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AFRICAN GROWTH AND OPPORTUNITY ACT: IMPACT ON U.S. TRADE RELATIONS WITH MEMBER COUNTRIES OF THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES.

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ABSTRACT

The African Growth and Opportunity Act (AGOA) was enacted in 2000 to offer African countries unprecedented access to the U.S. market and consequently acting as a catalyst for sustainable development through the creation of small businesses around the continent. Since its enactment, how far has AGOA come in achieving its objectives? This paper therefore investigates the impact of AGOA by focusing on the Economic Community of West African States (ECOWAS), and examining available data on the flow and composition of trade. The examination surprisingly reveals ten years later, that AGOA has yet no noteworthy impact on trade relations between USA and ECOWAS. What appears to be an increase in US imports from ECOWAS after the passage of AGOA is attributable to increased imports of crude oil from only one country - Nigeria. Excluding crude oil from the composition of trade, the USA is running a trade surplus with SSA.

Key words: AGOA, trade and development, ECOWAS

INTRODUCTION

The performance of sub-Saharan African (SSA) economies in the global market leaves a lot to be desired. While other regions of the world are showing sustained levels of economic growth in terms of share of world trade[1], SSA economies rather than growing, are showing negative growth. For instance, since 1980, the share of world trade for the Asian region has more than doubled, reaching 27.8 percent in 2006. The share of world trade for SSA, on the other hand, has been declining since 1980, hitting about 2 percent in 2002. From 2003, we witnessed a slight improvement in SSA's share of world trade due to the increase in oil prices, accruing mainly from oil exports from Nigeria. Excluding oil exports from Nigeria, we see that SSA's share of world trade is below 2 percent (UNCTAD, Handbook of Statistics 2004; European Center for International Political Economy (ECIPE) 2007).

In recent times, there seems to be some sort of awakening of the international community to the desperate plight of African countries as the poverty levels, hunger and overall mortality and morbidity rates of these countries have attracted international attention. This attention is manifested in the bundle of programs being initiated and targeted at the developing world and Africa in particular**.** One of such programs is the African Growth and Opportunity Act (AGOA) which is an initiative of the United States designed to offer preferential treatment to exports from SSA countries. Not only is AGOA arguably one initiative that has the most potential and capacity to fundamentally alter the structure of SSA economies if properly and fully implemented, it is also the most far-reaching and potentially beneficial initiative targeted solely at SSA countries in recent times. It is for this reason that this study is focusing on AGOA and offering this assessment.

In his 1998 State of the Union address, President Bill Clinton proposed AGOA as a means of increasing trade between the United States and SSA countries. This bill was signed into law by President Clinton on May 18, 2000. Amendments that increased the scope of AGOA for eligible SSA African countries were signed by President George W. Bush in August 2002. Recognizing the important role trade plays in sustainable economic development, AGOA was designed and implemented to reduce trade barriers between the United States and SSA countries. By reducing trade barriers, increased volume of trade would follow between the two regions, creating jobs and small businesses and ultimately lifting many African countries out of poverty (Office of the United States Trade Representative 2003).

Since its enactment in 2000, how far has AGOA come in achieving its objectives? Has the volume of trade (exports and imports) increased between United States and SSA countries? Are the economies creating jobs and ushering in a higher standard of living, especially for the Africans? Are small businesses being created? The objective of this paper therefore, is to offer a descriptive analysis of the impact of AGOA on these African countries to ascertain if the Act is yielding desired dividends. Therefore theoretical and empirical considerations are beyond the scope of this study as it would just examine available data for insightful trends.

An examination of the literature on the impact of AGOA on US-Africa trade relations reveals isolated cases of seemingly success stories in textiles and apparel by a few SSA countries - Lesotho, Madagascar, Kenya, Swaziland, and South Africa. These countries are beginning to take advantage of the opportunities availed to them by AGOA (Gibbon 2003, Lall 2005). However, unlike these previous attempts to examine the impact of AGOA that focus on isolated cases of countries or products, this paper takes a more comprehensive approach by focusing on the West Africa sub-region and examining U.S. trade relations with member countries of the Economic Community of West African States (ECOWAS). ECOWAS is a regional block of fifteen West African countries formed in 1975 for economic integration and cooperation. Though by no means homogenous, ECOWAS countries are likely to have more in common with each other than with other regions of Africa. Going by the Treaty of ECOWAS, it seems that the community will endeavor to maximize the benefits of AGOA. This approach is in line with the approach advocated by the ECOWAS Bank for Investment and Development (EBID)[2]. Furthermore, a study by Leonard and White (2009) shows that among all regional trade agreements in Africa, ECOWAS is the most viable. A brief background information on ECOWAS is given later.

In welcoming AGOA, the ECOWAS Bank for Investment and Development (EBID) agrees that a regional approach would be necessary to maximize the gains from this Act. A regional approach would bring about economies of scale in such things as building the infrastructure and addressing all the issues associated with the risk and high cost of doing business in Africa. Small countries that lack the wherewithal to benefit from AGOA will also be carried along in this regional approach. Another compelling reason why it is necessary to examine the impact of AGOA by focusing on the ECOWAS sub-region is because this region has some unique advantages over other regions of Africa. First, due to the geographic proximity between ECOWAS and the United States, the cost of exporting to the US should be lower, and secondly, the ECOWAS region is endowed with human and natural resources.

The remainder of this paper is organized as follows: sections II and III give a very brief overview of AGOA and ECOWAS respectively. Data and Methodology are taken up in section IV, while the impact of AGOA on ECOWAS member states is discussed in section V. Impediments to AGOA are examined in section VI and section VII concludes the study.

AFRICAN GROWTH AND OPPORTUNITY ACT

Objectives

AGOA was enacted by the United States Congress in 2000. The basic premise of AGOA is that free trade between Africa and the United States would spur economic growth in Africa by granting Africans unprecedented access to the U.S. market. This access should equally encourage small businesses to sprout throughout the continent. Recent experience has shown that trade is the quickest and most sustainable way for developing countries to work their way out of poverty. In the case of Africa, free trade with the United States would supposedly act as a catalyst to enable African countries without a manufacturing base to establish one, and equally allow those with some sort of manufacturing to diversify and deepen their manufacturing base. The enactment of AGOA was therefore heralded with much fanfare by both the Africans and the Americans. Furthermore, AGOA could also serve as a mechanism for attracting more foreign direct investment from United States to Africa as the opportunities created by the Act would make it more attractive for U.S. firms to engage in joint-venture partnerships with African firms[3].

Country and Product Eligibility Criteria

Participation in AGOA is not automatic for African countries. There are certain eligibility conditions and criteria for countries and products that must be met before acceptance to take advantage of AGOA opportunities is granted by the United States. Similarly, failure to meet or uphold these conditions after acceptance leads to expulsion. As of 2010, thirty-nine out of forty-eight sub-Saharan African countries are eligible to take advantage of the opportunities offered by AGOA. To be eligible, a country must meet specified criteria. Some of these criteria as outlined by the Office of the United States Trade Representative (2003) include whether or not a country has implemented or making progress towards implementing: a market-based economy, the rule of law, the removal of barriers to U.S. trade and investment, policies to reduce poverty, respect of workers rights, and a system to fight corruption. Furthermore, a country cannot get involved in acts of terrorism, gross violation of internationally-recognized human rights, the worst forms of child labor, and any acts that undermine U.S. national security

Countries are reviewed annually for inclusion or exclusion. While Angola became eligible on December 31, 2003, Central African Republic and Eritrea were dropped from the list for not meeting the required criteria. So, it is quite clear that the purpose of AGOA is not only promoting trade between Africa and the US, but also to encourage all other activities or behaviors that promote world peace, protect US interests, and provide an environment where Africans can participate in world trade and hopefully experience a higher quality of life. Practically all products of AGOA eligible countries can enter the U.S. duty-free. Only very few products such as canned peaches and apricots, and certain steel products are restricted from entering the U.S. In 2002 for instance, 94 percent of U.S. imports from AGOA eligible countries came in without any tariffs[4] (Office of the United States Trade Representative 2003).

The U.S. exports and imports a variety of products from SSA. A total of $15.17 billion worth of goods were exported to SSA in 2009. The major exports include: machinery (except electrical) at $3.41 billion (22.4%), transportation equipment at $3.0 billion (19.7%), chemicals at $1.31 billion (8.6%) agricultural products at $1.19 billion (7.9%), and all others at $6.27 billion (41.3%). On the import side, a total of $46.92 billion worth of goods were imported from SSA in 2009. The major imports include: oil and gas at $36.20 billion (77.2%), primary metal mfg at $2.24 billion (4.8%), transportation equipment at $1.57 billion (3.3%), petroleum and coal products at $1.47 billion (3.1)%, and all others at $5.44 billion (11.6%) (U.S. Dept. of Commerce).

BASIC FACTS ABOUT ECOWAS MEMBER STATES

ECOWAS is a regional block of fifteen West African countries founded on May 28, 1975 with the signing of the Treaty of Lagos. The main objective of ECOWAS is to ultimately bring about an economic integration of the member states by eliminating all barriers to the free movement of goods and services, and factors of production. Currently, there are fifteen members of ECOWAS – Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. A listing of AGOA-eligible countries, excludes Cote D'Ivoire, Guinea, and Niger (www.agoa.gov/AGOAEligibilty/Index.asp).

As table I shows, the countries that make up ECOWAS cover an area of 5,112,903 km^2 with a population of 251.6 million people. The combined gross domestic product (GDP) is $342.5 billion or $1,361 per capita (World Bank 2007). The two organs responsible for the implementation of ECOWAS policies are the Secretariat and the ECOWAS Bank for Investment and Development (EBID).

Table I. Comparison of ECOWAS with Other Regional Blocks

Regional Block[1]	Area (Km^2)	Population	GDP (PPP) ($US) in millions	GDP per capita	Member states[1]
EU	4,325,675	496,198,605	12,025,415	24,235	27
EFTA	529,600	12,233,467	471,547	38,546	4
CARICOM	462,344	14,565,083	64,219	4,409	14+1[2]
CSN	17,339,153	370,158,470	2,868,430	7,749	10
ECOWAS	**5,112,903**	**251,646,263**	**342,519**	**1,361**	**15**
CEMAC	3,020,142	34,970,529	85,136	2,435	6
EAC	1,763,777	97,865,428	104,239	1,065	3
SACU	2,693,418	51,055,878	541,433	10,605	5
COMESA	3,779,427	118,950,321	141,962	1,193	5
Agadir	1,703,910	126,066,286	513,674	4,075	4
GCC	2,285,844	35,869,438	536,223	14,949	6
NAFTA	21,588,638	430,495,039	15,279,000	35,491	3
ASEAN	4,400,000	553,900,000	2,172,000	4,044	10
SAARC	5,136,740	1,467,255,669	4,074,031	2,777	8
EurAsEC	20,789,100	208,067,618	1,689,137	8,118	6
PARTA	528,151	7,810,905	23,074	2,954	12+2[2]
CACM	422,614	37,816,598	159,536	4,219	5

[1]Including data only for full and most active members
[2]Including non-sovereign autonomous entities of other states

Source: CIA World Factbook 2005, IMF WEO Database

Even though ECOWAS is yet to achieve its main objective, some studies have reported encouraging findings. For instance, Deme (1995) finds that while the volume of trade among ECOWAS states is still very small compared to trade with industrialized countries, the rate of growth of intraregional trade has surpassed that of industrial countries. Similarly, Musila (2005) states that ECOWAS has resulted in "net welfare gains" for the region.

Since its formation, the goal of achieving increased trade has remained elusive, let alone economic integration, even though the desire to march on has not waned (Greer 1992). A number of factors are responsible for this state of affairs. First of all, economic theory tells us that free trade agreements are generally more productive and result in increased welfare for member states if there was a high volume of pre-integration trade (Salvatore 2004). In the case of ECOWAS, there was very little trade between members before integration and this was due mainly to the fact that all the member states produce about the same primary products geared for export to the industrialized countries in Western Europe and North America. By the same token, member states imported all their manufactured goods from these industrialized countries

Despite these shortcomings of ECOWAS, the secretary general of the Economic Commission for Africa (ECA), Mr. Abdoulie Janneh, still sees economic integration of African economies as the fastest means of taking advantage of the benefits of globalization while minimizing associated risks (Vanguard April 26, 2007)**.** Carrere (2004**)** concludes that regional integration does generate significant increase in intra-regional trade, albeit by trade diversion initially, but ultimately leads to trade creation as the integrating countries become capable of demanding more exports from the rest of the world.

DATA AND METHODOLOGY

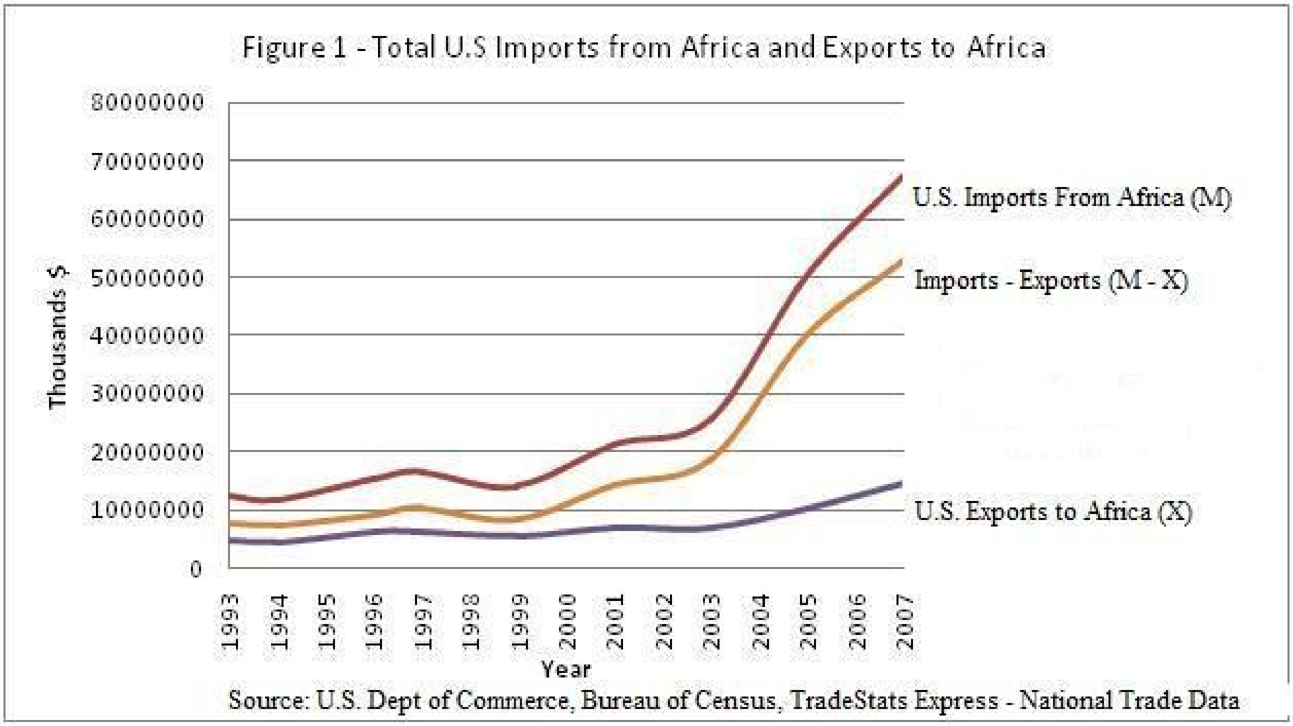
This study will examine various sources of data (U.S. Dept. of Commerce, Office of the United States Trade Representative, International Monetary Fund, World Bank, and other relevant publications) on trade between ECOWAS and the United States to extract information pertaining to the composition and flow of trade. Fortunately, the data on trade relations (exports and imports) between ECOWAS and the U.S. is readily accessible. Once the relevant data are extracted, a substantial amount of effort will be devoted to organizing, analyzing and interpreting information collected. The statistical analysis will focus on descriptive measures, and any apparent trends would be noted and analyzed. In addition to examining the general trend and composition of trade, efforts will be made to examine the various categories of products being traded and to isolate those that are doing well and those that for one reason or another are lagging behind. The impediments to trade will be noted and analyzed.

Since AGOA was passed in 2000, our analysis will cover twenty years, from 1990 to 2010. The study will examine the flow and composition of trade ten years before the Act was passed and ten years after. The choice to anchor this study on ten years before and after is simply because since we are looking at the year 2010 which gives ten years after AGOA was passed, we thought it wise to equally look at ten years before AGOA to see if there were any discernible trends leading to the passage of AGOA in 2000. By so doing, we will be able to isolate increases in trade volume due to normal growth and growth attributable to AGOA.

IMPACT OF AGOA ON ECOWAS MEMBER STATES

US Trade Relations with Africa

Before going into a discussion of the impact of AGOA on ECOWAS, let us briefly assess overall U.S.-Africa trade relations as this will help to place a discussion on ECOWAS in proper perspective. An examination of Figure I reveals that from 1993 to 2007, the U.S. was importing more than it was exporting to Africa, thereby running a trade deficit with Africa, and this trend remains unchanged through 2010. On the surface, this appears to be a trade relationship favoring Africa. However, in this relationship, oil imports mainly from Nigeria account for about 70 percent of U.S. imports from Africa. After the passage of AGOA (2001-2007) and the advent of the war in Iraq, the U.S. in a move to reduce dependence on Middle East oil, increased oil imports from Nigeria, thereby increasing imports from Africa substantially after AGOA. However, without oil imports from Nigeria, the story would be entirely different as Figure II shows. It therefore makes sense to examine U.S.-Africa trade without the distorting influence of crude oil imports.



This trend remains unchanged through 2010

Source: U.S. Dept. of Commerce, Bureau of the Census, TradeStats Express – National Trade Data

Without oil imports, Figure II reveals that from 1993 to 1999 (before the passage of AGOA), the U.S. was running a trade surplus with Africa. After AGOA, Figure II now reveals U.S. surplus in 2001, followed by three years of deficits, from 2002 – 2004, and the U.S. surplus manifests again from 2005 – 2007. Clearly, Figures I and II, suggest that U.S. increased imports (attributable to increased oil imports) from Africa after the passage of AGOA may be due to the war in Iraq rather than an outcome of AGOA. Besides, the benefits of increased crude oil imports from Africa accrue mainly to Nigeria. Where then is the impact of AGOA on other African countries? It is therefore apparent that without oil imports from Nigeria, the U.S. would have a dilapidating trade surplus with Africa.

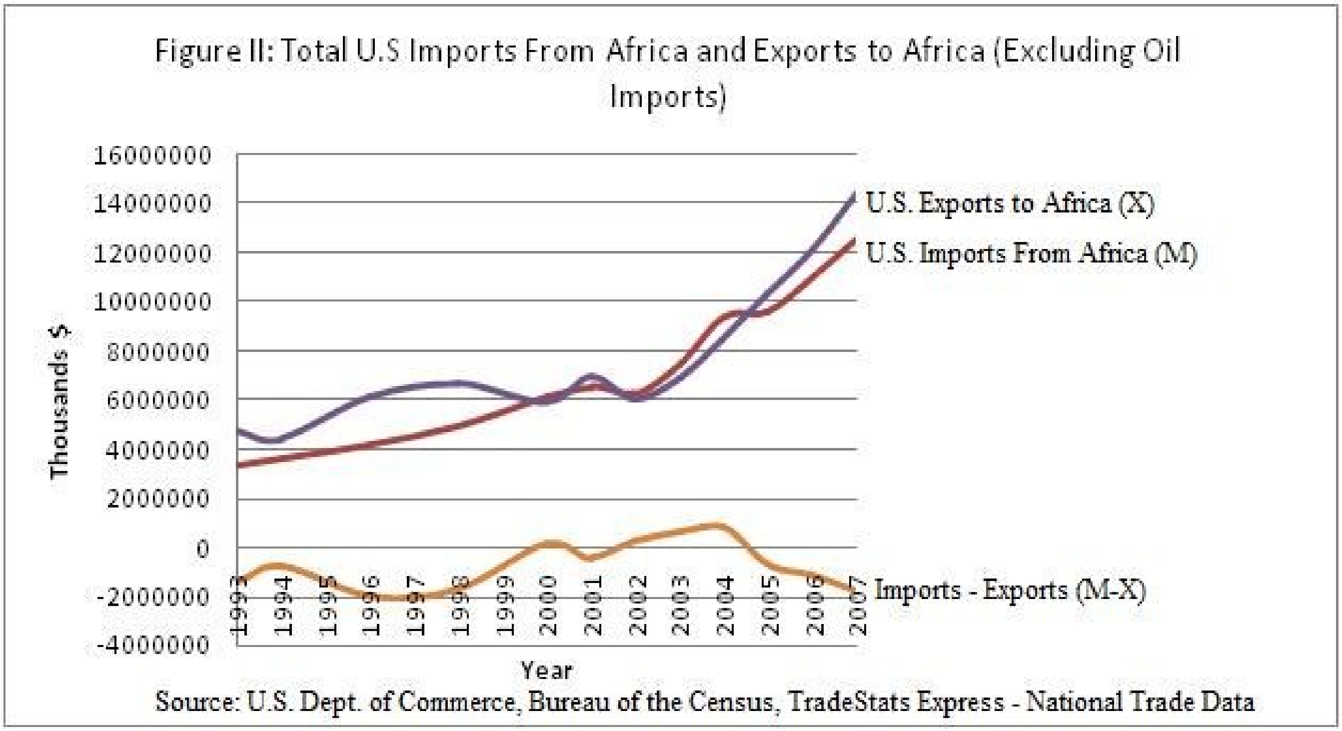


Figure II: Total U.S Imports From Africa and Exports to Africa (Excluding Oil Imports)

Source: U.S. Dept. of Commerce, Bureau of the Census, TradeStats Express - National Trade Data

This trend remains unchanged through 2010

Source: U.S. Dept. of Commerce, Bureau of the Census, TradeStats Express – National Trade Data

The only area where there seems to be some potential impact of AGOA is in apparel products. A few studies as cited earlier confirm that some countries are experiencing increased apparel exports to the U.S. following the passage of AGOA. Average annual apparel exports before AGOA was $457 million whereas the figure almost tripled to $1.4 billion after AGOA. Again, it is only in apparel that the Africans are seeing a noticeable impact of AGOA. This remarkable increase notwithstanding, apparel exports to the U.S. still represent a paltry 2 percent of total exports (U.S. Dept. of Commerce). So, even with the potential of apparel trade, the benefits of AGOA at the moment still remain unrealized. Will the story be different if we examine the impact of AGOA on a region of Africa since there could be serious dilution of impact focusing on the whole Africa? To carry out this analysis, we will focus on the ECOWAS sub-region.

<u>US Trade Relations with ECOWAS</u>:

The impact of AGOA on ECOWAS will be examined by analyzing the volume and composition of trade between United States and ECOWAS. Even though the volume of trade between the United States and ECOWAS has increased since 2000, the increase seems to be accounted mainly by US oil imports from Nigeria. As a matter of fact, imports of non-oil AGOA eligible products suffered a decline in 2005 (Office of the U.S. Trade Representative 2006). As Brenton and Ikezuki (2004) point out, oil exports from Nigeria and Gabon account for more than 75 percent of trade under AGOA in 2002. In 2011 the situation has not changed as oil exports still account for over 80 percent of trade under AGOA.

Table II examines U.S. exports to ECOWAS. As the table reveals, in 1995 total U.S. exports to ECOWAS amounts to about $1.3 billion. It increased to about $1.7 billion in 1996 and declined steadily through 1999. From 2000, after the passage of AGOA, U.S. exports to ECOWAS increased steadily to about $4.5 billion in 2007, and the trend remains unchanged through 2010. So, the U.S. has experienced increased exports to ECOWAS since the passage of AGOA. Before AGOA, U.S. exports to one member of ECOWAS – Nigeria – accounted for about 50 percent of U.S. exports to ECOWAS. After AGOA, this number jumped to about 60 percent. On the average, U.S. exports to ECOWAS account for about 25 percent of total U.S. exports to Africa.

Table II. U.S. Exports to ECOWAS (millions $)*

Country	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Benin	21.7	25.9	34.0	27.3	51.4	43.6	31.4	26.4	32.4	35.0	30.2	45.8	70.8	115.5	289.4
Burkina Faso	17.7	7.3	14.7	10.5	18.2	16.3	10.8	16.0	4.4	18.6	11.0	22.0	24.9	18.1	33.1
Cape Verde	4.9	4.6	7.5	67.8	9.9	9.6	7.4	7.2	7.5	9.7	9.1	51.0	9.9	13.6	5.5
Cote d'Ivoire	88.1	111.2	173.3	141.0	150.8	151.3	103.8	94.8	96.8	76.3	102.6	118.1	123.9	147.5	161.6
Gambia	10.0	3.8	6.1	8.5	9.7	9.3	9.5	9.0	8.4	9.5	26.7	23.1	30.5	21.2	20.0
Ghana	214.4	124.5	167.2	295.7	314.9	225.0	232.6	191.2	199.6	192.5	209.2	309.6	337.5	289.7	415.9
Guinea	59.3	49.7	66.5	87.1	82.9	65.5	54.6	68.0	73.3	62.9	35.8	58.8	125.0	64.7	73.5
Guinea-Bissau	1.6	0.9	0.8	6.9	2.6	1.0	0.7	0.2	0.8	2.4	1.2	1.2	2.1	5.7	6.6
Liberia	20.0	46.3	41.7	49.8	42.8	50.3	44.8	43.0	36.6	27.8	33.3	60.9	75.0	67.8	75.7
Mali	32.6	19.0	23.1	18.2	26.3	25.4	29.9	32.1	32.6	11.0	31.4	42.9	32.4	43.1	31.9
Niger	15.8	12.0	39.6	27.2	24.9	18.1	18.6	36.4	63.5	40.9	33.6	34.0	81.2	129.1	69.3
Nigeria	890.9	509.1	602.9	818.4	813.0	816.7	627.9	721.9	955.1	1057.7	1016.9	1554.3	1615.0	2230.7	2786.6
Senegal	69.1	42.4	67.9	55.9	51.7	59.2	63.3	81.8	79.6	74.7	101.8	89.4	157.9	96.8	152.9
Sierra Leone	20.6	24.1	18.1	28.4	15.6	23.3	13.2	18.8	27.8	25.1	28.2	40.6	37.8	39.2	55.4
Togo	12.5	12.4	18.5	20.1	25.6	25.4	25.7	10.6	16.5	13.6	15.2	23.7	27.8	108.5	287.5
	1479	**993**	**1282**	**1663**	**1640**	**1540**	**1274**	**1357**	**1635**	**1658**	**1686**	**2475**	**2752**	**3391**	**4465**
%Δ	––	–.49	.29	0.30	–0.01	–0.06	–0.17	0.07	0.20	0.01	0.02	0.47	0.11	.23	.32
% of US Exports to Africa	0.31	0.22	0.24	0.27	0.27	0.23	0.23	0.23	0.23	0.28	0.24	0.29	0.27	0.28	0.31

*Values for 1990-92 and 2008-2009 are left out to reduce the size of the table. However, the values are 1990 (1041), 1991 (1409), 1992 (1512), 2008 (6532), 2009 (5692)

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Dept. of Commerce (http://tse.export.gov/TSE/TSEhome.aspx).

Table III shows U.S. imports from ECOWAS. As the table reveals, in 1993 the U.S. imported about $5.9 billion worth of goods from ECOWAS and by 2007, the amount had jumped almost six times, to about $33.9 billion. U.S. imports from ECOWAS showed a spectacular increase of 205 percent from $11.1 billion in 2003 to $33.9 billion in 2007. From 1993 to 2007, U.S. imports from ECOWAS averaged about 35 percent of total imports from Africa. It is, however, worth noting here that imports from one country – Nigeria – accounts for more than 90 percent of U.S. imports from ECOWAS, and the imported commodity is, by and large, crude oil. Without crude oil, U.S. imports from ECOWAS will average roughly 4 percent of total imports from Africa. Furthermore, without oil imports from Nigeria, the volume of U.S. imports from ECOWAS as a percentage of total imports from Africa drops to about 2% after AGOA. So what seems like an increase after AGOA was attributable to increased oil imports from just one country – Nigeria. Clearly, this indicates that U.S. trade relations with ECOWAS are more about crude oil than any other product. This then raises a very poignant question – is the increase in oil imports by the U.S. due to AGOA or U.S. efforts to seek more stable oil sources outside the strife stricken Middle East? Another question that needs to be addressed is why the U.S. is not importing other commodities from ECOWAS.

Table III. U.S. Imports from ECOWAS (millions $)*

Country	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Benin	15.7	10.0	10.0	13.5	7.8	3.6	17.6	2.5	1.2	0.6	0.6	1.5	0.5	0.5	5.0
Burkina Faso	0.4	0.4	0.4	3.8	0.9	0.4	2.7	2.4	5.0	2.9	0.9	0.6	2.1	1.0	1.4
Cape Verde	0.03	0.1	0.2	0.3	0.4	0.1	0.0	4.2	1.7	1.8	5.6	3.7	2.6	0.9	2.1
Cote d’Ivoire	177.7	185.3	214.1	397.4	289.2	425.9	350.2	384.0	333.3	376.5	489.5	714.7	1197.7	701.5	600.2
Gambia	8.5	2.3	2.2	2.0	2.8	2.0	0.0	0.3	0.6	0.3	0.1	0.5	0.4	0.2	0.1
Ghana	208.4	198.4	196.1	171.1	155.2	143.1	208.5	204.6	187.1	116.4	81.9	145.4	158.4	192.1	198.6
Guinea	118.1	92.0	98.8	116.6	127.7	115.4	116.9	88.4	87.8	71.7	69.2	64.2	74.7	93.7	98.9
Guinea-Bissau	0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.5	0.0	0.0	1.9	26.6	0.1	0.4	0.03
Liberia	3.0	3.4	9.9	26.9	4.7	25.1	30.5	45.5	42.5	45.7	59.5	84.3	90.8	139.8	115.3
Mali	1.2	4.1	3.6	4.7	3.8	3.4	9.0	9.7	6.0	2.6	2.4	3.7	3.6	7.8	9.7
Niger	5.6	2.3	1.4	0.6	29.8	1.8	12.2	7.2	4.5	0.8	4.0	26.9	65.5	123.7	9.5
Nigeria**	**5301**	**4430**	**4931**	**5978**	**6349**	**4194**	**4385**	**10538**	**8775**	**5945**	**10394**	**16249**	**24188**	**27916**	**32770**
Senegal	7.4	11.4	4.9	5.5	6.9	5.1	9.2	4.3	104.0	3.5	4.5	3.0	3.7	21.4	18.7
Sierra Leone	47.3	51.2	28.4	22.5	18.4	12.4	10.2	3.8	4.4	3.8	6.5	10.9	9.4	36.1	48.1
Togo	3.3	4.0	3.3	4.0	9.4	2.1	3.3	6.0	12.6	2.9	5.8	1.6	6.4	3.5	5.0
	5898	**4995**	**5504**	**6747**	**7006**	**4935**	**5155**	**11301**	**9566**	**6575**	**11126**	**17337**	**25804**	**29239**	**33883**
%Δ	––	–.15	.10	0.23	0.04	–0.30	0.04	1.19	–0.15	–0.31	0.69	0.56	0.49	0.13	0.16
% of US Imports from Africa	0.48	0.42	0.36	0.37	0.35	0.31	0.30	0.41	0.38	0.30	0.35	0.38	0.40	0.49	0.50
***% of US Imports from Africa – oil	0.05	0.05	0.05	0.05	0.03	0.05	0.05	0.03	0.03	0.03	0.02	0.02	0.03	0.02	0.02

*Values for 1990-92 and 2008-2009 are left out to reduce the size of the table. However, the values are 1990 (6684), 1991 (5783), 1992 (5596), 2008 (39790), 2009 (20308)

**Oil imports from Nigeria account for over 80% and 90% of all US imports from ECOWAS before and after AGOA respectively.
***(Imports from ECOWAS – oil/imports from SSA).

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Dept. of Commerce (http://tse.export.gov/TSE/TSEhome.aspx).

So, on the whole, as Table IV shows, with oil imports, the U.S. is running a trade deficit with ECOWAS. However, without oil imports, the U.S. is running a trade surplus with ECOWAS as Table V shows. In the final analysis, one can reasonably conclude that ECOWAS is not feeling the impact of AGOA as the data indicates.

Table IV. Trade Balance between the U.S. and ECOWAS (millions $)*

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Imports**	5898	4995	5504	6747	7006	4935	5155	11301	9566	6575	11126	17337	25804	29239	33883
Exports***	1479	993	1282	1663	1640	1540	1274	1357	1635	1658	1686	2475	2752	3391	4465
Balance**	**4419**	**4002**	**4222**	**5084**	**5366**	**3395**	**3881**	**9944**	**7931**	**4917**	**9440**	**14862**	**23052**	**25848**	**29418**
% Growth	--	-.10	.05	0.20	0.06	-0.37	0.14	1.56	-0.20	-0.38	0.92	0.57	0.55	.12	.14

*Values for 1990-1992 and 2008-2009 are left out to reduce the size of the table. However, the trend remains unchanged even when these values are added to the table.
**U.S. Imports from ECOWAS
***U.S. Exports to ECOWAS
****U.S. is running a trade deficit with ECOWAS

Table V. Trade Balance between the U.S. and ECOWAS (Excluding Nigeria's oil) (millions $)*

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Imports**	676	631	573	769	657	741	770	763	791	630	732	1088	1616	1371	1183
Exports***	1479	993	1282	1663	1640	1540	1274	1357	1635	1658	1686	2475	2752	3391	4465
Balance****	**-803**	**-362**	**-709**	**-894**	**-983**	**-799**	**-504**	**-594**	**-844**	**-1028**	**-954**	**-1387**	**-1136**	**-2020**	**-3282**
% Growth	--	-.22	.95	0.26	0.10	-0.19	-0.37	0.18	0.42	0.22	-0.07	0.45	-0.18	.78	.62

*Values for 1990-1992 and 2008-2009 are left out to reduce the size of the table. However, the trend remains unchanged even when these values are added to the table.
U.S. Imports from ECOWAS **excluding oil imports from Nigeria
*** U.S. Exports to ECOWAS
**** U.S. is running a trade surplus with ECOWAS

Trade in Textiles and AGOA Success Stories

A few studies (Gibbon 2003; Lall 2005; Cling et al 2005) that show some benefits of AGOA indicate that these benefits are heavily concentrated in a few countries and in only one category of product – apparel. Mattoo et al (2003) point out that in 1999, exports to the USA came primarily from a few member countries of the South Africa Customs Union (SACU)[5]. In 1999 (before AGOA), these SACU countries and Mauritius account for 80 percent of Africa's apparel exports while three other countries (Madagascar, Kenya and Zimbabwe) account for another 18 percent. Even at this time, ECOWAS member states were non-participants in apparel exports to the U.S. Now after AGOA, has anything changed for ECOWAS?

After the passage of AGOA, major African apparel exporters to the U.S. remain Botswana, Lesotho, Namibia, South Africa, Swaziland, Kenya, Madagascar, Malawi, and Mauritius. These nine countries account for practically all African apparel exports to the U.S. before and after AGOA and none is a member of ECOWAS (U.S. Dept. of Commerce).

IMPEDIMENTS TO AGOA

Why does it seem as if ECOWAS is oblivious to the opportunities offered by AGOA? Is it that they do not desire economic growth or that they lack the capacity and wherewithal to engage in exporting to the United States? This paper argues that it is the latter – lack of capacity and wherewithal. As was discussed above, none of the beneficiaries of AGOA is a member of ECOWAS.

In examining the factors behind SSA's marginalization in world trade, Yeats et al (1996), Elbadawi (1999), and Zeufack (2001) make the case that Africa's marginal performance in world trade is mainly due to two factors: (1) anticompetitive domestic policies and (2) high transportation costs, both international and inland. According to Yeats et al., tariffs and non-tariff barriers implemented by OECD countries cannot be blamed for SSA's dismal performance because some East Asian countries faced much higher tariffs and still adequately penetrated OECD markets. This situation now begs the question – have these impediments to SSA's performance in world trade been significantly reduced or eliminated? Of course, these impediments remain and constitute a major barrier to accessing the preferential trade opportunities offered by AGOA. Collier and Gunning (1999), Limao and Venable (2001), Roberts and Thoburn (2003), and Van Biesebroeck (2005) concur with Yeats et al, when they note that constraints to Africa's exports include lack of credit facilities, crude production technology, lack of social capital, misguided government policies, and inadequate contract enforcement infrastructure. These constraints make it very difficult to satisfy the demands of the domestic market let alone overcoming the idiosyncracies of breaking into foreign markets. By not breaking into foreign markets, African countries foreclose the opportunity of raising productivity and enhancing competitive advantage that accrue from exposure to foreign know-how. In other words, ECOWAS countries cannot expect to take advantage of the opportunities offered by AGOA without first laying the foundation and addressing all the prerequisites necessary for the take-off of the manufacturing sector. Oyeshola and Lawal (2009) examining AGOA with particular reference to Nigeria, emphasize, inter alia, that establishment and maintenance of infrastructure, fiscal discipline, and a commitment to poverty eradication are constraints that must be addressed before opportunities like AGOA can yield desired dividends. Currently, these constraints have not changed for African countries in general and ECOWAS in particular. Is it any surprise that with the exception of Nigeria's oil, there is practically no activity with respect to AGOA in the ECOWAS community?

Brenton and Ikezuki (2004), and Hasnat (2006) state that competition from China, India and other countries undermine opportunities under AGOA. This is especially significant with the elimination at the end of 2004 of quotas previously placed on Chinese and other apparel exporters. AGOA in itself grants market access, but it does not in any way grant competitive advantage. As is well understood in international trade, the ability to produce does not necessarily translate to the ability to export. In other words, comparative advantage does not necessarily confer competitive advantage. It is the possession of competitive advantage that determines trade flows (exports and imports)**.** In addition, Brenton and Ikezuki point out that the liberalization of the rules of origin in the sourcing of fabrics will worsen matters for African countries. With the exception of a few countries and the oil producing countries of Nigeria and Gabon, the impact of AGOA does not exceed one-tenth of 1 percent of GDP for most African countries. As Brenton and Ikezuki further point out, constraints to exporting which include burdensome customs clearance procedures, high transportation costs and related services, corruption and unfavorable investment climate, still hinder the ability of African countries to exploit the opportunities offered by AGOA. In spite of all these constraints and teething problems in the export sector, Brenton and Ikezuki still believe in the immense potential of AGOA and do recommend that the benefits of AGOA be maintained and broadened.

SUMMARY AND CONCLUSION

AGOA was passed in 2000 to grant African countries unparalleled access to the U.S. market. This action is supposed to increase trade between Africa and the United States, thereby offering the Africans an unprecedented opportunity to become players in the global marketplace. This paper therefore examined available data on the flow and composition of trade to ascertain if ECOWAS is benefiting from the preferential trade treatment offered by AGOA. The examination surprisingly revealed that AGOA has practically no impact on trade relations between USA and ECOWAS member states. What appears to be an increase in US imports from ECOWAS after the passage of AGOA amounts to nothing but increased imports of crude oil from Nigeria. With crude oil imports included in the composition of trade, trade clearly favored ECOWAS countries (see Table IV) as the USA ran trade deficits from 1993 – 2007. However, when crude oil was taken out of the equation, the USA enjoyed a trade surplus with ECOWAS (see Table V) from 1993 – 2007. Even in textiles and apparel where it appears that a number of African countries - Lesotho, Madagascar, Kenya, Swaziland, and South Africa – are taking advantage of the opportunities availed to them via AGOA, ECOWAS countries are again unable to make any headway. So, despite the enormous opportunity AGOA offers for Africa, it is doubtful that the potential will be realized in Africa in the near future. Second, despite the easy access to the American market offered by AGOA, products from the African market still have to compete with products from well established manufacturing powerhouses like China, India, Taiwan, Malaysia and other Asian countries.

Right now, AGOA represents an immense opportunity for ECOWAS and Africa as a whole. Clearly, ECOWAS countries do recognize the prominent role trade can play in lifting them out of poverty and underdevelopment. The challenge now becomes to identify and analyze why ECOWAS seems oblivious to an immense opportunity to participate in a very favorable trade arrangement. Several scholars as mentioned earlier have clearly stated that constraints to ECOWAS' exports – crude production technology, misguided government policies, lack of credit facilities, lack of social capital, inadequate contract enforcement infrastructure, and high transportation costs – must be addressed, and this study concurs, before these countries can realistically expect to take advantage of opportunities like AGOA. In addition to these internal constraints, ECOWAS countries must also contend with some external constraints. A major part of the external constraints relates to the new realities of international logistics implemented by the United States in the aftermath of the terrorist attacks of September 11, 2001 in New York City. These internal and external constraints must be addressed before ECOWAS countries can realistically expect to take advantage of opportunities like AGOA.

Unless drastic actions are taken to build the capacity and the wherewithal needed to engage in exporting to the USA and other countries, opportunities like AGOA will continue to elude ECOWAS member countries. This paper therefore recommends that opportunities or favorable trade arrangements offered to ECOWAS and Africa as a whole should first focus on building the institutions and addressing the prerequisites needed to effectively manufacture and engage in exporting. Even under the severely constrained environment for the manufacture and export of goods, a few countries - Lesotho, Madagascar, Kenya, Swaziland, and South Africa – managed to produce and export textiles and apparel to the United States in reasonable quantity. How did these select African countries achieve this feat in the midst of an environment that almost certainly guarantees failure? For the benefit of ECOWAS and Africa as a whole, future studies need to examine in detail, the factors responsible for the success stories in textile exports displayed by these countries. Lessons learned from the performance of these countries in apparel manufacturing and exporting can be a good beginning for other African countries desiring to join the league of exporters.

Notes

1. The volume of world trade has grown from about $80 billion in 1953 to about $8 trillion in 2004

2. **See (http://www.bidc-ebid.org/BIDC).**

3. For more objectives, see Office of the United States Trade Representative 2003 Report, p. 7.

4. For a full list of products that may enter the U.S. duty-free under AGOA, see http://www.ustr.gov/regions/africa/annex2a.pdf

5. SACU stands for South Africa Customs Union. There are five member countries of the union – Bostwana, Lesotho, Namibia, South Africa, and Swaziland.

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