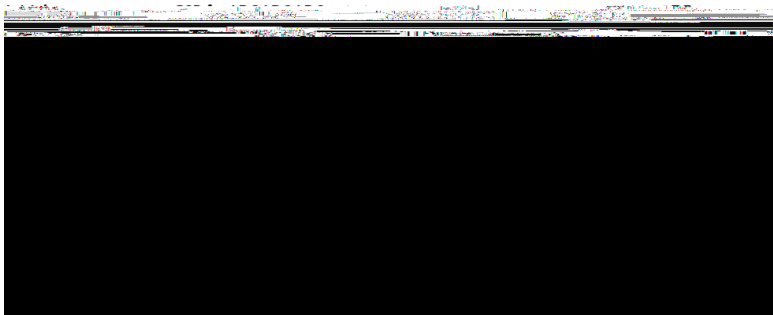


# Are Trade Preferences a Panacea? The Export Impact of the African Growth and Opportunity Act



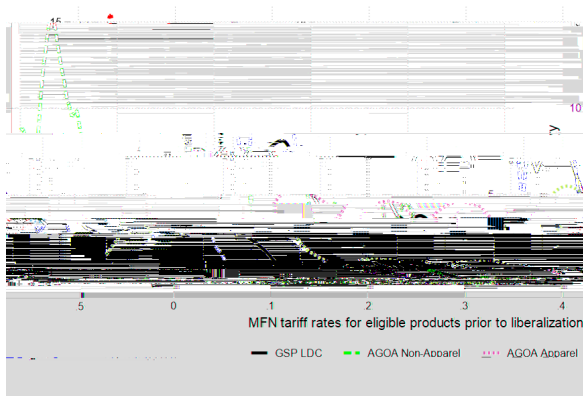
## This paper

- Did preferential access durably boost African export performance?
  - ▶ Exploit US trade policy changes over long period



- Preferential access to rich markets as "infant industry" assistance
  - ▶ Benefits conditional on competing successfully in foreign markets.
  - ▶ True measure of success is not whether performance improves while assistance is in place but whether improvement survives a **reduction in assistance** (through erosion of preferences).

## This paper (cont.)



AGOA reduces tariff rates imposed by the US more substantially for apparel products

## Key results

- 1 AGOA led to initial boost in African apparel exports but effects leveled off after end of MFA though response to AGOA differed across African sub-regions/countries
- 2 GSP for LDCs boosted African non-apparel exports

# Literature

- Impact of nonreciprocal trade preferences on developing countries' trade
  - ▶ Gravity model of trade and aggregate trade data: Gil-Pareja et al. (2014), Herz & Wagner (2011), Ornelas & Rittel (2018)
    - ★ Country-year indicator makes it difficult to infer causal effect of preferences since not all products are eligible for preferential treatment
  - ▶ Triple-differences model and highly disaggregated trade data: Frazer & Van Biesebroeck (2010)
    - ★ Unable to assess whether benefits of AGOA survived erosion of preferences given focus on short post-AGOA time horizon (2001-2006) & findings mix effect of AGOA and GSP LDC
  - ▶ Emphasis on early impact of AGOA provisions on apparel: Collier & Venables (2007), Edwards & Lawrence (2010), De Melo & Portugal-Perez (2013), Rottuno et al. (2013)

# Data

- 26 years of highly disaggregated trade data (1992-2017) for ALL countries - exporting to the US from US Census.
  - ▶ Exports to the US by country-HS8-digit-year.
  - ▶ Aggregated to country-HS6-digit-year and using HS1996 revision codes.
  - ▶ Dataset expanded to add zero trade flows => 27 million observations.
- Import tariffs at country-product year level for the period 1997-2017 from USITC.
- AGOA and GSP country and product eligibility from USITC.
- Trade and Market Access data in the EU

# Empirical Strategy

## Triple-differences specification

$$\begin{aligned}
 \ln(\text{Imp}_{cpt}) = & \sum_{r=1}^2 \sum_{s=ns}^2 \sum_{j=2}^3 \sum_{n=e}^3 \sum_{c=1}^2 \sum_{p=r}^+ \sum_{ct=1}^+ \\
 & \times \left( \alpha_{r, GSP_p, GSP_c, PostGSP_{ct}} + \beta_{j, ANonApp_p, ANonApp_c, ANonApp_{ct}} + \gamma_{n, AApp_p, AApp_c, AApp_{ct}} \right) \\
 & + \sum_{r=1}^2 \sum_{s=ns}^2 \sum_{j=2}^3 \sum_{n=e}^3 \sum_{c=1}^2 \sum_{p=r}^+ \sum_{ct=1}^+ \\
 & \times \left( \alpha_{r, GSP_p, GSP_c, PostGSP_{ct}} + \beta_{j, ANonApp_p, ANonApp_c, ANonApp_{ct}} + \gamma_{n, AApp_p, AApp_c, AApp_{ct}} \right) \\
 & + \delta_{cp} + \delta_{ct} + \delta_{pt} + \delta_{cpt}
 \end{aligned} \tag{1}$$

- ▶ five categories of treated countries and products: GSP LDC(2), AGOA non-apparel (2) and AGOA apparel (1).
- ▶  $\delta_{cp}$  - impacts identified relative to pre-AGOA imports of that country-product.
- ▶  $\delta_{ct}$  - shocks to overall US imports from a country (supply shocks).
- ▶  $\delta_{pt}$  - shocks to US imports of a product (US preferences or global technological/supply shocks).
- ▶  $\delta_{cpt}$  - treated country-product-specific trend.



# Positive impacts of GSP LDC and AGOA apparel

Table 1: Baseline impacts of AGOA and GSP and some robustness checks

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Data at exporting country-HS 6-digit-y(o)0 1 -10.912 -106.5 cmB2ping6.000cmB2pingat exp1ud9







# Understanding country heterogeneity in AGOA apparel impact

Table 3: Correlates of country heterogeneity

	Data at country-HS 6-digit-year level (including zeros) is used Dependent variable is log (US imports + 1)			
	(1)	(2)	(3)	(4)
GSP LDC * Africa	0.114*** (6.70)	0.121*** (6.73)	0.115*** (6.49)	0.112*** (6.59)
GSP LDC * Non-Africa	-0.046* (-2.43)	-0.044* (-2.34)	-0.044* (-2.32)	-0.045* (-2.37)
AGOA Non-LDC	0.028 (1.92)	0.020 (1.08)	0.020 (1.04)	0.025 (1.60)
AGOA Non-apparel	0.063 (1.74)	0.069 (1.44)	0.091 (1.60)	0.042 (1.11)
AGOA apparel	0.390*** (4.97)	0.237*** (4.46)	0.142** (3.18)	0.231*** (5.36)
AGOA apparel * Avg. import tari	-0.017*** (-3.95)			
AGOA apparel * Cost to start a business		-0.0001 (-1.71)		
AGOA apparel * Internet users			0.049** (3.25)	
AGOA apparel * Oil rents as % of GDP				-0.015*** (-7.32)
Treated group time trends	Yes	Yes	Yes	Yes
Country-product xed e cts	Yes	Yes	Yes	Yes
Country-year xed e cts	Yes	Yes	Yes	Yes
Product-year xed e cts	Yes	Yes	Yes	Yes
Observations	27,420,560	26,310,236	25,889,429	26,893,286

Notes: Robust t-statistics in parentheses, clustered by HS 6-digit product.

- Stronger impact when tari s are lower, IT infrastructure is stronger, specialization in natural resources is lower.

## Firm dynamics behind AGOA apparel impact

- Analysis uses firm-level data for 4 African countries.
- Two possible sources of apparel export growth:





# Conclusion

- Aggregate Africa effects suggest stagnant but persistent benefits post-MFA (2005).
- Regional heterogeneity reveals that persistence is entirely due growth in East Africa offsetting contraction in Southern Africa.
- Country heterogeneity reveals that within East Africa, post-MFA growth is driven primarily by Ethiopia and Kenya.
- Ethiopia only began to grow after the period of high preferences ended in 2005; Kenya did begin to grow before 2005 and sustained it after 2005.
- Firm level data suggests that Kenya's sustained growth was driven mostly by firms that entered post-MFA and not by firms that benefited from high preferences.



THANK YOU!!

## Scope and Breadth of AGOA and GSP LDC

	Number of US tariff lines (HTS 8-digit)		% of Exports to US	
	LDC	Non-LDC	LDC	Non-LDC
MFN Zero	3,131	3,131	9%	28%
GSP duty-free	3,507	3,507	1%	4%
GSP LDC duty-free	1,670		79%	
AGOA Apparel	555	555	11%	3%
	1,610		64%	
				AGOA Non-LDC
				No Preference
MFN (MFN>0)	1,096	1,156	0%	1%
	10,184	10,184	100%	100%
				Total

Back to [main](#)