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Deepening Regional Integration in Africa: Maximizing the Utilization of AGOA in ECOWAS for Economic Transformation

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Total African exports under AGOA have more than tripled since the program's inception.⁴ However, despite these successes, many opportunities for economic growth under AGOA have been missed, and it has not been well utilized for a number of reasons. The program has not been well publicized in Africa, and African governments have failed to organize to take full advantage of the opportunities provided by AGOA. For example, most African governments have failed to develop AGOA utilization plans; by December 2014, only 14 of the 41 AGOA-eligible countries had developed utilization strategies.⁵ Supply-side constraints also mean that SSA countries lack the capacity to meet the strict quantity and supply requirements imposed by U.S. buyers.⁶ Additionally, the manufacturing sector's total contribution to African economies has actually shrunk since 1980, as the sector has grown more slowly than African economies as a whole.⁷ Trading costs as a percentage of production costs in Africa is about 12 percent, compared with 4 percent for Western Europe and 7 percent for Latin America.⁸ These costs, coupled with poor transportation infrastructure and inefficient borders slow commerce and, as a result, SSA countries' exports are not globally competitive.

Beyond the development of national utilization strategies, regional integration represents one of the most effective ways to address the issues preventing African countries from taking advantage of AGOA. Specifically, SSA countries can deepen regional integration by harmonizing trade policies to reap efficiency gains, improve trade logistics, exploit economies of scale, and develop competitive manufacturing industries to maximize AGOA.

The African Growth and Opportunity Act

AGOA was signed into law in 2000 to enable qualifying SSA countries to export duty-free to the United States. Selection is limited to countries that show commitment to the rule of law, economic reform, and poverty eradication, and that facilitate the development of civil society and ensure political freedoms.⁹ In 2015, AGOA was reauthorized and extended until 2025. The reauthorized AGOA made several enhancements to the first incarnation, including the Biennial AGOA Utilization Strategy. This essentially encourages SSA countries and African Regional Economic Communities (RECs) to identify sectors and products in which they believe they can be competitive and form plans to take advantage of this potential. The biennial strategy makes a strong case

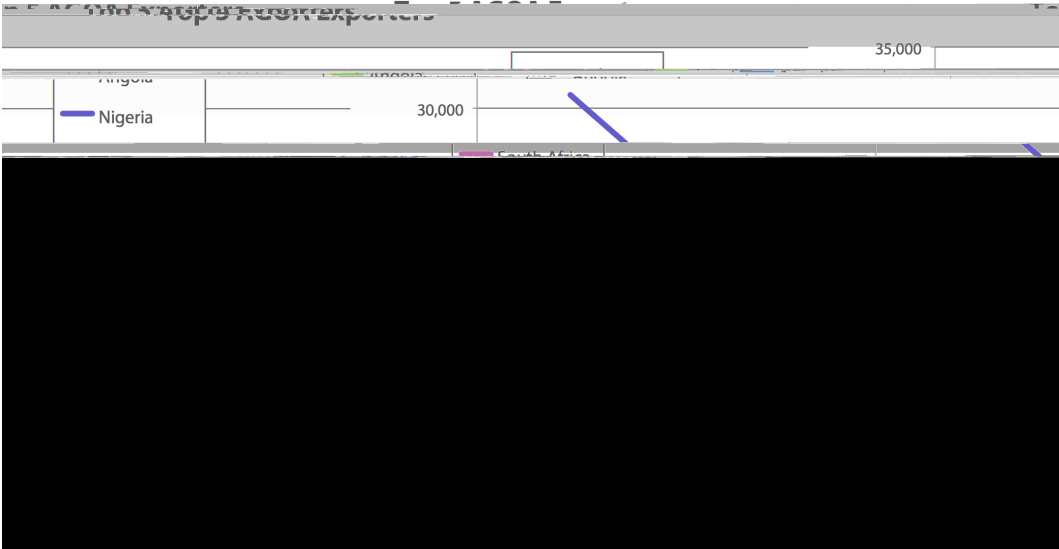


Figure 1: AGOA utilization in SSA

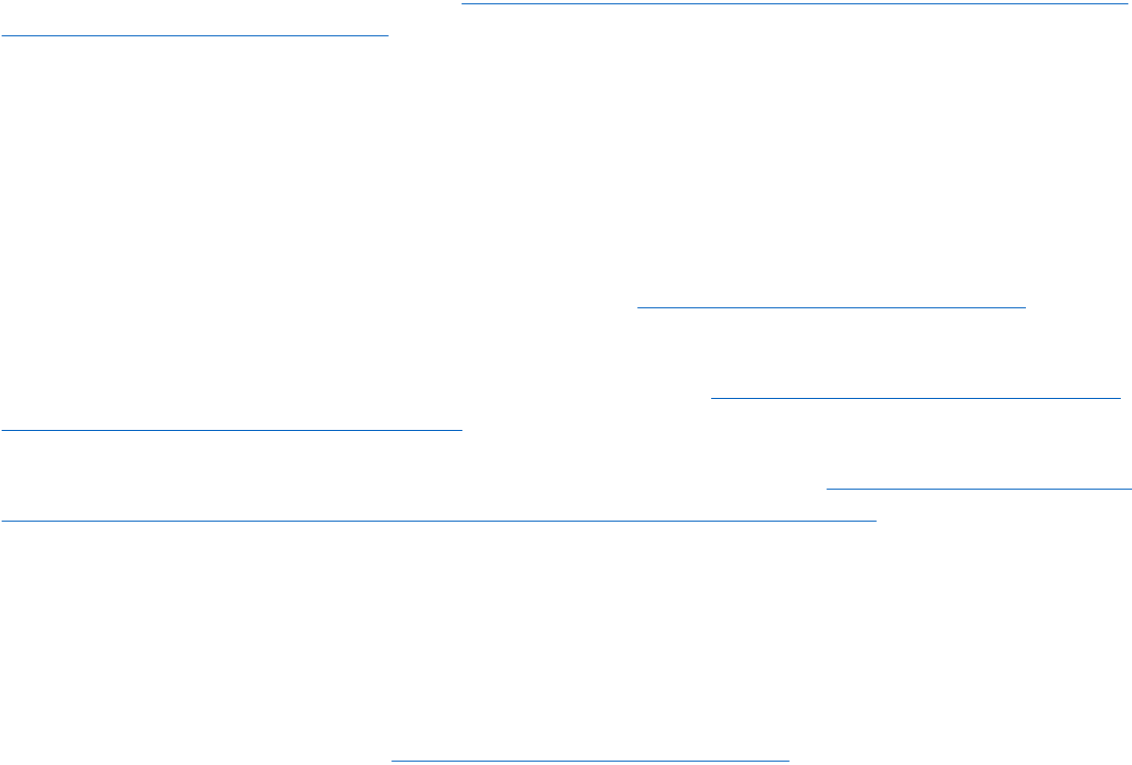
Source: U.S. Department of Commerce | * YTD - January-September

for African countries and the RECs to determine their comparative advantage in products and sectors and move to do away with bottlenecks that have impeded AGOA utilization.

Despite successes, AGOA has been underutilized over the last 15 years. According to the Congressional Research Service, the United States imported USD \$2.3 trillion in goods in 2014, of which just over 1 percent

Even with these challenges, efforts at integration in the West African region are largely seen as fairly effective in comparison to other African RECs. The deepening of democratic governance in the region has resulted in some level of political stability. The United Nations Economic Commission for Africa assessed the progress made by ECOWAS towards regional integration in three segments.²⁰ The first phase includes significant progress made in the free movement of persons, an improving sense of peace and security, and the supervision of electoral processes. It considers these domains “the strength of ECOWAS,” strengths that need to be consolidated to avoid losing gains made. The second phase includes steps toward the free movement of goods, services, and capital; better governance; and monetary union.²¹ Here real progress has been made

1 The African Center for Economic Transformation (ACET) defines transformation as Growth with DEPTH, where DEPTH means “diversification, innovation, and growth with depth”



- 11 International Trade Administration, *U.S. Trade with sub-Saharan Africa, January-December 2014* (Washington, D.C.: International Trade Administration, 2014). <http://trade.gov/agoa/pdf/2014-us-ssa-trade.pdf>
- 12 Ibid.
- 13 Ibid.
- 14 Wumi Olayiwola, "Analysis of budget deficit and Nigeria's economic development challenges within the context of ECOWAS convergence criteria", *ECOWAS, EPAU Monograph Series*, No. 3 (2012): 30.
- 15 United Nations Economic Commission for Africa (UNECA), *An assessment of progress towards regional integration in the economic community of west African states since its inception* (Addis Ababa: UNECA, 2015). <http://repository.uneca.org/handle/10855/23038>
- 16 Ibid.
- 17 UNCTD, 2013.

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