integration and progressive elimination of trade barriers among ECOWAS countries may give rise to some growth in trade within the region, it is unlikely intra-ECOWAS trade will be the main engine of export growth for the region as most ECOWAS states have similar export profiles. However, this can be counteracted if there is a focus on promoting trade based on the complementarities between the coastal and Sahelian countries, as well as natural resource rich and major agricultural product producers.

#### **5.4. Conclusion**

The low levels of economic development, small-scale nature of processing and manufacturing capacity, overdependence on a few traditional export sectors and markets, together with the

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<sup>105</sup> Lawrence Hinkle and Maurice Schiff, “Economic Partnership Agreements Between Sub-Saharan Africa and the EU: A Development Perspective.”

identified limitations inherent in AGOA, lead to high costs which reduce the ability of ECOWAS nations to compete in global markets and where possible exposes them to high risk levels. Some of these costs reflect the institutional problems within the countries themselves. As a result, AGOA fails to generate the level of benefits and opportunities anticipated. Despite the consequences, non-reciprocal preferences such as AGOA remain valid options for promoting trade expansion and industrial transformation in developing countries. Many developing countries are yet to achieve a high level of international competitiveness to participate effectively in global trade. Though the role of non-reciprocal preferences has been called into question, they continue to constitute important aspects of trade and investment strategies of developing countries.

By all indications, trade preferences are not a panacea for success but rather should be seen as just one part of a strategy for export-led growth. There is evidence of the contribution of preferences to stimulating economic growth, in particular in small and medium-sized developing countries, at the incipient stages of new export-oriented production. Thus, preferences should be combined with other policy measures to improve productivity, quality of products, and horizontal and vertical diversification in exports. In addition, ECOWAS countries should implement policies that foster a gradual movement towards abandoning protectionist policies. Further, the impact of preferences on developing countries would be facilitated by improving the domestic investment environment, addressing the internal barriers that raise the costs of trade for developing countries—inadequate and high-price transport services, inadequate and unreliable energy supply, inefficient customs practices, and lack of trade-supporting financial and telecommunications services.

The experience of the few preference-receiving countries that have successfully taken advantage of preferences indicates a positive correlation between non-reciprocal preferences, and the application of a host of supportive policies that augment the competitiveness of production. Even with market access, the central issue is still about creating products and services that customers in target markets, preference-giving countries included, want and need. Understanding the customers in relevant markets is essential, not the customers in the next village or the capital city. Investing in knowledge of those customers is how ECOWAS countries and more broadly sub-Saharan African countries will be able to increase its prosperity and share of world trade. In the long-term, developing countries must prepare for an environment where global competition based on economic factors prevails and competitiveness as determined by access to non-reciprocal preferences is a reflection of the past.

**6. APPENDICES**

**APPENDIX A: U.S. SHARE OF HIGH-VALUE ECOWAS EXPORTS (HTS-6 PRODUCT LEVEL), 2004**

| <b>Product code</b> | <b>Product label</b>   | <b>Value 2004 (US\$ '000)</b> | <b>U.S. Share in ECOWAS exports, %</b> |
|---------------------|--|-------------------------------|--|
| 270900              | Petroleum oils and oils obtained from bituminous minerals, crude       | 16,419,209                    | 60                                     |
| 271000              | Petroleum oils&oils obtained from bituminous minerals,o/than crude     | 610,096                       | 64                                     |
| 180100              | Cocoa beans, whole or broken, raw or roasted                           | 422,972                       | 20                                     |
| 271113              | Butanes, liquefied   | 185,328                       | 66                                     |
| 400110              | Natural rubber latex, whether or not pre vulcanised                    | 88,587                        | 80                                     |
| 271111              | Natural gas, liquefied   | 80,165                        | 16                                     |
| 260600              | Aluminium ores and concentrates  | 65,262                        | 19                                     |
| 271112              | Propane, liquefied   | 50,497                        | 28                                     |
| 180310              | Cocoa paste not defatted   | 20,320                        | 6                                      |
| 180400              | Cocoa butter, fat and oil  | 19,858                        | 7                                      |
| 180500              | Cocoa powder, not containing added sugar or other sweetening matter    | 17,002                        | 21                                     |
| 180320              | Cocoa paste wholly or partly defatted                                  | 14,848                        | 31                                     |
| 841111              | Turbo-jets of a thrust not exceeding 25 KN                             | 12,076                        | 100                                    |
| 710231              | Diamonds non-industrial unworked or simply sawn, cleaved or bruted     | 11,572                        | 6                                      |
| 400122              | Technically specified natural rubber (TSNR)                            | 11,118                        | 7                                      |
| 440799              | Lumber, non-coniferous nes   | 9,978                         | 12                                     |
| 230230              | Wheat bran, sharps and other residues, pelleted or not                 | 9,606                         | 47                                     |
| 440729              | Lumber, tropical hardwood nes, sawn lengthwise >6mm                    | 9,092                         | 7                                      |
| 80290               | Nuts edible, fresh or dried, whether or not shelled or peeled, nes     | 8,841                         | 63                                     |
| 440890              | Veneer, non-coniferous nes, less than 6 mm thick                       | 6,732                         | 15                                     |
| 441299              | Panels, 1 outer ply coniferous wood nes                                | 3,734                         | 28                                     |
| 440839              | Veneer, tropical woods nes, <6mm thick                                 | 3,538                         | 7                                      |
| 440724              | Lumber, Virola, Mahogany, Imbuia, Balsa, sawn >6mm                     | 3,381                         | 14                                     |
| 970300              | Original sculptures and statuary, in any material                      | 2,533                         | 50                                     |
| 90111               | Coffee, not roasted, not decaffeinated                                 | 2,512                         | 2                                      |
| 442090              | Wood marquetry and inlaid wood; caskets and cases for jewellery etc    | 1,958                         | 71                                     |
| 251010              | Natural calcium phosphates, aluminum calcium phosphates etc,           | 1,367                         | 2                                      |
| 281820              | Aluminium oxide nes  | 1,360                         | 1                                      |
| 71490               | Arrowroot,salep etc fr o drid whether o not slicd o pelletd&sago pith  | 1,341                         | 23                                     |
| 620520              | Mens/boys shirts, of cotton, not knitted                               | 1,100                         | 65                                     |
| 240110              | Tobacco, unmanufactured, not stemmed or stripped                       | 1,090                         | 46                                     |
| 130120              | Gum arabic   | 1,017                         | 10                                     |
| 847330              | Parts&accessories of automatic data processg machines&units thereof    | 942                           | 23                                     |
| 91010               | Ginger   | 877                           | 15                                     |
| 30613               | Shrimps and prawns, frozen, in shell or not, including boiled in shell | 747                           | 1                                      |
| 250100              | Salt (includg table salt&denaturd salt) pure sodium chloride&sea water | 703                           | 6                                      |
| 440810              | Veneer, coniferous (softwood) less than 6 mm thick                     | 682                           | 35                                     |
| 620463              | Womens/girls trousers and shorts, of synthetic fibres, not knitted     | 677                           | 96                                     |

|        |  |     |    |
|--------|--|-----|----|
| 120799 | Oil seeds and oleaginous fruits, nes, whether or not broken                  | 675 | 3  |
| 611599 | Hosiery nes, of other textile materials, knitted                             | 666 | 86 |
| 110610 | Flour and meal of the dried leguminous vegetables of heading                 | 661 | 40 |
| 30760  | Snails,(ex sea) shelld or not, live, fresh, chd, fz, drid, saltd or in brine | 599 | 72 |
| 10600  | Animals, live nes  | 593 | 18 |
| 151190 | Palm oil and its fractions refined but not chemically modified               | 531 | 2  |
| 330499 | Beauty or make-up preparations nes; sunscreen or sun tan preparations        | 520 | 2  |
| 440910 | Wood (lumber) continuously shaped coniferous (softwood)                      | 463 | 4  |
| 91099  | Spices nes   | 450 | 58 |
| 80132  | Cashew nuts, without shell, fresh or dried                                   | 439 | 30 |
| 30799  | Molluscs nes, shelld o not&aquatic invert nes, fz, drid, saltd o in brine    | 406 | 12 |
| 30110  | Ornamental fish, live  | 376 | 26 |
| 160414 | Tunas, skipjack&Atl bonito, preparad/preservd, whole/in pieces, ex mincd     | 366 | 0  |

Source: International Trade Centre/UNCTAD Trademap Database

**APPENDIX B: TARIFF TREATMENT OF ECOWAS EXPORTS TO U.S. BY MAJOR COMMODITY SECTORS (2002-2004)**

|  | Value (1,000 dollars) |       |            |       |            |        |
|--|-----------------------|-------|------------|-------|------------|--------|
|  | 2002                  |       | 2003       |       | 2004       |        |
| <b>Agricultural products:</b>                    | Value                 | %     | Value      | %     | Value      | %      |
| US Imports from ECOWAS Countries                 | 64,315                |       | 39,431     |       | 99,743     |        |
| MFN  | 57,614                | 89.6% | 33,781     | 85.7% | 93,993     | 94.24% |
| - US imports under GSP from ECOWAS Countries     | 6,620                 | 10.3% | 5,507      | 14.0% | 5,323      | 5.34%  |
| - US imports of duty-free items added under AGOA | 81                    | 0.1%  | 144        | 0.4%  | 429        | 0.43%  |
| <b>Forest products:</b>                          |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 32,734                |       | 39,151     |       | 44,974     |        |
| MFN  | 26,369                | 80.6% | 33,900     | 86.6% | 40,556     | 90.2%  |
| - US imports under GSP from ECOWAS Countries     | 6,396                 | 19.5% | 5,268      | 13.5% | 4,415      | 9.8%   |
| - US imports of duty-free items added under AGOA | 2                     | 0.0%  | 1          | 0.00  | 3          | 0.0%   |
| <b>Chemicals and related products:</b>           |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 23,758                |       | 30,199     |       | 61,693     |        |
| MFN  | 23,062                | 97.1% | 29,772     | 98.6% | 61,462     | 99.6%  |
| - US imports under GSP from ECOWAS Countries     | 696                   | 2.9%  | 428        | 1.4%  | 231        | 0.4%   |
| - US imports of duty-free items added under AGOA | -                     | 0.0%  | -          | 0.0%  | -          | 0.0%   |
| <b>Energy-related products:</b>                  |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 10,058,870            |       | 16,342,775 |       | 23,830,460 |        |
| MFN  | 680,086               | 6.8%  | 844,762    | 5.2%  | 1,325,892  | 5.6%   |
| - US imports under GSP from ECOWAS Countries     | -                     | 0.0%  | -          | 0.0%  | -          | 0.0%   |
| - US imports of duty-free items added under AGOA | 9,378,784             | 93.2% | 15,498,013 | 94.8% | 22,504,568 | 94.4%  |
| <b>Textiles and apparel:</b>                     |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 9,255                 |       | 2,555      |       | 8,096      |        |
| MFN  | 2,585                 | 27.9% | 2,537      | 20.2% | 981        | 12.1%  |
| - US imports under GSP from ECOWAS Countries     | 11                    | 0.1%  | 70         | 0.6%  | 31         | 0.4%   |
| - US imports of duty-free items added under AGOA | 6,660                 | 72.0% | 9,952      | 79.3% | 7,084      | 87.5%  |
| <b>Footwear:</b>                                 |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 235                   |       | 127        |       | 124        |        |
| MFN  | 233                   | 99.1% | 121        | 95.3% | 99         | 79.8%  |
| - US imports under GSP from ECOWAS Countries     | -                     | 0.0%  | -          | 0.0%  | -          | 0.0%   |
| - US imports of duty-free items added under AGOA | 2                     | 0.9%  | 6          | 4.7%  | 25         | 20.2%  |
| <b>Minerals and metals:</b>                      |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 74,385                |       | 70,348     |       | 88,535     |        |
| MFN  | 74,122                | 1     | 70,093     | 99.6% | 88,348     | 99.8%  |
| - US imports under GSP from ECOWAS Countries     | 263                   | 0     | 250        | 0.4%  | 187        | 0.2%   |
| - US imports of duty-free items added under AGOA | -                     | -     | 5          | 0.0%  | -          | 0.0%   |
| <b>Machinery:</b>                                |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 606                   |       | 1,947      |       | 2,212      |        |
| MFN  | 592                   | 97.7% | 1,399      | 71.9% | 2,098      | 94.8%  |
| - US imports under GSP from ECOWAS Countries     | 14                    | 2.3%  | 621        | 31.9% | 114        | 5.2%   |
| - US imports of duty-free items added under AGOA | -                     | 0.0%  | -          | 0.0%  | -          | 0.0%   |
| <b>Transportation equipment:</b>                 |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 556                   |       | 916        |       | 867        |        |
| MFN  | 351                   | 63.1% | 846        | 92.4% | 853        | 98.4%  |
| - US imports under GSP from ECOWAS Countries     | 205                   | 36.9% | 70         | 7.6%  | 14         | 1.6%   |
| - US imports of duty-free items added under AGOA | -                     | 0.0%  | -          | 0.0%  | -          | 0.0%   |
| <b>Electronic products:</b>                      |                       |       |            |       |            |        |
| US Imports from ECOWAS Countries                 | 4,160                 |       | 2,405      |       | 2,555      |        |

|  |            |       |            |       |            |       |
|--|------------|-------|------------|-------|------------|-------|
| MFN  | 4,139      | 99.5% | 2,376      | 98.8% | 2,444      | 95.7% |
| - US imports under GSP from ECOWAS Countries     | 21         | 0.5%  | 29         | 1.2%  | 111        |       |
| - US imports of duty-free items added under AGOA | -          | 0.0%  | -          | 0.0%  | -          |       |
| <b>Miscellaneous manufactures:</b>               |            |       |            |       |            |       |
| US Imports from ECOWAS Countries                 | 5,815      |       | 8,900      |       | 8,812      |       |
| MFN  | 5,073      | 87.2% | 8,050      | 90.4% | 7,962      | 90.4% |
| - US imports under GSP from ECOWAS Countries     | 739        | 12.7% | 850        | 9.6%  | 832        | 9.4%  |
| - US imports of duty-free items added under AGOA | 8          | 0.1%  | 11         | 0.1%  | 19         | 0.2%  |
| <b>Special provisions:</b>                       |            |       |            |       |            |       |
| US Imports from ECOWAS Countries                 | 18,170     |       | 28,210     |       | 49,021     |       |
| Total AGOA including GSP provisions of AGOA      | -          |       | -          |       | -          |       |
| - US imports under GSP from ECOWAS Countries     | -          |       | -          |       | -          |       |
| - US imports of duty-free items added under AGOA | -          |       | -          |       | -          |       |
| All sectors:                                     |            |       |            |       |            |       |
| US Imports from ECOWAS Countries                 | 10,292,860 |       | 16,576,965 |       | 24,197,086 |       |
| MFN  | 892,463    | 8.7%  | 1,055,846  | 6.4%  | 1,673,704  | 6.9%  |
| - US imports under GSP from ECOWAS Countries     | 14,965     | 0.1%  | 13,097     | 0.1%  | 11,255     | 0.0%  |
| - US imports of duty-free items added under AGOA | 9,385,535  | 91.2% | 15,508,129 | 93.6% | 22,512,127 | 93.0% |

Source: "Bilateral Trade ECOWAS-US," www.agoa.gov

## **APPENDIX C: LIMITATIONS OF TRADE STATISTICS**

Although trade statistics have the advantage of providing a useful channel for market research and assessing trade performance, they present some limitations:

1. Trade statistics do not fully capture all the transactions taking place between countries, owing to compilation errors and omissions, smuggling and the non-reporting of transactions.
2. Trade statistics occasionally include re-exports, which can artificially inflate the extent of trade.
3. Trade statistics refer to the total value of transactions, which may be very different from local value added.
4. Services are not included in the trade statistics used in this study.
5. Even at the lowest level of disaggregation, differentiated products exist within product groups.
6. Exchange rates fluctuations can affect the value of dollar denominated trade statistics, which may not result from changes in volumes.
7. In the case where a country does not report to UNSD, ITC uses mirror statistics. Mirror statistics are a second-best solution since trade with other non-reporting countries is not recorded. There is also the problem of trans-shipments, which may mask the actual source of supply. Finally, mirror statistics invert the reporting standards by evaluating exports in c.i.f. terms and imports in f.o.b. terms.

Source: International Trade Centre

**Appendix D: Product with High Indicative Inter-regional Trade Potential (HTS-6 Digit Level)**

| <b>HTS-6 Digit</b> | <b>Product</b>   | <b>Value 2004 (US\$ '000)</b> | <b>Inter-regional Trade Potential (US '000)</b> | <b>Annual growth in value (2000-2004), %</b> |
|--------------------|--|-------------------------------|---|--|
| 270900             | Petroleum oils and oils obtained from bituminous minerals, crude       | 16,419,209                    | 11,147,746                                      | 12%  |
| 271111             | Natural gas, liquefied   | 80,165                        | 415,693   | 54%  |
| 271000             | Petroleum oils&oils obtained from bituminous minerals,o/than crude etc | 610,096                       | 348,571   | 9%   |
| 180100             | Cocoa beans, whole or broken, raw or roasted                           | 422,972                       | 310,165   | 15%  |
| 260600             | Aluminium ores and concentrates  | 65,262                        | 270,549   | 5%   |
| 180400             | Cocoa butter, fat and oil  | 19,858                        | 260,219   | 12%  |
| 80300              | Bananas including plantains, fresh or dried                            | 0                             | 254,440   | -1%  |
| 160414             | Tunas,skipjack&Atl bonito,prepard/preservd,whole/in pieces,ex mincd    | 366                           | 176,224   | 16%  |
| 80430              | Pineapples, fresh or dried   | 0                             | 171,071   | 16%  |
| 710231             | Diamonds non-industrial unworked or simply sawn, cleaved or bruted     | 11,572                        | 169,159   | 3%   |
| 281820             | Aluminium oxide nes  | 1,360                         | 162,934   | -15%   |
| 400122             | Technically specified natural rubber (TSNR)                            | 11,118                        | 141,120   | 16%  |
| 284410             | Natural uranium&its compounds;mixtures cntg natural uranium/its compds | 0                             | 133,822   | -6%  |
| 271112             | Propane, liquefied   | 50,497                        | 127,232   | 13%  |
| 90111              | Coffee, not roasted, not decaffeinated                                 | 2,512                         | 122,895   | -3%  |
| 440729             | Lumber, tropical hardwood nes, sawn lengthwise >6mm                    | 9,092                         | 108,426   | 6%   |
| 30613              | Shrimps and prawns, frozen, in shell or not, including boiled in shell | 747                           | 105,452   | -1%  |
| 271113             | Butanes, liquefied   | 185,328                       | 95,847  | 39%  |
| 252329             | Portland cement nes  | 0                             | 92,813  | 2%   |
| 30269              | Fish nes, fresh or chilled excl heading No 03.04, livers and roes      | 10                            | 88,257  | -2%  |
| 440799             | Lumber, non-coniferous nes   | 9,978                         | 71,261  | 8%   |
| 30379              | Fish nes, frozen, excluding heading No 03.04, livers and roes          | 76                            | 65,939  | 9%   |
| 180500             | Cocoa powder, not containing added sugar or other sweetening matter    | 17,002                        | 63,649  | 31%  |
| 710811             | Gold powder non-monetary   | 346                           | 59,169  | -6%  |
| 310520             | Fertilizers cntg nitrogen,phosphorus&potassium in packs weighg <>      | 0                             | 56,480  | 11%  |
| 120740             | Sesamum seeds, whether or not broken                                   | 16                            | 52,349  | -2%  |
| 30759              | Octopus, frozen, dried, salted or in brine                             | 0                             | 47,724  | 17%  |
| 280920             | Phosphoric acid and polyphosphoric acids                               | 0                             | 46,940  | 4%   |
| 271119             | Petroleum gases and other gaseous hydrocarbons nes, liquefied          | 0                             | 42,372  | -37%   |
| 440920             | Wood (lumber) continuously shaped non-coniferous (hardwood)            | 162                           | 39,106  | 30%  |
| 440890             | Veneer, non-coniferous nes, less than 6 mm thick                       | 6,732                         | 38,156  | -1%  |

|        |  |        |        |      |
|--------|--|--------|--------|------|
| 730890 | Structures&parts of structures,i/s (ex prefab bldgs of headg no.9406)  | 0      | 36,739 | 4%   |
| 160411 | Salmon prepared or preserved, whole or in pieces, but not minced       | 57     | 35,808 | 39%  |
| 150810 | Ground-nut oil, crude  | 0      | 34,604 | 17%  |
| 440839 | Veneer, tropical woods nes, <6mm thick                                 | 3,538  | 34,177 | 3%   |
| 170111 | Raw sugar, cane  | 0      | 33,772 | 2%   |
| 180320 | Cocoa paste wholly or partly defatted                                  | 14,848 | 33,609 | 23%  |
| 180310 | Cocoa paste not defatted   | 20,320 | 32,322 | 30%  |
| 252310 | Cement clinkers  | 0      | 31,588 | -9%  |
| 721420 | Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/tar,nes | 0      | 29,854 | 18%  |
| 80450  | Guavas, mangoes and mangosteens, fresh or dried                        | 0      | 29,235 | 4%   |
| 30749  | Cuttle fish and squid,shelled or not,frozen,dried,salted or in brine   | 0      | 29,012 | 12%  |
| 210410 | Soups and broths and preparations thereof                              | 160    | 28,394 | 3%   |
| 400129 | Natural rubber in other forms nes                                      | 0      | 28,213 | 0    |
| 151190 | Palm oil and its fractions refined but not chemically modified         | 531    | 26,453 | 24%  |
| 251010 | Natural calcium phosphates, aluminum calcium phosphates etc, unground  | 1,367  | 25,979 | 48%  |
| 260300 | Copper ores and concentrates   | 0      | 24,997 | 309% |
| 210111 | Coffee extracts, essences, concentrates                                | 0      | 24,723 | 4%   |
| 120799 | Oil seeds and oleaginous fruits, nes, whether or not broken            | 675    | 22,983 | 17%  |
| 400110 | Natural rubber latex, whether or not prevulcanised                     | 88,587 | 22,560 | 0.16 |

Source: International Trade Centre/UNCTAD Trademap Database

**APPENDIX E: LIST OF PRODUCT GROUPS AND SERVICES EXPORTED BY ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS) IN 2004**

| <b>Product Code (HS-2)</b> | <b>Product or service</b>                               | <b>Value 2004 in US\$ thousand</b> | <b>Annual growth in value between 2000-2004, %</b> | <b>Annual growth in value between 2003-2004, %</b> | <b>Annual growth of world exports between 2000-2004, %</b> | <b>Ranking in region exports</b> | <b>Share in world exports, %</b> |
|----------------------------|---|------------------------------------|--|--|--|----------------------------------|----------------------------------|
|                            | All products  | 45,306,527                         | 11   | 31   | 10   |                                  | 1                                |
| 27                         | Mineral fuels, oils, distillation products, etc         | 32,328,338                         | 11   | 41   | 11   | 1                                | 3                                |
| 18                         | Cocoa and cocoa preparations                            | 4,001,145                          | 21   | -9   | 17   | 2                                | 19                               |
| 89                         | Ships, boats and other floating structures              | 1,430,892                          | 26   | 76   | 12   | 3                                | 2                                |
| 52                         | Cotton  | 1,068,720                          | 10   | 39   | 7  | 4                                | 2                                |
| 8                          | Edible fruit, nuts, peel of citrus fruit, melons        | 813,611                            | 15   | 19   | 11   | 5                                | 2                                |
| 44                         | Wood and articles of wood, wood charcoal                | 760,107                            | -2   | 5  | 9  | 6                                | 1                                |
| 26                         | Ores, slag and ash                                      | 673,730                            | 5  | 41   | 15   | 7                                | 1                                |
| 3                          | Fish, crustaceans, molluscs, aquatic invertebrates nes  | 491,021                            | 5  | 13   | 6  | 8                                | 1                                |
| 28                         | Inorganic chemicals, precious metal compound, isotopes  | 481,139                            | 16   | 42   | 8  | 9                                | 1                                |
| 40                         | Rubber and articles thereof                             | 409,357                            | 22   | 38   | 12   | 10                               | 0                                |
| 16                         | Meat, fish and seafood food preparations nes            | 260,134                            | 8  | 7  | 11   | 11                               | 1                                |
| 25                         | Salt, sulphur, earth, stone, plaster, lime and cement   | 247,745                            | 17   | 19   | 9  | 12                               | 1                                |
| 71                         | Pearls, precious stones, metals, coins, etc             | 243,978                            | -15  | 5  | 11   | 13                               | 0                                |
| 41                         | Raw hides and skins (other than furskins) and leather   | 207,183                            | 10   | 14   | 5  | 14                               | 1                                |
| 9                          | Coffee, tea, mate and spices                            | 150,736                            | -11  | 8  | 1  | 15                               | 1                                |
| 72                         | Iron and steel  | 136,576                            | 45   | 60   | 19   | 16                               | 0                                |
| 31                         | Fertilizers   | 113,976                            | 38   | 37   | 11   | 17                               | 0                                |
| 12                         | Oil seed, oleagic fruits, grain, seed, fruit, etc, nes  | 110,947                            | 9  | 15   | 12   | 18                               | 0                                |
| 15                         | Animal, vegetable fats and oils, cleavage products, etc | 101,602                            | -4   | 14   | 19   | 19                               | 0                                |
| 99                         | Commodities not elsewhere specified                     | 93,501                             | 33   | 52   | 9  | 20                               | 0                                |
| 84                         | Nuclear reactors, boilers, machinery, etc               | 76,985                             | 10   | -39  | 8  | 21                               | 0                                |
| 85                         | Electrical, electronic equipment                        | 72,614                             | 2  | 29   | 7  | 22                               | 0                                |
| 21                         | Miscellaneous edible preparations                       | 65,932                             | 11   | -4   | 14   | 23                               | 0                                |
| 73                         | Articles of iron or steel                               | 63,590                             | 34   | 162  | 13   | 24                               | 0                                |
| 39                         | Plastics and articles thereof                           | 62,811                             | 24   | 30   | 11   | 25                               | 0                                |
| 24                         | Tobacco and manufactured tobacco substitutes            | 58,497                             | 47   | -14  | 2  | 26                               | 0                                |

|    |  |        |     |     |    |    |   |
|----|--|--------|-----|-----|----|----|---|
| 7  | Edible vegetables and certain roots and tubers         | 49,746 | 17  | 33  | 11 | 27 | 0 |
| 23 | Residues, wastes of food industry, animal fodder       | 45,348 | -6  | 0   | 10 | 28 | 0 |
| 33 | Essential oils, perfumes, cosmetics, toileteries       | 42,890 | 19  | 25  | 15 | 29 | 0 |
| 34 | Soaps, lubricants, waxes, candles, modelling pastes    | 35,298 | 22  | 14  | 13 | 30 | 0 |
| 76 | Aluminium and articles thereof                         | 33,657 | -34 | -66 | 9  | 31 | 0 |
| 87 | Vehicles other than railway, tramway                   | 33,565 | -6  | -66 | 11 | 32 | 0 |
| 10 | Cereals  | 33,450 | 46  | 137 | 7  | 33 | 0 |
| 17 | Sugars and sugar confectionery                         | 33,268 | 3   | -10 | 8  | 34 | 0 |
| 94 | Furniture, lighting, signs, prefabricated buildings    | 31,936 | -7  | -18 | 10 | 35 | 0 |
| 48 | Paper & paperboard, articles of pulp, paper and board  | 29,737 | 8   | 23  | 7  | 36 | 0 |
| 38 | Miscellaneous chemical products                        | 28,719 | 19  | 43  | 11 | 37 | 0 |
| 74 | Copper and articles thereof                            | 25,771 | 9   | 11  | 10 | 38 | 0 |
| 19 | Cereal, flour, starch, milk preparations and products  | 21,784 | 56  | 96  | 14 | 39 | 0 |
| 4  | Dairy products, eggs, honey, edible animal product nes | 19,512 | 38  | -14 | 11 | 40 | 0 |
| 55 | Manmade staple fibres                                  | 18,459 | 24  | 45  | 3  | 41 | 0 |
| 29 | Organic chemicals                                      | 17,435 | 19  | 19  | 13 | 42 | 0 |
| 13 | Lac, gums, resins, vegetable saps and extracts nes     | 17,029 | 10  | 99  | 11 | 43 | 1 |
| 22 | Beverages, spirits and vinegar                         | 15,952 | 32  | -56 | 13 | 44 | 0 |
| 64 | Footwear, gaiters and the like, parts thereof          | 15,086 | 15  | 57  | 7  | 45 | 0 |
| 11 | Milling products, malt, starches, inulin, wheat gluten | 14,812 | 20  | 2   | 11 | 46 | 0 |
| 63 | Other made textile articles, sets, worn clothing etc   | 14,217 | 12  | 7   | 12 | 47 | 0 |
| 88 | Aircraft, spacecraft, and parts thereof                | 13,037 | -5  | -39 | 1  | 48 | 0 |
| 61 | Articles of apparel, accessories, knit or crochet      | 12,909 | 45  | -6  | 8  | 49 | 0 |
| 90 | Optical, photo, technical, medical, etc apparatus      | 12,534 | 9   | -8  | 10 | 50 | 0 |
| 62 | Articles of apparel, accessories, not knit or crochet  | 12,159 | 5   | 5   | 6  | 51 | 0 |
| 97 | Works of art, collectors pieces and antiques           | 11,904 | -1  | 57  | 4  | 52 | 0 |
| 1  | Live animals   | 11,733 | -12 | 21  | 5  | 53 | 0 |
| 30 | Pharmaceutical products                                | 10,187 | 34  | -9  | 25 | 54 | 0 |
| 67 | Bird skin, feathers, artificial flowers, human hair    | 8,964  | 26  | 10  | 3  | 55 | 0 |
| 49 | Printed books, newspapers, pictures etc                | 8,052  | 26  | 168 | 8  | 56 | 0 |
| 32 | Tanning, dyeing extracts, tannins, derivs,pigments etc | 7,791  | 15  | 4   | 8  | 57 | 0 |
| 78 | Lead and articles thereof                              | 7,602  | 76  | 101 | 10 | 58 | 0 |
| 20 | Vegetable, fruit, nut, etc food preparations           | 7,472  | 10  | 34  | 11 | 59 | 0 |
| 68 | Stone, plaster, cement, asbestos, mica, etc articles   | 7,273  | 35  | 25  | 11 | 60 | 0 |
| 6  | Live trees, plants, bulbs, roots, cut flowers etc      | 6,991  | 9   | -2  | 12 | 61 | 0 |
| 56 | Wadding, felt, nonwovens, yarns, twine, cordage, etc   | 5,072  | 6   | -11 | 9  | 62 | 0 |

|    |  |       |     |     |    |    |   |
|----|--|-------|-----|-----|----|----|---|
| 46 | Manufactures of plaiting material, basketwork, etc.    | 4,901 | 14  | 18  | 12 | 63 | 0 |
| 70 | Glass and glassware                                    | 4,789 | 33  | -45 | 10 | 64 | 0 |
| 59 | Impregnated, coated or laminated textile fabric        | 4,133 | 22  | 44  | 5  | 65 | 0 |
| 92 | Musical instruments, parts and accessories             | 3,954 | 9   | 7   | 5  | 66 | 0 |
| 5  | Products of animal origin, nes                         | 3,234 | -1  | 18  | 8  | 67 | 0 |
| 83 | Miscellaneous articles of base metal                   | 3,213 | 21  | 99  | 11 | 68 | 0 |
| 93 | Arms and ammunition, parts and accessories thereof     | 2,969 | 41  | 6   | -1 | 69 | 0 |
| 86 | Railway, tramway locomotives, rolling stock, equipment | 2,314 | -14 | 89  | 17 | 70 | 0 |
| 82 | Tools, implements, cutlery, etc of base metal          | 2,295 | -3  | -12 | 8  | 71 | 0 |
| 2  | Meat and edible meat offal                             | 2,270 | -9  | 11  | 9  | 72 | 0 |
| 54 | Manmade filaments                                      | 2,086 | 15  | 22  | 3  | 73 | 0 |
| 69 | Ceramic products                                       | 1,957 | 12  | -11 | 9  | 74 | 0 |
| 47 | Pulp of wood, fibrous cellulosic material, waste etc   | 1,566 | -4  | 4   | 3  | 75 | 0 |
| 95 | Toys, games, sports requisites                         | 1,439 | -3  | 86  | 5  | 76 | 0 |
| 14 | Vegetable plaiting materials, vegetable products nes   | 1,351 | 12  | 58  | 1  | 77 | 0 |
| 35 | Albuminoids, modified starches, glues, enzymes         | 1,173 | 17  | -16 | 10 | 78 | 0 |
| 91 | Clocks and watches and parts thereof                   | 1,103 | 53  | 324 | 5  | 79 | 0 |
| 80 | Tin and articles thereof                               | 1,101 | 23  | 96  | 11 | 80 | 0 |
| 96 | Miscellaneous manufactured articles                    | 1,091 | 1   | -20 | 6  | 81 | 0 |
| 42 | Articles of leather, animal gut, harness, travel goods | 700   | -32 | -11 | 7  | 82 | 0 |
| 57 | Carpets and other textile floor coverings              | 664   | 56  | 57  | 6  | 83 | 0 |
| 53 | Vegetable textile fibres nes, paper yarn, woven fabric | 551   | -34 | -14 | 6  | 84 | 0 |
| 81 | Other base metals, cermets, articles thereof           | 454   | -20 | -15 | 10 | 85 | 0 |
| 75 | Nickel and articles thereof                            | 345   | -9  | 41  | 16 | 86 | 0 |
| 36 | Explosives, pyrotechnics, matches, pyrophorics, etc    | 336   | 8   | -40 | 10 | 87 | 0 |
| 43 | Furskins and artificial fur, manufactures thereof      | 295   | 92  | -9  | 16 | 88 | 0 |
| 58 | Special woven or tufted fabric, lace, tapestry etc     | 280   | 4   | 42  | 9  | 89 | 0 |
| 60 | Knitted or crocheted fabric                            | 253   | 32  | -82 | 6  | 90 | 0 |
| 37 | Photographic or cinematographic goods                  | 231   |     |     | 4  | 91 | 0 |
| 79 | Zinc and articles thereof                              | 164   | -17 | -80 | 3  | 92 | 0 |
| 51 | Wool, animal hair, horsehair yarn and fabric thereof   | 145   | -13 | -45 | 2  | 93 | 0 |
| 65 | Headgear and parts thereof                             | 108   | 23  | 48  | 8  | 94 | 0 |
| 66 | Umbrellas, walking-sticks, seat-sticks, whips, etc     | 54    | -16 | -53 | 1  | 95 | 0 |
| 45 | Cork and articles of cork                              | 17    |     |     | 7  | 96 | 0 |

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