

AFRICAN, CARIBBEAN AND PACIFIC TRADE

PROSPECTS FOR STRONGER PERFORMANCE AND COOPERATION



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The paper analyses the export structure of the African, Caribbean, and Pacific (ACP) countries by region covering both products and services trade, with a focus on the structure of the exporting sector by company sizes; assesses product and market diversification, and the development of transformation activities; discusses trade integration in regional vs. global markets; concludes that lower barriers to trade could facilitate trade by SMEs and the development of transformation activities. The discussion of trade performance is complemented by an analysis of trade policy frameworks within the ACP group to help identify areas where increased cooperation among ACP Member States has the potential to contribute to greater trade performance and stronger sustainable growth.

Descriptors: **ACP, Regional Integration, Exports, SMEs, Competitiveness, International Cooperation, Sustainable Development.**

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Foreword

Trade is an important trajectory to growth, development and job creation. But for trade to fulfil this potential, two important elements must be addressed: ensuring that policymakers have the most accurate and up to date information and data on trade and that there is the capacity available to assist countries and their private sector to benefit from the opportunities that trade can provide. The International Trade Centre (ITC) hopes to provide part of the solution to both of these priorities in this publication, African Caribbean and Pacific (ACP) Trade: Prospects for Stronger Performance and Cooperation.

ITC has been a partner to the ACP Group of States since ITC was created 50 years ago. With its focus on fostering sustainable economic development and building the competitiveness of small and medium-sized enterprises (SMEs), ITC has made ACP countries a priority in delivering its capacity-building programmes and integrated solutions. ITC will continue to deliver on the priorities of the ACP Group of States through delivering solutions in the following areas:

- Trade and market intelligence for SME competitiveness;
- Supporting regional economic integration and South-South links;
- Connecting to value chains;
- SME competitiveness, diversification and links to export markets;
- Strengthening trade and investment support institutions;
- Promoting and mainstreaming inclusive and green trade;
- Building a conducive business environment.

The Cooperation Agreement signed between the ACP Secretariat and ITC in March 2014 is a formal reflection of this continued partnership. This study reflects this strengthened cooperation and has been produced by ITC on the request of the ACP Secretariat on behalf of the ACP's Eminent Persons Group (EPG). It is intended to inform the EPG's work on the future strategic direction of the ACP Group of States. Key factual data and analysis provide a snapshot of the ACP states' position in the global trading system.

I am confident this study will be an important contribution to identifying new ways that ACP countries can cooperate to enhance the inclusiveness of trade and sustainable development. ITC will continue to partner with the ACP Group of States to support its members by supplying the data and analysis they need for better-informed decision-making.



Arancha González
ITC Executive Director

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Introduction	1
Chapter 1 Economic and trade snapshot	2
1. The economic landscape	2
2. Industry structure	3
3. Trade patterns	6
3.1. Trade overview	6
3.2. Trade in goods	7
3.3. Trade in services	10
Chapter 2 Trade performance	15
1. Diversifying economies	15
2. Participating at higher levels of the global value chain	18
Chapter 3 Trade integration	28
1. Trends and level of trade integration	28
2. Obstacles to trade integration	34
2.1. Trade policy framework	34
2.2. Tariffs	35
2.3. Non-tariff measures	37
Chapter 4 Conclusions	41

Table 1: Economic development indicators	2
Table 2: Level and growth of goods and services exports	6
Table 3: Main export sectors	8
Table 4: Services exports shares	12
Table 5: Shares of services in total exports	13
Table 6: Trade integration of ACP countries, 2003 to 2012	30
Table 7: Trade integration for African ACP countries, 2003 to 2012	31
Table 8: Trade integration for other regions, 2003 to 2012	33
Table 9: Tariffs and preference margins faced by ACP countries in ACP and other markets	36
Figure 1: Company size by exporting status	3
Figure 2: Company size by sector	4
Figure 3: Distribution of total exports, including oil, 2012	6
Figure 4: Index of goods export value, excluding oil	7
Figure 5: Top export markets, excluding intraregional trade and oil, 2012	9
Figure 6: Index of services export value	11
Figure 8: Number of equivalent products, excluding oil	16
Figure 9: Number of equivalent markets, excluding oil	17
Figure 10: Transformed product exports, excluding oil and precious stones and metals	19
Figure 11: Top export markets 2012 for transformed goods, excluding intraregional trade and oil	22
Figure 12: Share of intermediate imports, excluding oil and precious stones and metals	24
Figure 13: Share of capital goods imports, excluding oil and precious stones and metals	27
Figure 14: Market shares of ACP countries	29
Figure 15: Trade agreements of ACP countries (2014)	35
Figure 16: Share of cases of burdensome non-tariff measures versus share of exports	38
Figure 17: Types of burdensome non-tariff measures in exports	40

Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

The following abbreviations are used:

ACP	African, Caribbean and Pacific
CAEMC	Central African Economic and Monetary Community
CARICOM	Caribbean Community and Common Market
COMESA	Common Market of Eastern and Southern Africa
DBI	Doing Business Index
EAC	East African Community
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreements (European Union)
EU	European Union
FTA	Free Trade Agreement
GAFTA	Great Arab Free Trade Agreement
GDP	Gross domestic product
HS	Harmonized System
ITC	International Trade Centre
LAS	League of Arab States
LDC	Least developed country
LPI	Logistics Performance Index
NTM	Non-tariff measure
PICTA	Pacific Island Countries Trade Agreement
RoW/ROW	Rest of the world
SACU	Southern African Customs Union
SADC	Southern Africa Development Cooperation
SPARTECA	South Pacific Agreement on Regional Trade and Economic Co-operation
WAEMU	West African Economic and Monetary Union

Executive summary

In today's increasingly globalized world, integration into the global economy is important for any country, but particularly for small economies with limited possibilities to produce locally. Regional integration plays an increasingly important role in a country's internationalization strategy and can be a facilitator for stronger integration into global markets.

The African, Caribbean, and Pacific (ACP) Group of States comprises 79 states from three continents. ACP countries are united by a set of common objectives that include the sustainable development of its member states. International trade plays an important role to achieve this objective. ACP Member States aim to strengthen international trade to further integrate into the global economy.

This study takes stock of the present nature and level of integration of ACP Member States in global, regional and subregional markets. Differences across ACP Member States in terms of development levels, geography and the trade policy environment are taken into account in this study. Differences in industry structure are also discussed, with a particular focus on the role of small and medium-sized enterprises (SMEs) in international trade.

ACP countries significantly expanded their exports over the last decade.

ACP exports of goods and services have grown rapidly over the last decade – by 12% and 9% respectively in current US dollar terms. Export growth has been particularly strong for exports of goods from the African and Pacific groups. Exports of services continue to be underrepresented in the export portfolio of most ACP countries compared with the rest of the world. The notable exception to this phenomenon is the Caribbean region. In all regions, travel services appear to be a major contributor to services exports.

The more exports are diversified and the more value is added locally, the higher the contribution of trade to sustainable development.

The sustainability of existing trade patterns is analysed by examining the level and evolution of export diversification in terms of products and destination markets. Increased diversification reduces vulnerability and facilitates economic growth. The study also examines the role of transformed products in ACP Member States' exports and identifies economies and sectors that moved up the value chain in their economic exchanges with other countries.

In terms of product basket, ACP countries typically have little diversification in their exports, however, the Caribbean region and two regions in Africa have diversified their exports over the last 10 years.

ACP countries typically have a limited level of diversification in their exports, especially in terms of products. Different combinations of small size, remoteness and being landlocked explain this lack of diversification. The Caribbean region has managed to increase product diversification over the last 10 years. Within Africa, the East African Community (EAC) and the Economic Community of Central African States (ECCAS) have diversified their exports.

In terms of destination markets, African ACP countries are more diversified than other developing countries. Geographical export concentration is high for the Caribbean and Pacific groups.

African ACP countries were almost as diversified as developed countries in 2012 in terms of markets, surpassing the diversification of developing countries in general. Due to their remote location, the Pacific and the Caribbean groups are much less diversified in terms of destination markets. The destination of exports is determined by geographical proximity. African ACP countries export mainly to the European Union and increasingly to Asia – particularly the People's Republic of China and India. The Caribbean ACP

countries are heavily dependent on the United States for their exports and Pacific countries rely on Australia and Asia.

In ACP Member States, the share of processed goods in total merchandise exports is below the average of other developing countries.

ACP countries are specialized in commodity exports and characterized by limited development of their processing industries. In the ACP group overall, the share of semi-processed and processed goods in merchandise exports has remained stable over the past decade and reached 62% in 2012. This is below the average of other developing countries. Only the Caribbean group has been able to increase its share of processed goods in total exports and the share of intermediate goods in total imports with more than 88% of all exports being transformed. This almost matches the share of developing economies whose exports are composed of up to 91% of transformed goods.

The share of SMEs exporting directly is highest in the Caribbean region and lowest in the African region.

Exporting directly requires specific knowledge, competence and other capacities, such as access to finance, which are costly for SMEs. As a result, SMEs are more likely to export indirectly via intermediaries rather than directly. Data in this study reveal that this is the case in ACP countries, albeit the performance of SMEs differs across regions. Only 49% of small enterprises export directly in the African region. In the Pacific region, 67% of small enterprises export directly and in the Caribbean region the share is 75%. The share of medium-sized enterprises exporting directly is 64% in the African region, 72% in the Pacific region and 80% in the Caribbean region.

The services sector features a higher share of small- and medium-sized exporters than the manufacturing sector.

Data on African and Caribbean country companies reveal that sectors such as wholesale and retail trade, auxiliary transport activities, hotels and restaurants, and other services comprise a large proportion of SMEs. Large companies manufacture textiles, food products and beverages, as well as chemicals and chemical products.

ACP exporters face higher tariffs in ACP markets than in third markets.

This study reveals that ACP countries benefit from a significant tariff preference as compared to their competitors when exporting to ACP markets. Despite this tariff preference, ACP exporters still face higher tariffs in ACP markets than in third markets. At the regional level, Caribbean countries grant their regional partners both higher preferences and lower tariffs compared with the African and Pacific groups. Within Africa a number of regional trade integration efforts co-exist: Common Market of Eastern and Southern Africa (COMESA), EAC, ECCAS, Economic Community of West African States (ECOWAS) and Southern Africa Development Cooperation (SADC). The African Union is trying to create a pan-African free trade area, but of all the African regions that have been analysed, so far only the EAC customs union appears to offer free market access within the region.

During the last 10 years, integration in global markets has seen a stronger increase than intra-regional integration for most ACP regions and for the ACP group as a whole. The Caribbean group is an exception to this rule.

Between 2003 and 2012, intra-ACP trade increased by 5.5% compared with an increase of 26% in ACP trade with the rest of the world. Increasing levels of integration in global markets reflect the ongoing trend of globalization occurring in most regions of the world. In the Caribbean group, however, regional trade has outperformed global trade. Despite the relatively small economic size of the group, 10% of total exports are interregional. In Africa, EAC is the region for which intraregional trade has grown fastest as compared to overall trade. At sector level, the analysis shows that regional integration has been strongest in agricultural products, textiles, and machinery and transport equipment, particularly in the Caribbean group.

Stronger cooperation among ACP countries can boost the role of SMEs in international trade, increase export diversification and create higher value addition in exports.

Although the ACP region is characterized by a significant level of trade cooperation, the results of this study reveal potential for even stronger regional integration. Regional integration plays an important role in attracting foreign direct investment and increasing trade flows. This study indicates that regional integration can positively affect sustainable development.

Data analysed in this study indicate that trade liberalization has progressed at different speeds across subregions within the ACP group, with the Caribbean region and the EAC offering the most beneficial condition for subregional trade. Both subregions are characterized by higher shares of transformed goods in their exports. The Caribbean region has experienced:

- Stronger regional integration in recent years;
- The strongest increase in export diversification;
- Higher involvement of SMEs in direct exports.

Data presented in this study suggest that increased regional integration contributes to a stronger role for SMEs in international trade, increased export diversification and higher value added in exports. Scaling up cooperation among ACP countries will lead to more trade, contribute to more inclusive trade and boost economic growth.

Introduction

This study takes stock of the present nature and level of integration of African Caribbean and Pacific (ACP) countries in global, regional and subregional markets. Differences across ACP countries in terms of development levels, geography and trade policy environment are considered in this study. Differences in industry structure are also discussed with a particular focus on the role of small and medium-sized enterprises (SMEs) in international trade.

The sustainability of existing trade patterns is analysed by examining the level and evolution of export diversification in terms of products and destination markets. Increased diversification reduces vulnerability and facilitates economic growth. The study also examines the role of transformed products in ACP member states' exports and identifies economies and sectors that moved up the value chain in their economic exchanges with other countries.

This discussion of trade performance is complemented by an analysis of trade policy frameworks within the ACP group to help identify areas where increased cooperation among ACP Member States has the potential to contribute to greater trade performance and stronger sustainable growth.

Chapter 1 Economic and trade snapshot

This chapter presents the economic and trade situation of ACP countries. It comprises an overview of their economic development and industrial structure, as well as trade patterns and dynamics over recent years. This assessment lays the foundation for the study's analysis of trade performance and economic integration.

1. The economic landscape

The African ACP group comprises more than half of ACP countries and drives many of the aggregate results.¹ Thirty-three out of the 48 African ACP countries are least developed. In the Pacific, six out of 15 Member States are least developed countries (LDCs). In the Caribbean, only Haiti has LDC status. Given the high share of LDCs, it is little surprise that the African ACP group lags behind the Caribbean and the Pacific groups across several development dimensions.

Caribbean ACP Member States rank highest in terms of doing business, trading across borders and logistics performance – three indicators that are relevant to economic development and trade performance (Table 1). The time and cost to export in Africa is on average almost twice as it is in the Caribbean group. Time to export involves preparing documents, clearing customs, inland transportation to the port, and port and terminal handling. The time from port to port is not included in the calculation. Landlockedness and poor infrastructure are likely responsible for this discrepancy.² While Pacific countries benefit from low export costs due to their immediate sea access, the lengthy documentation process increases export time to 23 days, ranking them between the African and Caribbean groups in terms of time to export.

Per capita gross domestic product (GDP) in 2012 was also lowest in the African group with US\$ 1,716 on average (at market exchange rates), followed by US\$ 2,346 achieved by the Pacific group. Caribbean countries reported a GDP per capita of US\$ 5,178 and an annual per capita GDP growth rate of 3.45% over 10 years, significantly higher than that of the African and Caribbean groups. By contrast to its lower performance over the whole decade and despite the financial crisis, the Pacific group has grown faster in per capita terms than other ACP groups during the last five years.³ This is due to the strong performance of its two largest and poorest members, Papua New Guinea and Timor-Leste.

Table 1: Economic development indicators

	Doing Business Index (DBI) 2014				Logistics Performance Index (LPI) 2014		Per capita nominal GDP 2012 (US\$)	Annual growth of per capita GDP 2002-2012 (%)
	DBI rank (/189)	Trading across borders			LPI rank (/160)	LPI score (/5.0)		
		Rank (/189)	Time to export (days)	Cost to export (US\$ per container)				
All ACP (79 countries)	128	118	26	1,629	117	2.48	1,855	2.52
African group (48)	141	138	30	2,014	121	2.45	1,716	2.60
Caribbean group (16)	101	80	16	1,015	104	2.59	5,178	3.45
Pacific group (15)	103	90	23	849	114	2.52	2,346	1.69
Developing countries	110	109	25	1,619	97	2.69	4,836	4.75
Developed countries	37	38	11	1,094	25	3.60	42,474	0.95

Source: ITC calculations based on data from the World Bank (2014). DBI and LPI are calculated using simple average; per capita GDP figures are calculated at country group level.

¹ For a list of ACP countries, see Appendix 1.

² For some landlocked countries such as Central African Republic, detailed DBI data show that document preparation on average takes 23 days, which exceeds inland transportation time (16 days).

³ The annual per capita GDP growth rate of the Pacific group was 2.74% during 2007–2012.

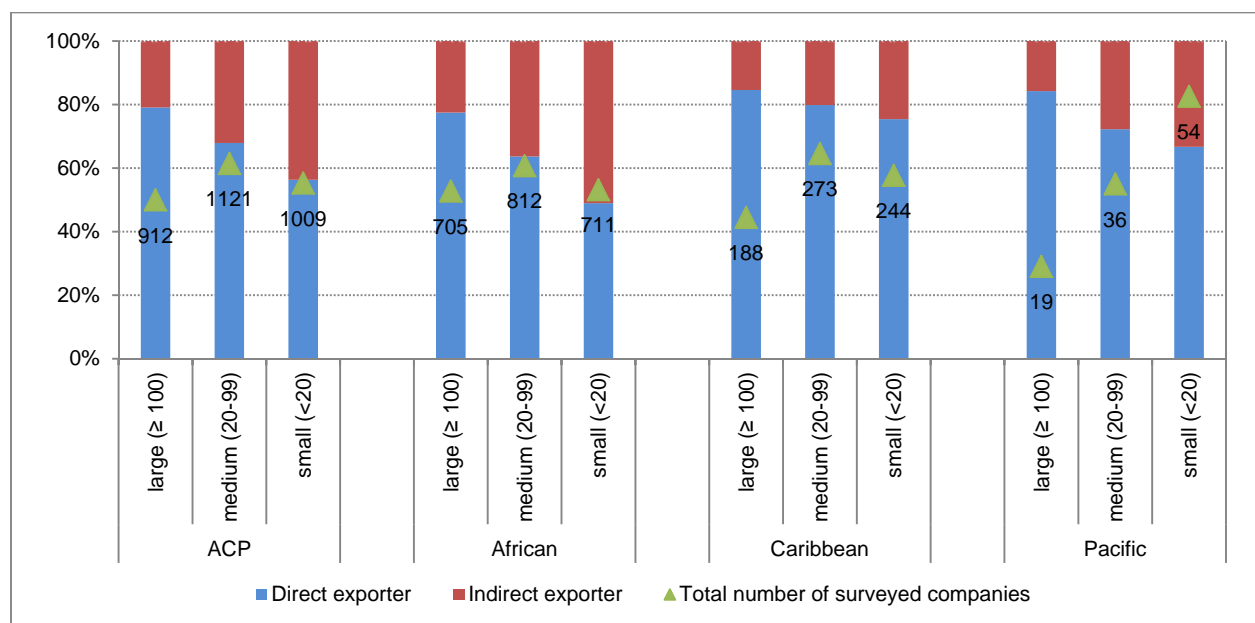
2. Industry structure

Firm size distributions allow insights into the structure of an economy: are exports driven by large multinationals or do small and medium-sized enterprises (SMEs) play a significant role in the economy? This is important information from a trade integration perspective as transportation and other transaction costs (at least if they are assumed not to be fully *ad valorem*) weigh more heavily on the profit margins of smaller firms, which makes their exports less competitive in distant markets. The World Bank’s enterprise survey covers 62 ACP countries (42 African, 14 Caribbean and 6 Pacific), and includes information regarding the sector they operate in, whether the company exports directly or through another company,⁴ and the size of the company in terms of number of employees.

Figure 1 shows the share of direct and indirect exporters within each size class, for all ACP countries and among each regional group. It can be observed that the share of firms exporting directly rather than indirectly is higher among large firms than among medium sized or small firms. This holds true for all ACP countries as well as across all different regional groups. Smaller companies often rely on other companies to export their products because exporting directly requires specific knowledge, competence and other capacities, such as access to finance. Only 49% of small enterprises export directly in the African region. In the Pacific region, 67% of small enterprises export directly and in the Caribbean region the share is 75%. The share of medium-sized enterprises exporting directly is 64% in the African region, 72% in the Pacific region and 80% in the Caribbean region.

The total number of surveyed direct and indirect exporting companies is indicated in each column. For all ACP, as well as the African and Caribbean subgroups, medium-sized firms take up a slightly higher share (36% and 39% respectively) among exporting firms, whereas for the Pacific group around half of exporting companies have less than 20 employees and are in the ‘small’ category. The proportion of exporting SMEs is larger in the Caribbean and Pacific groups; it is even clearer if the analysis is limited to direct exporters. All of these figures are expressed in terms of company numbers, which implies that large companies are likely accountable for most of the export value.

Figure 1: Company size by exporting status



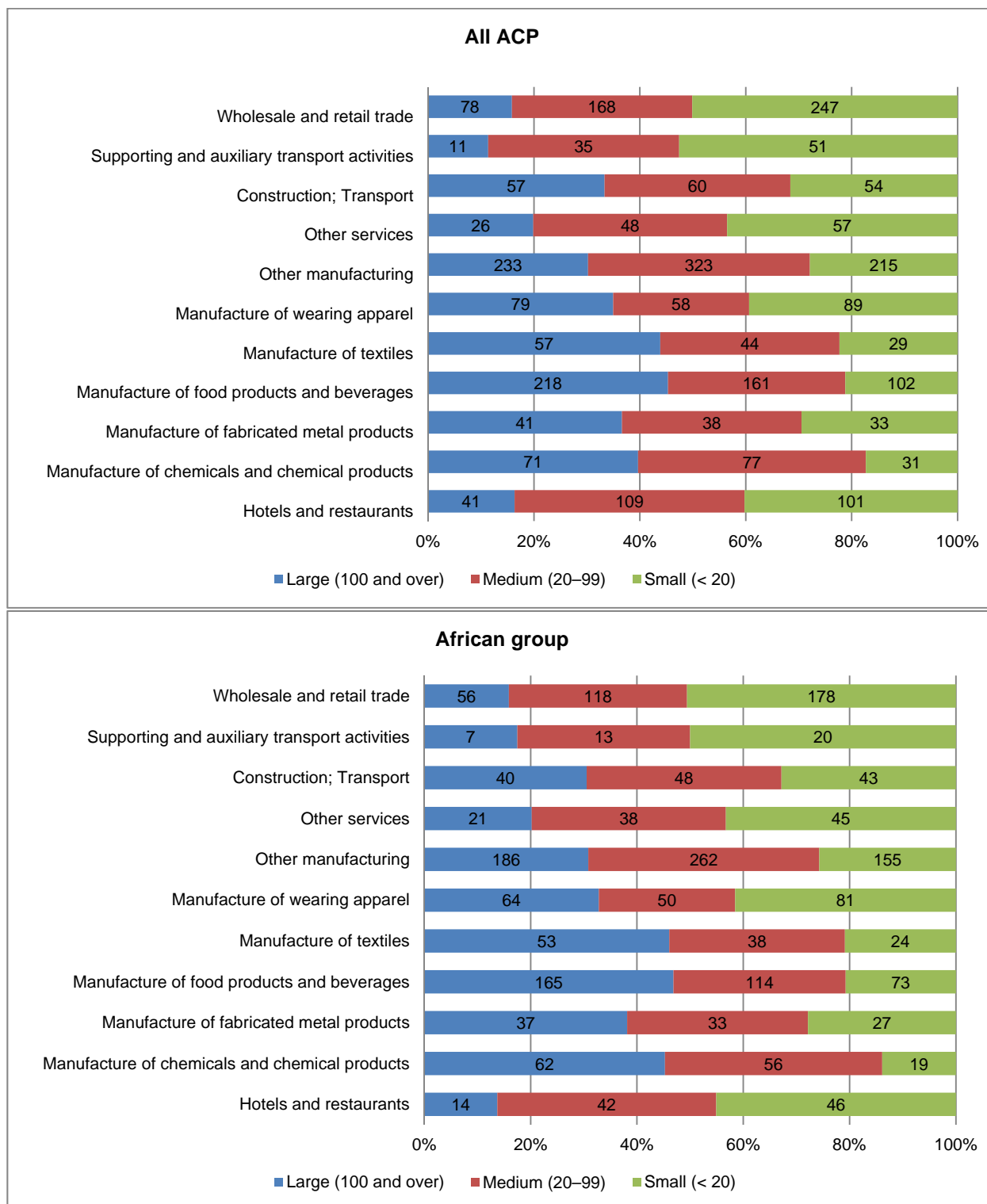
Source: ITC calculations based on the World Bank Enterprise survey data collected between 2006 and 2013.

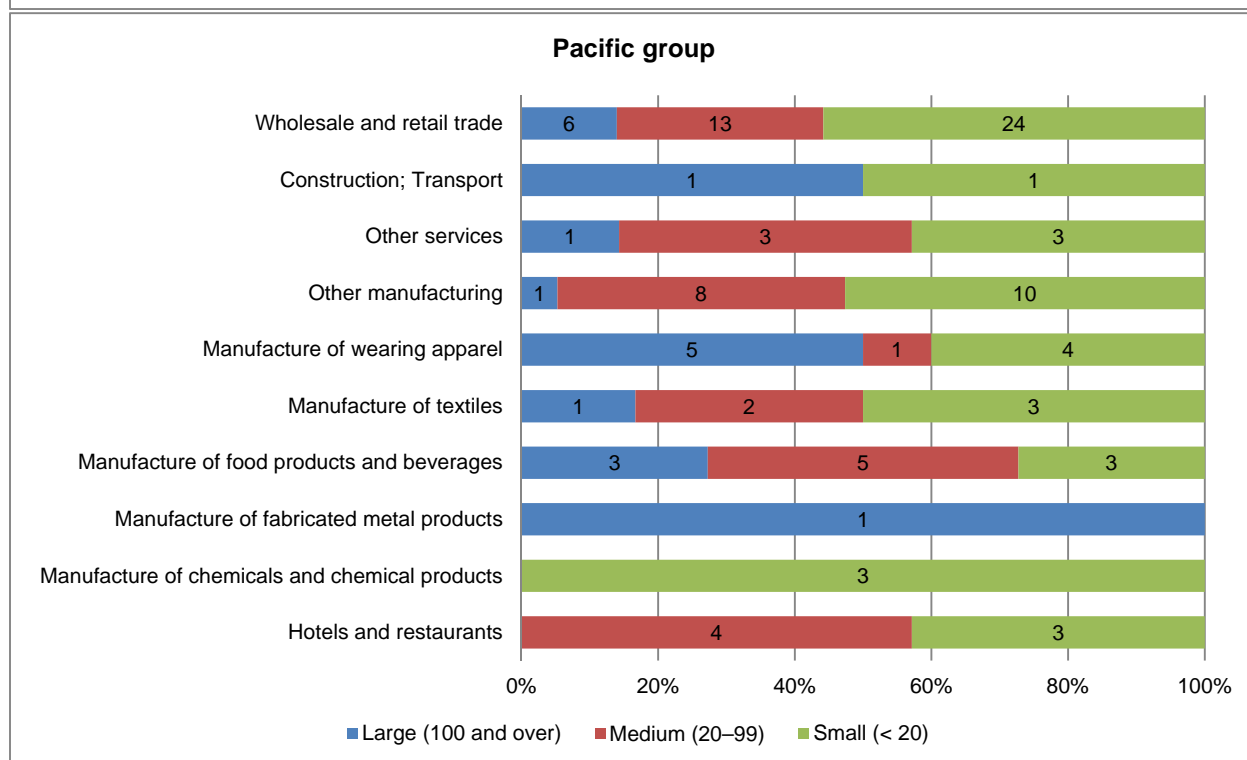
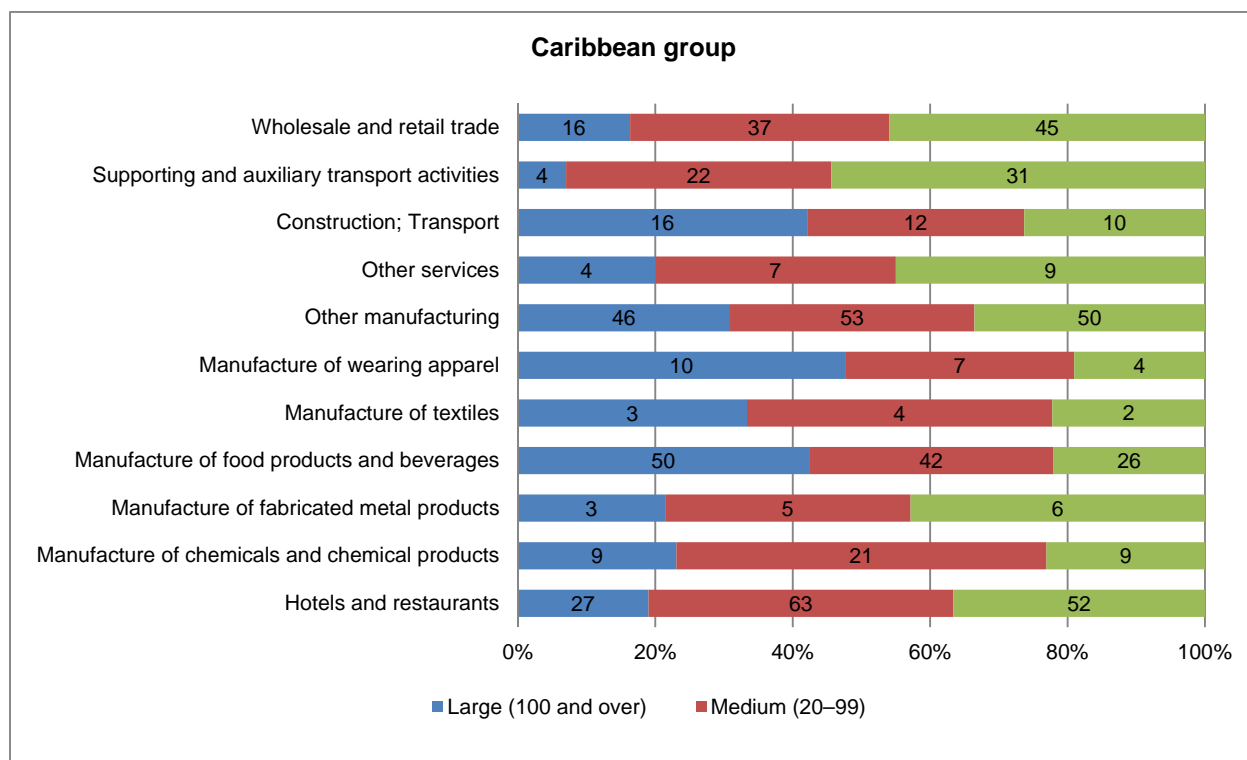
Note: bars display the distribution of surveyed exporting companies by country group, size class and exporting status. Data labels correspond to the total number of surveyed exporting companies within each size class and for each country group.

⁴ An indirect exporter is a company whose production is exported without any further transformation by a specialized trade agency. A company that exports both directly and indirectly is classified as a direct exporter.

Data on African and Caribbean group companies reveal that sectors such as wholesale and retail trade, auxiliary transport activities, hotels and restaurants, and other services comprise a large proportion of SMEs, while the manufacture of textiles, food products and beverages, as well as chemical and chemical products, relies more on large companies (Figure 2). The pattern is somewhat different in the Pacific group, with a few small companies involved in the manufacture of chemicals, but the sample size is much smaller.

Figure 2: Company size by sector





Source: ITC calculations based on the World Bank Enterprise survey data collected between 2006 and 2013.

Note: bars display the share of surveyed exporters (direct and indirect) by sector and size class. Data labels correspond to the number of companies in each category.

3. Trade patterns

3.1. Trade overview

ACP exports have grown quickly between 2003 and 2012, both for goods and for services. Exports of goods have increased at an average annual rate of 12% (15% if oil, coal and gas are included; see Table 2). The export performance of the ACP group overall and of the African and Pacific subgroups matches that of developing countries. Only Caribbean goods exports were less performant over the same time frame with an average annual growth rate of 7%. Services exports increased significantly in the ACP group over the past decade, but were slightly less dynamic than goods exports, and less dynamic than services exports in other developing countries. The growth of services exports was very similar for all three subgroups at around 9% annually.

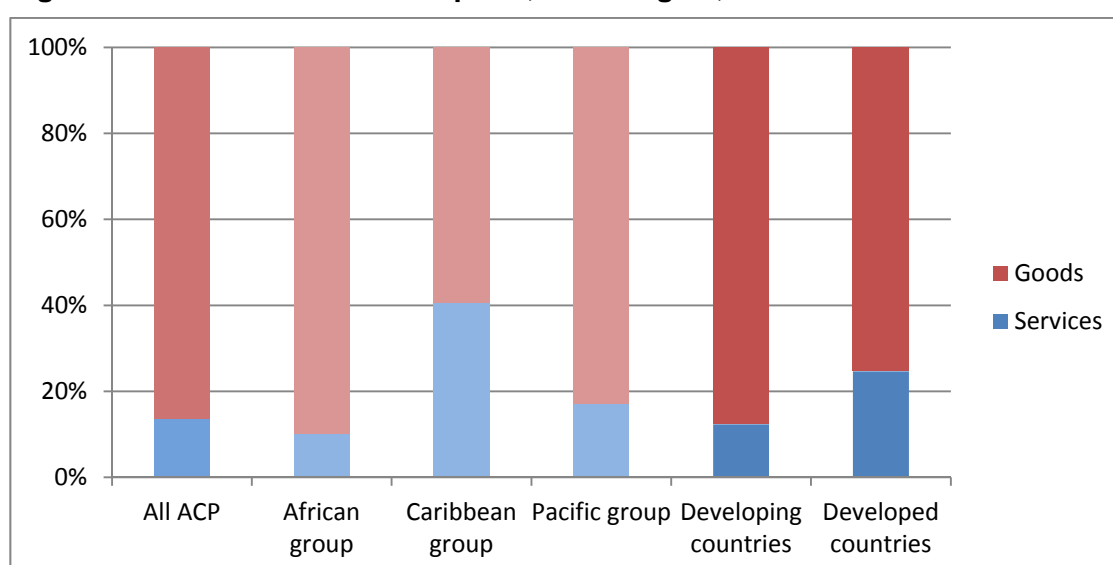
Table 2: Level and growth of goods and services exports

	Goods		Services	
	Export value in 2012 (US\$ billion, excl. oil)	Average annual growth 2003-2012 (% , excl. oil)	Exported value in 2012 (US\$ billion)	Average annual growth 2003-2012 (%)
All ACP (79 countries)	267	11.9	83	9.2
African group (48)	230	12.6	53	9.2
Caribbean group (16)	26	6.8	28	9.0
Pacific group (15)	10	13.1	2	9.6
Developing countries	6,645	12.6	1,275	13.9
Developed countries	8,254	6.8	2,993	8.5

Source: ITC calculations based on ITC Trade Map data.

The share of services in total exports is slightly larger in ACP countries than in developing countries, but smaller than in developed countries (see Figure 3). If oil is excluded from goods exports, this holds true for each individual group. Caribbean countries are particularly specialized in services. Several Caribbean countries export significantly more services than goods.

Figure 3: Distribution of total exports, including oil, 2012

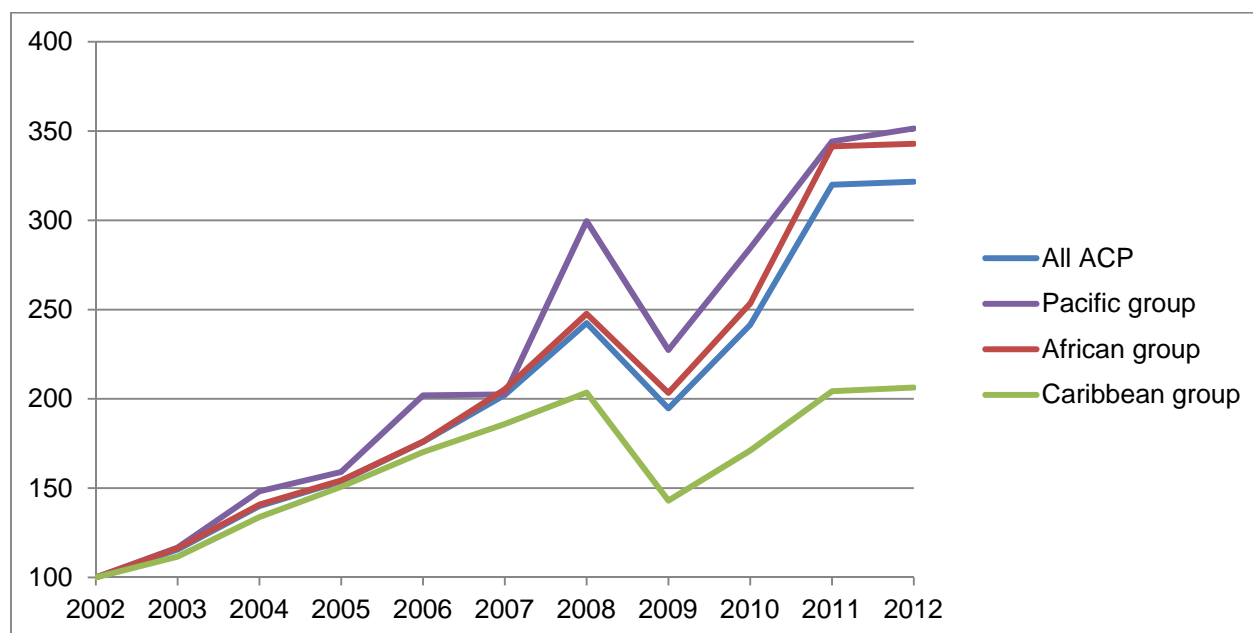


Source: ITC calculations based on ITC Trade Map data.

3.2. Trade in goods

While exports of goods evolved dynamically over 2003–2012, performances greatly differed from one year to another. On a year-to-year basis, non-oil annual export growth averaged 16% for ACP countries before the 2008–2009 financial crisis, which was marked by 20% lower exports compared to the preceding year (Figure 4). ACP countries generally recovered well from the crisis, with the exception of the Caribbean group. Caribbean countries' exports grew 20% during 2009–2010, a rate of five percentage points below that achieved by other ACP countries. Global economic uncertainties in 2012 hit ACP members with export growth below 1% during 2011–2012.

Figure 4: Index of goods export value, excluding oil



Source: ITC calculations based on ITC Trade Map data.

Even though mineral products are the major source of export revenue in the ACP regions, trade structures in the three groups are distinct (Table 3). In Africa, minerals are by far most important. Minerals account for nearly 60% of all exports, followed by pearls and precious stones and base metals. Together, these sectors are responsible for more than three-quarters of total exports of the African ACP group. The three sectors primarily consist of untransformed commodities that are often subject to price shocks, which prevent local firms from generating sustainable incomes.

In the Pacific, mineral products and pearls and precious stones together account for 54% of exports. Wood and wood articles, as well as live animals, are other important export sectors. The high value of vehicles' exports primarily reflects ships and vessels exported by the Marshall Islands. The Marshall Islands' imports of ships and vessels are much larger, as indicated by the strongly negative trade balance in the last column of Table 3, often exceeding a yearly value of US\$ 10 billion. This is because shipowners choose the Marshall Islands as a flag state. It is very likely that these exports do not correspond to locally produced vehicles.

In the Caribbean group, chemical products and prepared foodstuffs follow minerals in the export mix. Chemicals are predominantly comprised of anhydrous ammonia and methanol, two of Trinidad and Tobago's major export products after petroleum oils and gases. Aluminium oxide was Jamaica's and Suriname's top export product in 2012. Textiles also play a significant role in some Caribbean countries, particularly in Haiti and the Dominican Republic.

Table 3: Main export sectors

	Product groups (HS section)	2012 exports (US\$ million)	Share in 2012 exports (%)	Average annual growth 2003-2012 (%)	Trade balance as a share of total trade 2012 (%)
All ACP	Mineral products (05)	288,327	58.0	19.2	54.7
	Pearls and precious stones or metals, imitation jewellery (14)	52,849	10.6	13.2	64.4
	Base metals (articles) (15)	31,325	6.3	13.9	2.4
	Prepared foodstuffs, beverages and tobacco (04)	23,926	4.8	6.8	4.3
	Vegetable products (02)	18,267	3.7	9.9	-4.5
African group	Mineral products (05)	268,716	60.4	19.8	61.2
	Pearls and precious stones or metals, imitation jewellery (14)	48,482	10.9	13.0	62.8
	Base metals (articles) (15)	28,347	6.4	13.8	5.1
	Prepared foodstuffs, beverages and tobacco (04)	19,734	4.4	7.3	5.8
	Vegetable products (02)	16,551	3.7	10.0	-1.3
Caribbean group	Mineral products (05)	15,704	39.3	11.8	-2.6
	Chemical products (06)	7,754	19.4	11.2	29.2
	Prepared foodstuffs, beverages and tobacco (04)	3,474	8.7	4.4	-3.1
	Base metals (articles) (15)	2,868	7.2	14.6	-3.0
	Textiles and textile articles (11)	2,154	5.4	-3.1	-2.2
Pacific group	Mineral products (05)	3,906	32.3	16.6	11.0
	Pearls and precious stones or metals, imitation jewellery (14)	2,597	21.5	16.1	98.1
	Wood (articles) (09)	1,179	9.8	13.0	90.8
	Vehicles, aircraft, vessels and associated transport equipment (17)	1,044	8.6	25.5	-80.1
	Live animals and animal products (01)	956	8	11.9	28.3

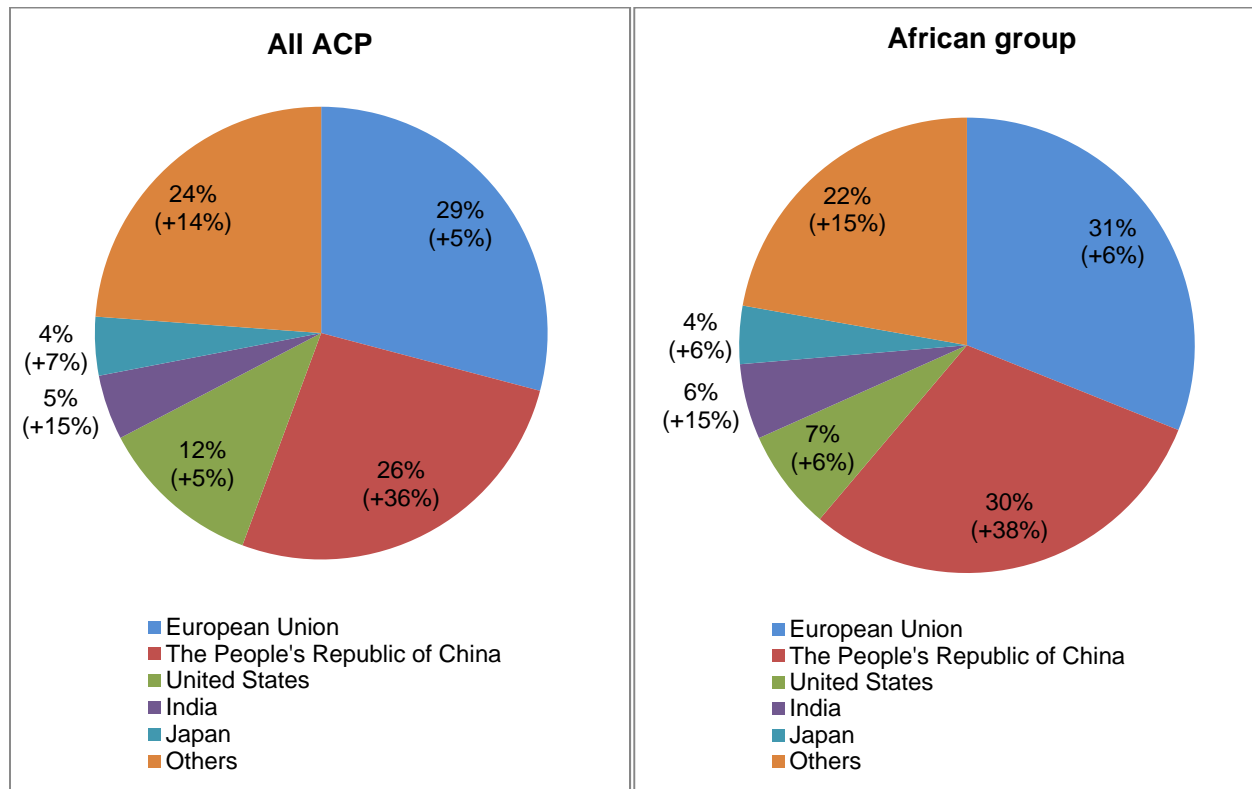
Source: ITC calculations based on ITC Trade Map data. HS refers to Harmonized System.

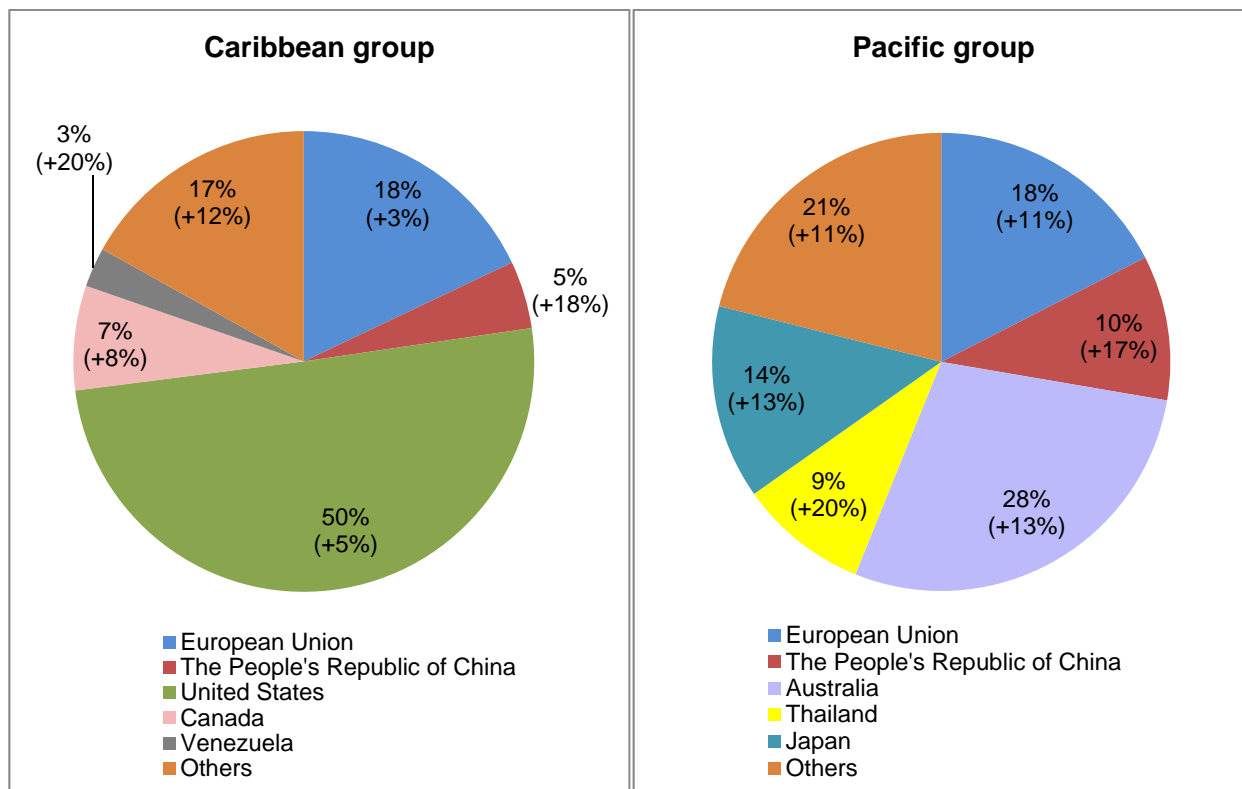
Because ACP countries are located across three continents, they focus on different target export markets (Figure 5). African ACP countries are increasingly focusing on the People's Republic of China at the expense of traditional markets in Europe. Exports to the People's Republic of China are mainly comprised of natural resources, such as mineral products, ores, copper, rubber or cotton. India has gained importance as a destination for African exports between 2003 and 2012. With an export value of US\$ 10 billion, India currently ranks fifth among the region's most important destination markets.

The European Union remained the first market in 2012. Exports include oil and gas products, followed by diamonds, gold and platinum. Significant amounts of agricultural products, such as cocoa, coffee, sugar, fish and rubber, are exported to the European Union. As some data were missing for 2013 Figure 5 presents export destinations in 2012. Available data already show however, that exports to the People's Republic of China (excluding oil) from ACP countries as a whole – and from the African group in particular – were larger in 2013 than exports to the European Union. The European Union, however, remained the first market for both groups when oil is included, and continued to be their largest supplier.

The predominant export market of the Caribbean group continues to be the United States of America, which absorbs 50% of all exports. Major export products to the US market are mineral products, chemicals, iron and steel, as well as apparel. New markets, such as China, Canada and Venezuela are emerging, but in 2012 accounted for just 13% of all Caribbean exports. The European Union accounts for 18% of total non-oil exports from the Caribbean group. Exports to the European Union are diverse. The two main products after oil are bananas and sugar, which benefit from a significant EU preference granted to ACP producers.

Figure 5: Top export markets, excluding intraregional trade and oil, 2012





Source: ITC calculations based on ITC Trade Map data.

Note: shares are based on export data for 2012. Annual export growth rates between 2003 and 2012 are displayed in brackets.

A high share of exports from the Pacific Islands traditionally goes to Australia and large Asian markets that are relatively close. The European Union is the second largest market, importing primarily palm oil and fish.

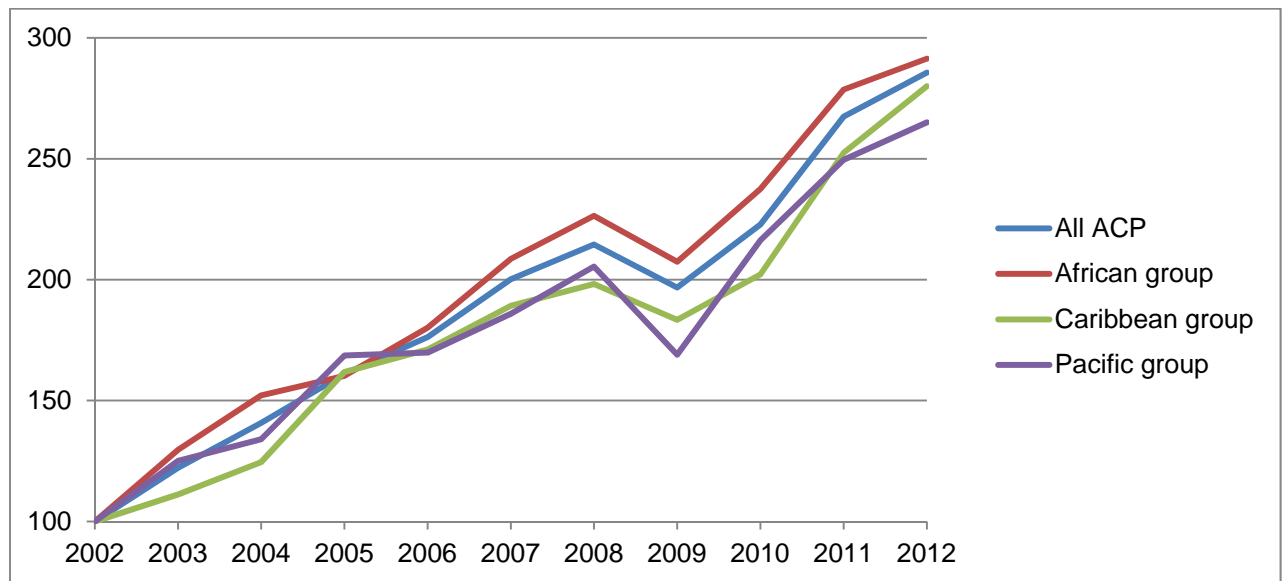
3.3. Trade in services

Services exports seem to be more immune to global economic shocks than goods exports, as demonstrated by Borchert and Mattoo in 2009.⁵ During the 2008–2009 financial crisis, services exports declined by only 8% on average in the ACP group as compared to a 20% decline in goods exports. Even though the growth of services exports was very similar across the three regional ACP groups over 2003–2012, year-to-year analysis reveals interesting cross-regional differences.

Pacific countries have seen the highest fluctuation in growth rates during the crisis. An 18% drop between 2008 and 2009 – largely due to the sharp decrease in transportation services – was followed by a strong rebound driven by growth in the exports of travel services. While the Caribbean group had a relatively slow recovery during 2009–2010, it recently became the fastest growing region. For all ACP regions the growth of service exports slowed down between 2011 and 2012, but it was less than exports of goods (Figure 6).

The evolution of services exports in the ACP regions has been similar during the last decade, as illustrated in Figure 6, but the contribution of services to total export value varies significantly across these groups. As indicated in Figure 3, services export value amounts to only 10% of total exports (including oil) for the African group, but it represents 17% of this total for the Pacific group and 40% for the Caribbean group (as compared to 19% at world level).

⁵ Ingo Borchert and Aaditya Mattoo, The Crisis-Resilience Of Services Trade, World Bank Policy Research Working Paper, May 2009,

Figure 6: Index of services export value

Source: ITC calculations based on ITC Trade Map data.

Table 4 shows the share of different service categories in total services exports for the ACP group and each of its subgroups. To identify services sectors for which country groups have a comparative advantage as compared to other services, the share of each service in total services exports from a particular country group is compared to the same share at world level. Based on this definition, the ACP group appears to be specialized in travel, communication and government services. African ACP countries feature comparative advantages in four sectors including transportation. The Caribbean and Pacific groups appear to be more concentrated on travel, and relatively less on the other sectors.

Table 4: Services exports shares

	All ACP (%)	African group (%)	Caribbean group (%)	Pacific group (%)	World (%)
205 Transportation	16.9	23.7	5.2	17.9	20.6
236 Travel	48.2	44.8	53.4	55.7	24.3
245 Communication services	3.3	4.4	1.5	1.4	2.4
253 Insurance services	1.2	1.3	1.1	0.1	2.5
291 Government services	5.7	8.1	1.5	7.6	1.7
Other services					
249 Construction services	0.8	1.1		5.4	2.5
260 Financial services	1.9	2.9		1.3	7.2
262 Computer and information services	0.7	0.9		0.2	4.2
266 Royalties and licence fees	0.4	0.5	0.2		6.6
268 Other business services	6.3	8.4	2.9	1.5	23.4
287 Personal, cultural and recreational services	0.2	0.3		0.2	0.8

Source: ITC calculations based on ITC Trade Map data. Services are classified following standards set by the fifth edition of the IMF Balance of Payment Manual (BPM5).

Notes:

- 1) Shares are based on export data for 2010.
- 2) Green figures indicate a comparative advantage of the country group for that sector. The share of the sector in total services exports is higher than the same share at world level.
- 3) While most countries reported for the first five service categories, they did less so for the remaining ones. For 'other services' the share of export value has been included selectively based on data availability. Data are not shown when the representativeness of the available sample is too low.
- 4) As sector detail is available only for a subset of countries, sectoral shares do not add up to 100%.

The travel sector stands out as the largest service sector for all ACP groups, accounting for half of total services exports in 2010. This is twice more than the share of the sector in total world trade of services. Exports in goods included, the travel sector represents more than 20% of total export revenues for the Caribbean group, as compared to less than 5% for the African group and for the world (Table 5). Travel services correspond to the expenses of foreign residents while visiting an ACP country for either personal or business purposes.⁶ The travel sector does not include passenger transport, which is part of the transportation sector, together with merchandise transportation. More detail is given below about the origin of travellers to ACP destinations.

⁶ Detail on the purposes of travel – personal or business – is available only for a few countries.

Table 5: Shares of services in total exports

	All ACP (%)	African group (%)	Caribbean group (%)	Pacific group (%)	World (%)
205 Transportation	2.3	2.4	2.1	3.0	3.9
236 Travel	6.6	4.5	21.6	9.5	4.6
245 Communications services	0.4	0.4	0.6	0.2	0.5
253 Insurance services	0.2	0.1	0.4	0.0	0.5
291 Government services, n.i.e.	0.8	0.8	0.6	1.3	0.3
Other sectors					
249 Construction services	0.1	0.1		0.9	0.5
260 Financial services	0.3	0.3		0.2	1.4
262 Computer and information services	0.1	0.1		0.0	0.8
266 Royalties and licence fees	0.1	0.1	0.1		1.2
268 Other business services	0.9	0.8	1.2	0.3	4.4
287 Personal, cultural and recreational services	0.0	0.0		0.0	0.1

Source: ITC calculations based on ITC Trade Map data. Services are classified following standards set by the fifth edition of the IMF Balance of Payment Manual (BPM5).

Notes:

- 1) Shares are based on export data for 2010.
- 2) Green figures indicate a comparative advantage of the country group for that sector. The share of the sector in total exports is higher than the same share at world level.
- 3) While most countries reported for the first five service categories, they did less so for the remaining ones. For 'other services' the share of export value has been included selectively based on data availability. Data are not shown when the representativeness of the available sample is too low.

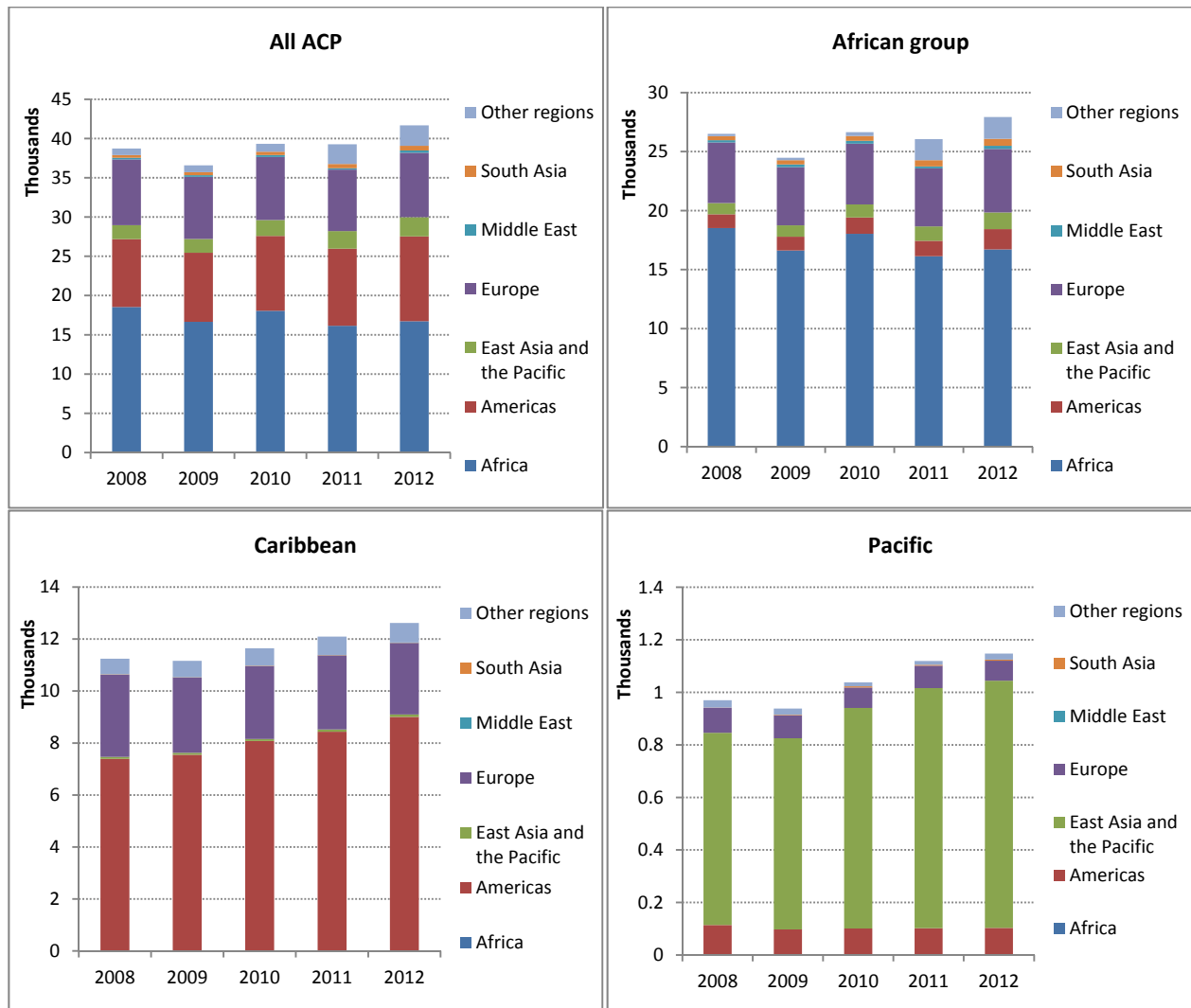
Transportation services appear to be another significant export sector in 2010, with more varying shares across regions – from almost 24% for the African group to a little more than 5% for the Caribbean group as a share of services exports. These differences across country groups are much smaller if exports of transportation services are considered as a share of total exports including goods. This is because services represent a much larger share of total Caribbean exports. Transportation services exports represent from 2–3% of total exports, including goods, for all three ACP regions. This is slightly below the world average of almost 4%.

Communications services include telecommunications (telephone, radio, television, teleconferences and electronic mails, etc.); postal and courier services, but does not include the value of the information transported. Services delivered by subsidiary companies operating in another country (the third mode of delivery according to the WTO definition) are not considered here. A transaction is considered as international trade only when the payment is directly made to a company abroad.

In 2010, financial services, computer and information services, and other business services (business process outsourcing, advertising, market research, architecture, engineering, etc.) were much less present in the exports of ACP countries than at world level.

Figures on the origin of travelers visiting ACP countries show that most come from the same region as the region they visit. While the number of visitors from other origins in the African group has increased during 2008–2012, the two other groups have reinforced their initial pattern in terms of visitor origins during the same period (Figure 7). The majority of visitors are from their own region or regions nearby.

Figure 7: Visitor origins



Source: ITC calculations based on World Tourism Organization data.

Chapter 2 Trade performance

This chapter reviews the trade performance of ACP countries with a focus on income sustainability. First the chapter assesses the extent to which ACP countries are diversified in terms of the number of products they export and the number of markets they serve. Second, the participation of ACP countries in higher segments of the global value chain is analysed. These analyses identify regions that are increasingly diversifying their economies. Regions that diversify their economies reduce their vulnerability to external shocks.

1. Diversifying economies

Broadening the export base and diversifying the economy is critical to reduce poverty in many developing countries as it balances temporary demand shocks. Diversification is expressed in terms of products or markets. The equivalent number of products and markets is defined as the inverse of the Herfindahl Index, a commonly accepted measure of market concentration.⁷ The higher the number of exported products and served markets and the more equal their shares in the total exports of a country, the higher the 'equivalent number' of products and markets, and the more diversified a country's export structure.

For example, if a country exports 10 products of identical value, the equivalent number of products will be 10; if one of the 10 products dominates the export structure, the equivalent number of products will be less than 10. Numbers of equivalent products and markets are computed for every country and then aggregated into country group averages. Diversification indicators do not correspond to the export diversification of a region as a whole; they reflect the average export diversification of countries within a region.

Figure 8 shows that ACP countries are on average significantly less diversified than developed or developing countries in terms of products.⁸ While the ACP group exported 20.1 equivalent HS 4 products in 2003, this number decreased to 11.8 in 2012. This is in line with the trend of higher product concentration in the African ACP group, as a result of the large contribution of the African group in total ACP exports. The Caribbean and the Pacific subgroups were able to diversify over the same time frame and increased the number of equivalent export products by 2.7 and 0.7, respectively. Yet, with 14.2 and 7.5 equivalent export products in 2012, Caribbean and Pacific ACP countries remain little diversified. The relatively small size of Caribbean and Pacific countries explains their relatively low level of export diversification.⁹

As a comparison, developed countries exported in 2012 an equivalent of 65.6 HS 4 products and developing countries an equivalent of 34.3 products.¹⁰ The trend towards concentration of exports by products has been observed in the developing country group over this decade. This general pattern is likely driven by an increased global demand for non-oil commodities that has translated into larger volumes of trade and higher prices. As these products appear high in the exports of developing countries, this global demand shift has led to a larger concentration of the export mix of developing countries in recent years.¹¹

⁷ Herfindahl = $\sum_i \left(\frac{x_i}{X}\right)^2$, with i standing for products or markets; X is for total exports.

Products can be defined at different levels of disaggregation. Choosing an aggregated level (for instance HS 2) would allow pointing out countries which export structure is diversified across a wide range of products. The purpose of the analysis being to assess whether a country is sensitive to relative price fluctuations, calculation has been made at the HS 4 level, which differentiates products whose prices are not necessarily correlated, like tea and coffee, but disregards smaller differences between varieties.

⁸ Total export values (excluding oil) per country are used as weights to compute country group averages.

⁹ See also: Alan Winters, *Small Economies in a Globalising World: The Policy Challenges Ahead*, Pacific Economic Bulletin, 20 (3), pp. 94-102, 2005 and Marion Jansen, *Income volatility in small and developing economies: export concentration matters*, WTO discussion paper, 2004.

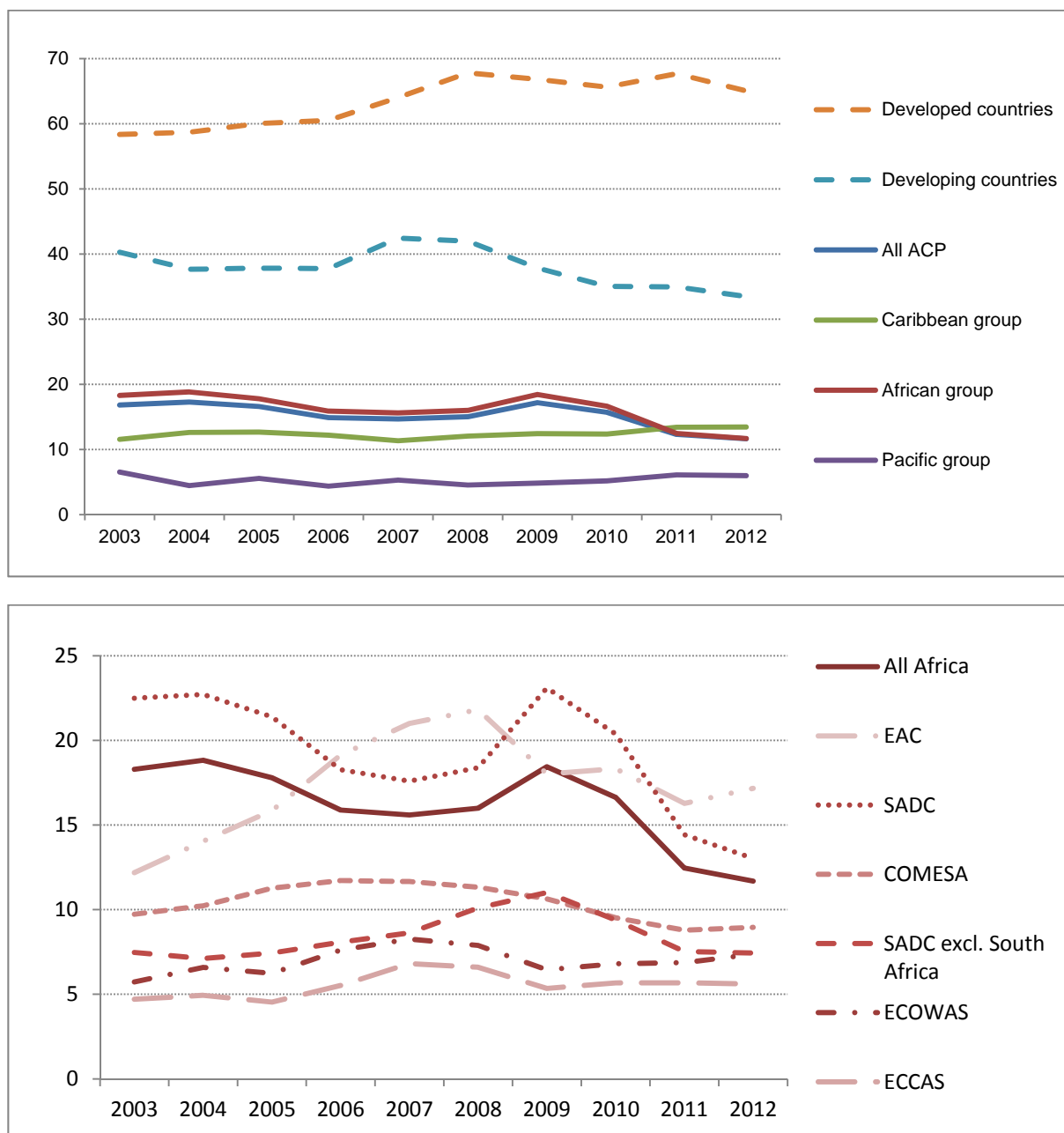
¹⁰ Note that the inclusion of oil, coal and gas would lead for most country groups (except Pacific ACP countries) to an even lower number of equivalent products that can be explained by the high concentration of some of the countries on the exports of mineral products.

¹¹ See World Bank Commodity Markets outlooks for detailed information about the evolution of commodity prices and quantities.

Within Africa, EAC has become the most diversified region in terms of export products. SADC comes second, but it no longer holds if South Africa is excluded. However, despite the overall trend towards concentration at continent level, SADC without South Africa has increased the diversification of its export structure by products. The most concentrated region is ECCAS, with on average between five and six equivalent products at the HS 4 level.

While the equivalent number of products is a relevant indicator of product diversification, it is not the only dimension to consider when determining the sustainability of export revenues. Moving up the value chain is an important dimension, which will be discussed later.

Figure 8: Number of equivalent products, excluding oil



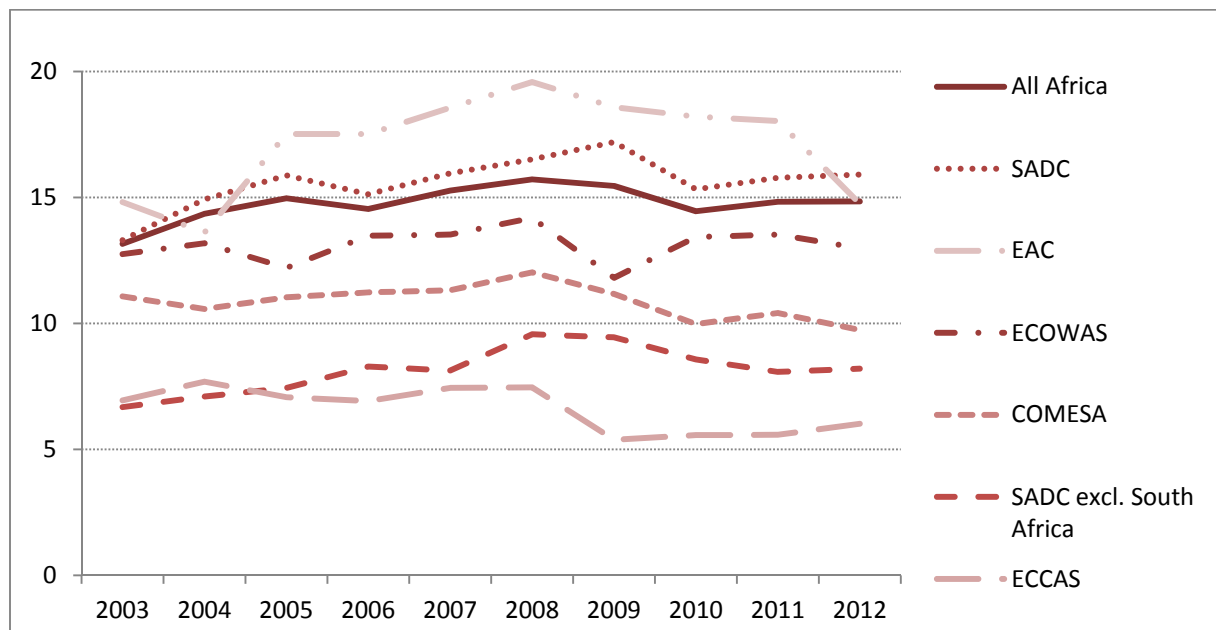
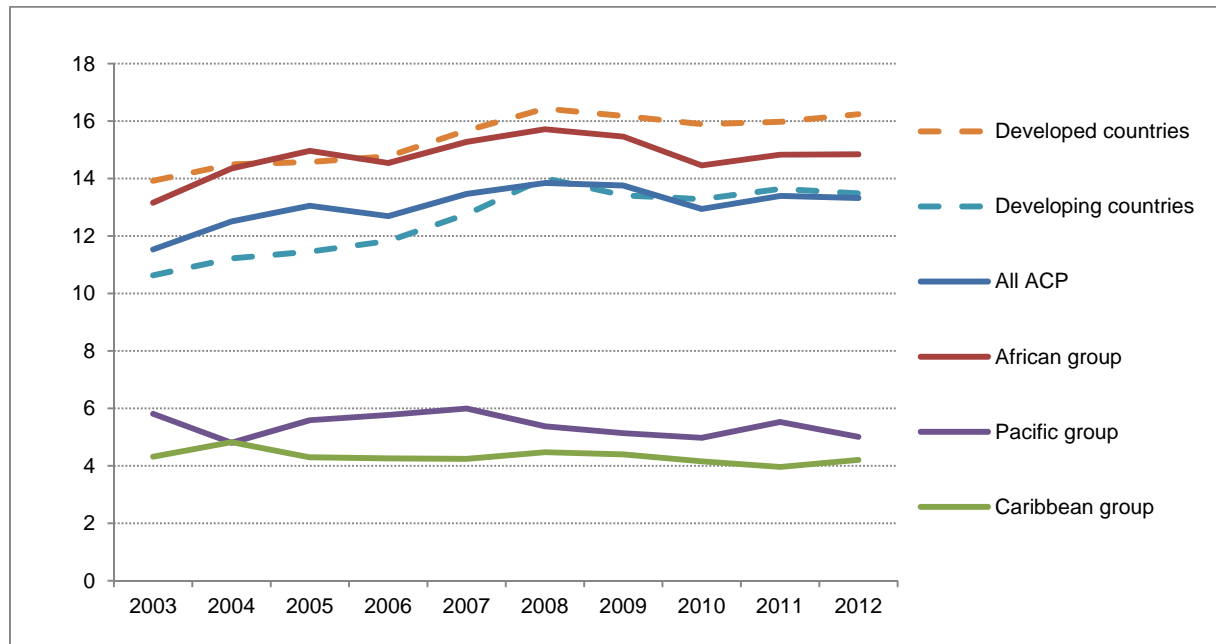
Source: ITC calculations based on Trade Map data. Calculation is done at HS 4 level, and excluding oil (HS 27).

Note: Egypt and Libya were excluded from calculations for COMESA as they are not part of ACP.

The picture looks much different for the number of equivalent markets (Figure 9). The African ACP group served 14.4 equivalent markets in 2012, reaching almost the same level of market diversification as developed countries (16.3 equivalent markets) and surpassing that of developing countries in general (13.4). Due to their remote location and in the case of the Caribbean their strong concentration on the United States as an export market (Figure 5), the Pacific and the Caribbean groups of ACP members are much less diversified than the African group.

Within the African group, SADC is the most diversified in terms of markets, but only when South Africa is included. EAC comes second while ECCAS appears very concentrated in terms of markets.

Figure 9: Number of equivalent markets, excluding oil



Source: ITC calculations based on Trade Map data.

Note: Egypt and Libya were excluded from calculations for COMESA as they are not part of ACP.

2. Participating at higher levels of the global value chain

Moving up the global value chain by shifting from the exports of raw commodities to exports of products that have been processed in the country is another way to ensure more consistent export revenues. For example, transformed goods are less exposed to changing climate conditions that lead to unpredictable harvests. At the same time, exporters have greater bargaining power over the price of value-added goods because competition is generally less fierce.

In this section, transformation activities in the ACP and other countries are measured on both the export and the import side. While the exports of semi-processed and processed goods is considered to be an indicator of some transformation industry in the country, imports of products that require further transformation (as opposed to final consumption goods or capital goods) imply that some transformation will occur in the country. These two indicators are computed for ACP country groups and compared against developing countries as a whole. For different regional groups in Africa, a similar comparison is done with the African group as a whole.

On the export side, processed goods are defined based on the WTO Multilateral Trade Negotiations nomenclature, which distinguishes raw products from semi-processed and processed goods. Both semi-processed and processed goods are considered transformed goods. The degree of transformation and the sophistication of processing activities vary significantly across sectors and between semi-processed and processed goods. For example, transforming ores to metals does not require the same type of technology as transforming vehicle parts into a car.

The advantage of a simple indicator is that it can be used for a large number of countries with different levels of economic development and still provides useful information regarding the development of processing industries across countries. Detailed graphs showing the evolution of exports in each of the three categories (raw, semi-processed and processed goods) are provided in Appendix III.

A significant share of ACP exports consists of petroleum, gas and coal products (HS 27) and pearls, precious stones and metals (HS 71), for which multinational companies may perform most of the processing. As a result, these two sectors have been excluded from the computation.

The ACP group overall and each of the three subgroups have experienced an increase in the value of transformed goods exports between 2003 and 2012. This rise merely mirrors the overall export performance as presented in Table 2. To see whether ACP countries have changed the composition of their exports, transformed exports are compared to untransformed exports. The dashed lines in Figure 10 reflect the share of transformed products in total exports. In the ACP group overall, 62% of total exports consist of semi-processed or processed goods.

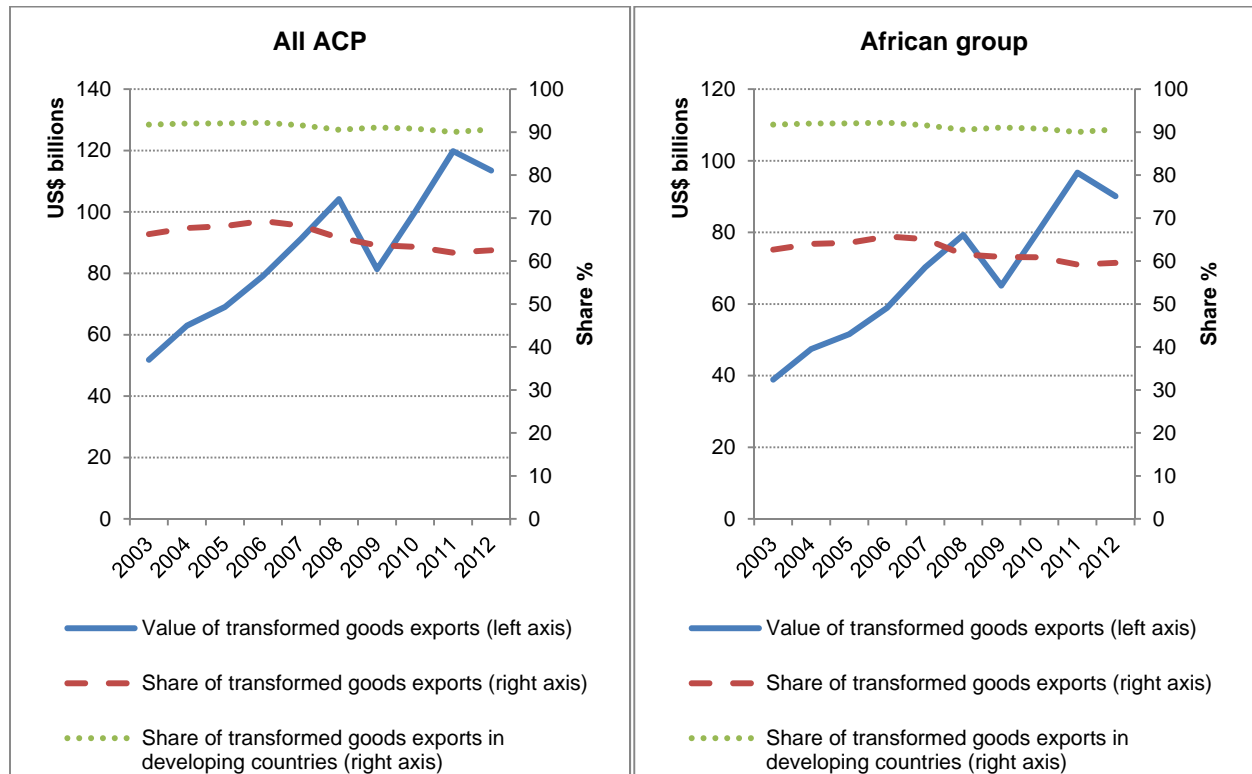
The African group drives the all-ACP results. Overall, the share of semi-processed and processed goods in overall African exports is stable. Zambia and the Democratic Republic of the Congo have significantly increased their exports of both refined and unrefined copper – and cobalt in the case of the Democratic Republic of the Congo. South Africa has significantly increased its exports of trucks over the between 2003 and 2012. South African exports of cars grew from US\$ 2.9 billion to US\$ 4.1 billion in the same period, but have not followed the overall pace of African export value, which was multiplied by 2.3 (excluding oil, coal and gas, and pearls, precious stones and metals).

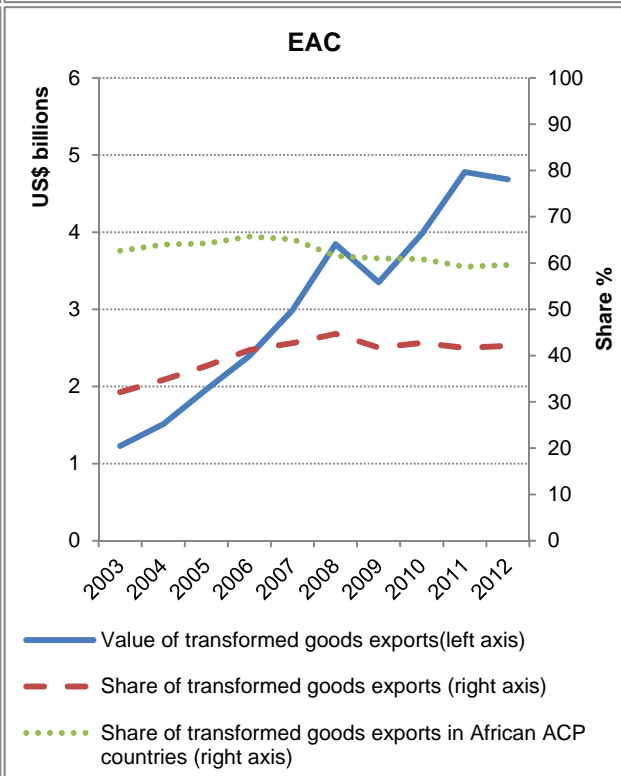
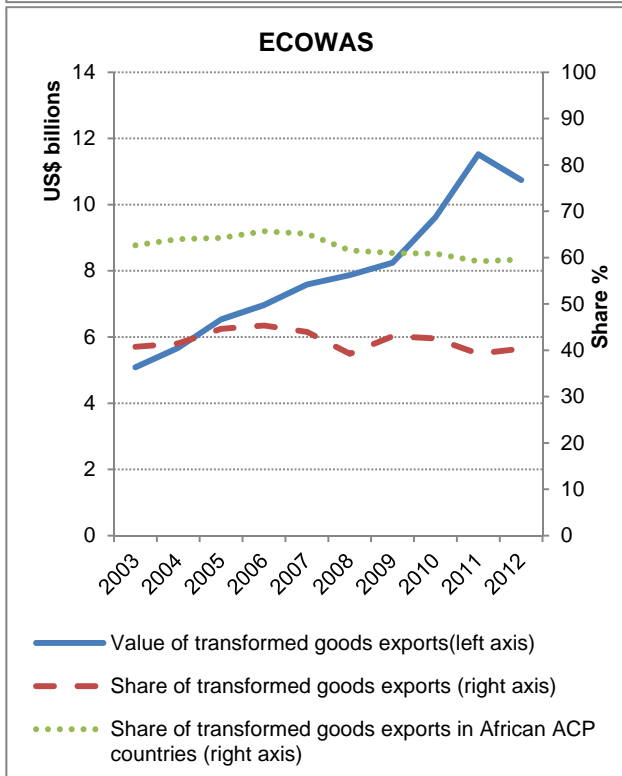
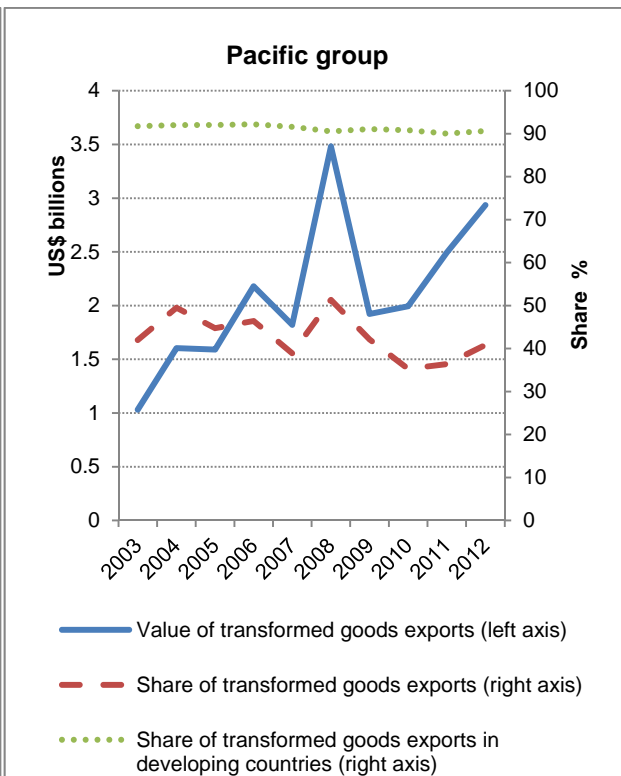
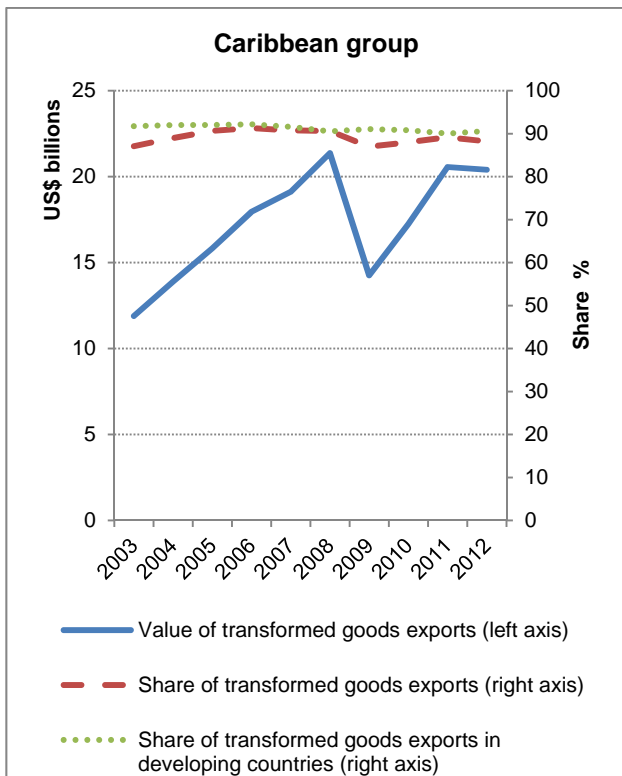
Caribbean countries on average have the highest share of transformed goods among the three ACP subgroups. With more than 88% of all exports being transformed, they almost match the share of developing economies whose exports are comprised of up to 91% of transformed goods. The main contributor to increasing this share has been Trinidad and Tobago, exporting chemicals such as ammonia and methanol, and ferrous products coming from a first transformation of iron ores. Cuba has also significantly increased its exports of medicine to Venezuela, while the Dominican Republic has expanded exports of medical instruments to the United States. However, the Dominican Republic's exports of men's clothes to the United States have declined during 2003–2012, so that the overall share has remained stable.

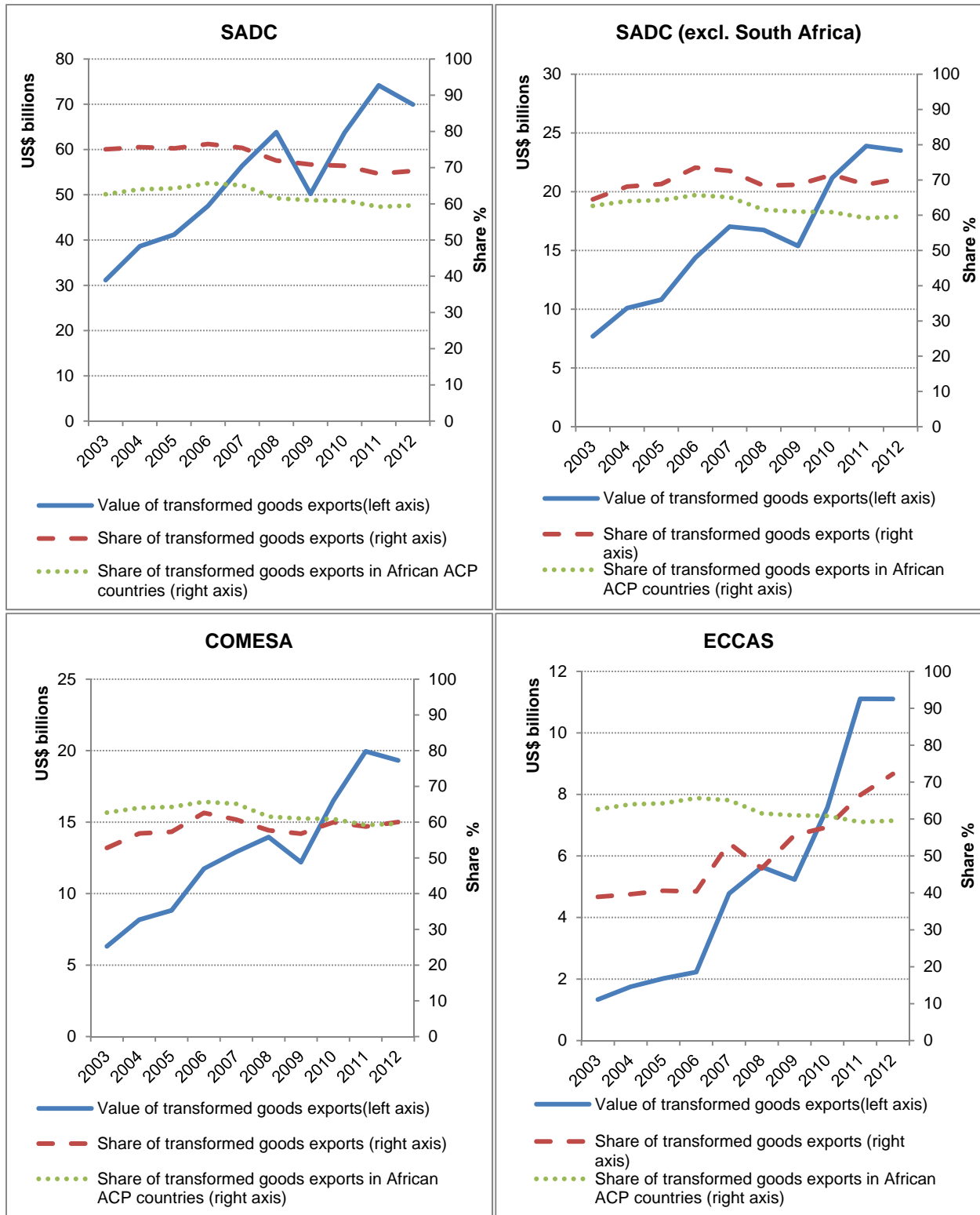
The ratio of transformed exports in total exports is lowest in the Pacific group. Transformed export products consist primarily of palm oil and fish products. Palm oil is exported mostly by Papua New Guinea, which is by far the largest exporter of the Pacific group. Many members export fish products. Exports of these two products have increased rapidly over the period, but Fiji's exports of cane sugar, apparel and fish preparations have been declining during the same period. As a result, the overall share of processed goods in total exports has remained stable.

Detailed results for large African regions show a very steep increase of transformed exports by ECCAS. This result is driven by the increase of copper and to a lesser extent cobalt exported by the Democratic Republic of the Congo.

Figure 10: Transformed product exports, excluding oil and precious stones and metals





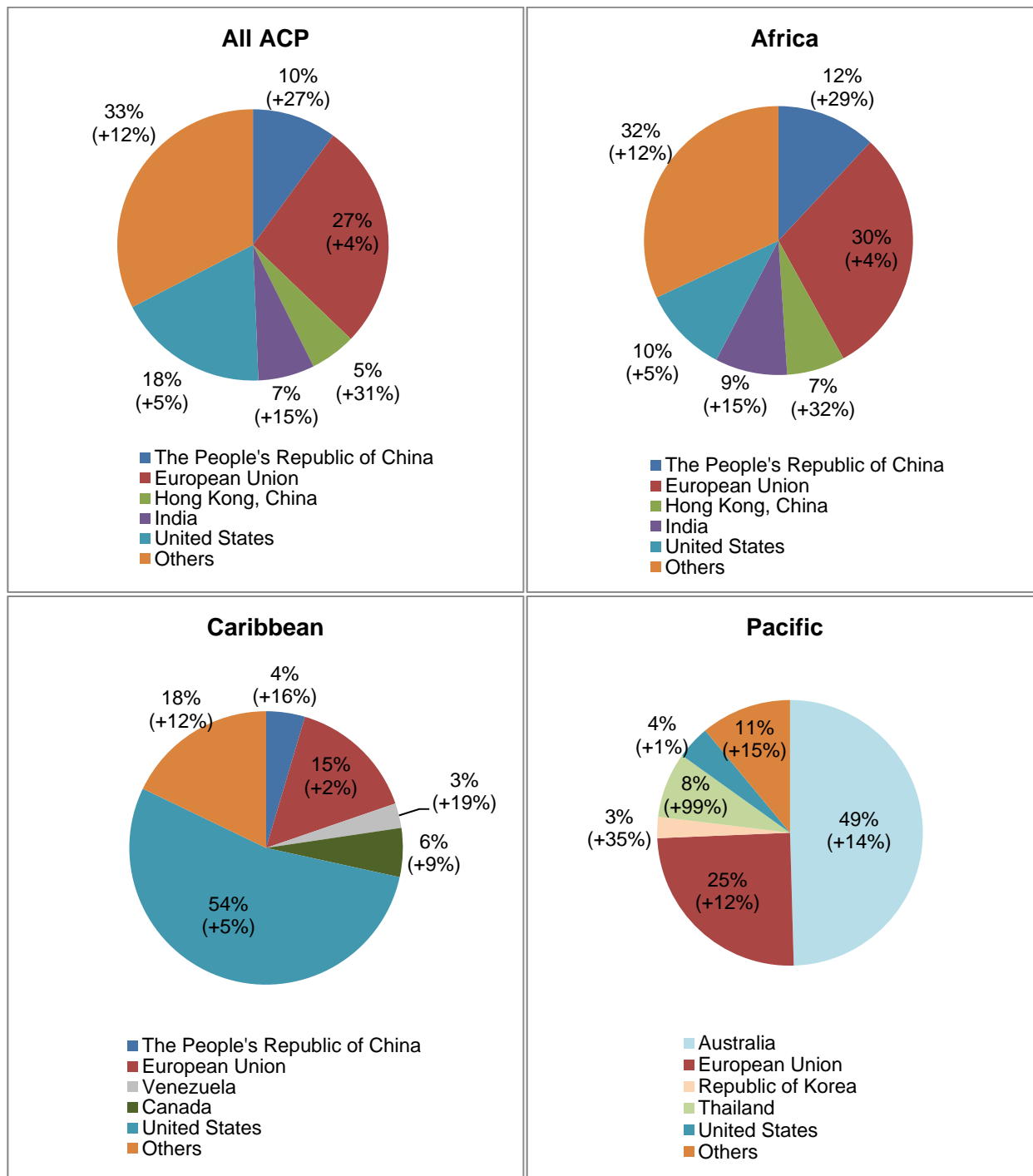


Source: ITC calculations based on Trade Map data and a WTO classification that allocates products at the 6-digit level of the HS to three processing stages, raw, semi-processed and processed. Semi-processed and processed goods have been lumped together as transformed goods. Export values under each of the three processing stage are provided in Appendix III.

Note: to avoid that re-exports drive the results, capital goods with a trade balance as a share of total trade of -80% and other goods with a trade balance as a share of total trade of -90% were filtered out. Oil, coal and gas (HS 27) and minerals (HS 71) are excluded from the calculation. Egypt and Libya were excluded from calculations for COMESA as they are not part of ACP.

The export product mix may vary substantially according to destination markets. To assess this, the graphs presented in Figure 5 have been reproduced in Figure 11 for transformed goods only (excluding oil products). Results show that transformed goods are more in demand in developed country markets than in developing country markets, in particular for Pacific Islands' exporters. This may reflect differences in the structure of demand, but also differences in the tariff structure of these markets.

Figure 11: Top export markets 2012 for transformed goods, excluding intraregional trade and oil



Source: ITC calculations based on ITC Trade Map data.

Note: Shares are based on export data for 2012. Annual export growth rates between 2003 and 2012 are displayed in brackets.

The share of intermediates in total imports can also reflect a country's processing capacities. The definition of this indicator is based on the classification of products by broad economic categories, which have been further aggregated to distinguish among intermediate products, final consumption goods and capital goods.

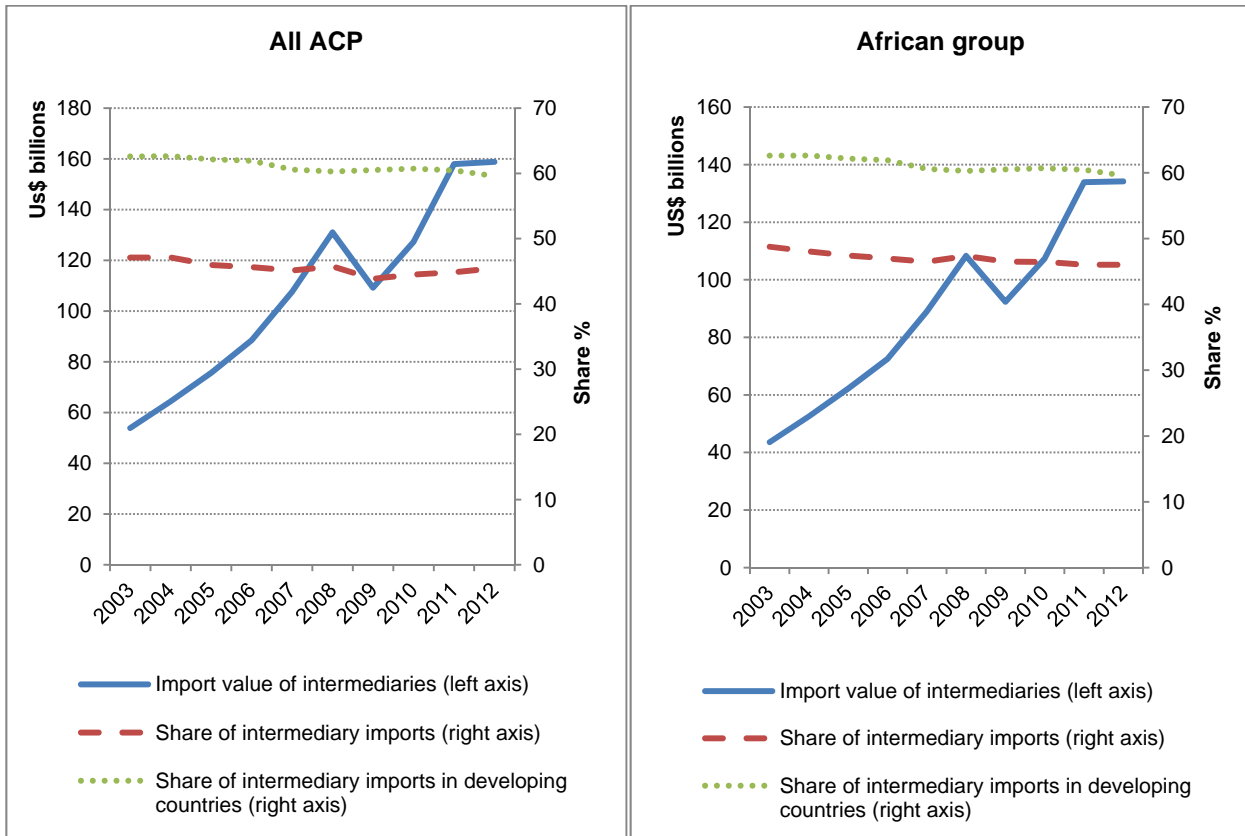
Figure 12 indicates that ACP countries import a lesser share of intermediate products than developing countries as a whole. More detailed analysis (Figure 13) shows that part of this difference comes from a larger share of capital goods imported by ACP countries.

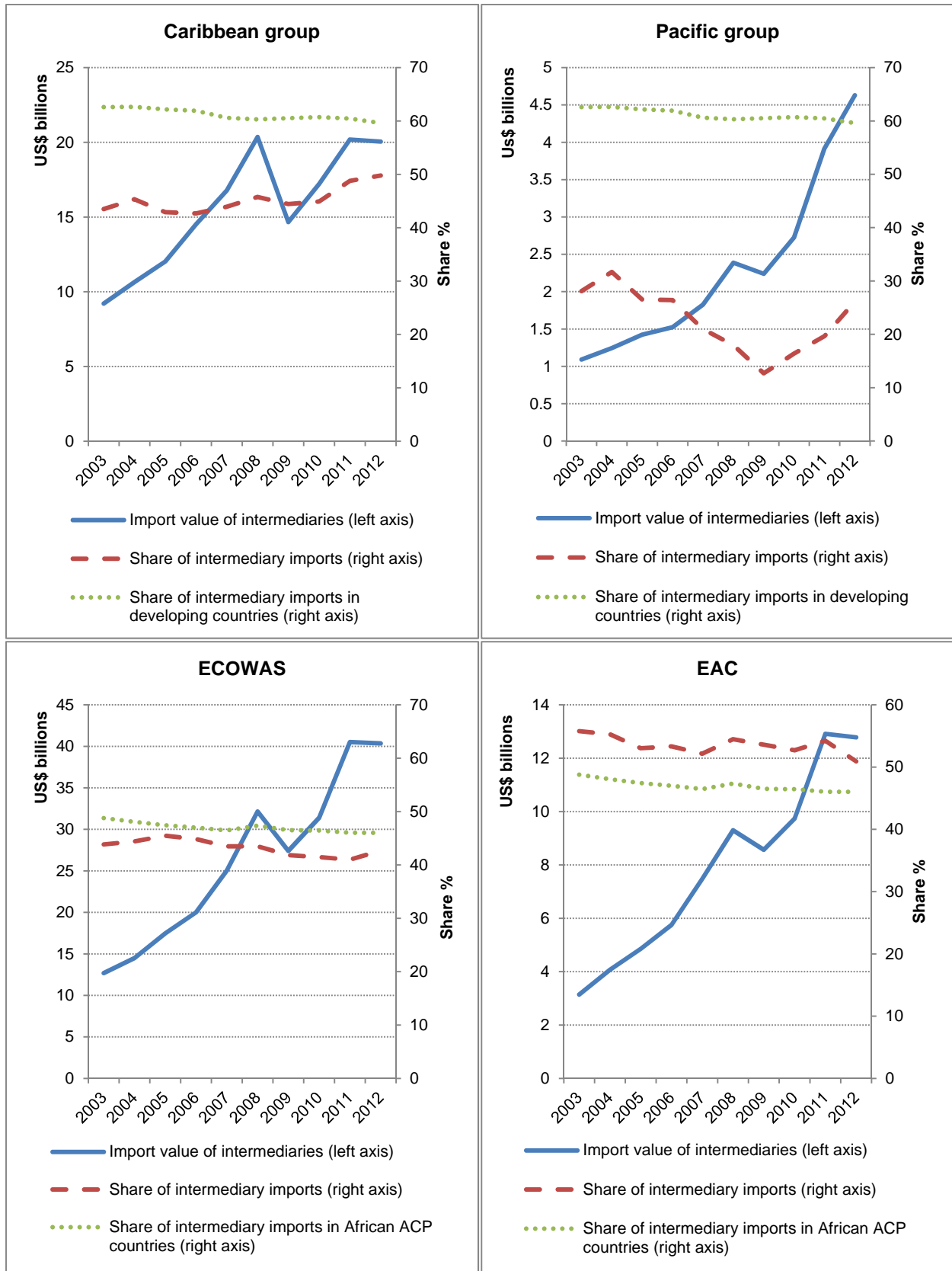
Confirming the results on the export side, Caribbean countries import the highest share of products that need further processing, followed by the African and the Pacific group. Overall, intermediate products account for around half of the imports of the ACP group. Gold and wheat were the most imported intermediate inputs in 2012. The slight decrease of the share of intermediates until 2009 – mostly due to declining cotton and textile imports – was offset by increasing wheat and sugar imports between 2009 and 2012. The level and trends of the African group closely resemble those of the overall ACP group. Within the African group, the evolution of the different regions does not differ much from the overall pattern.

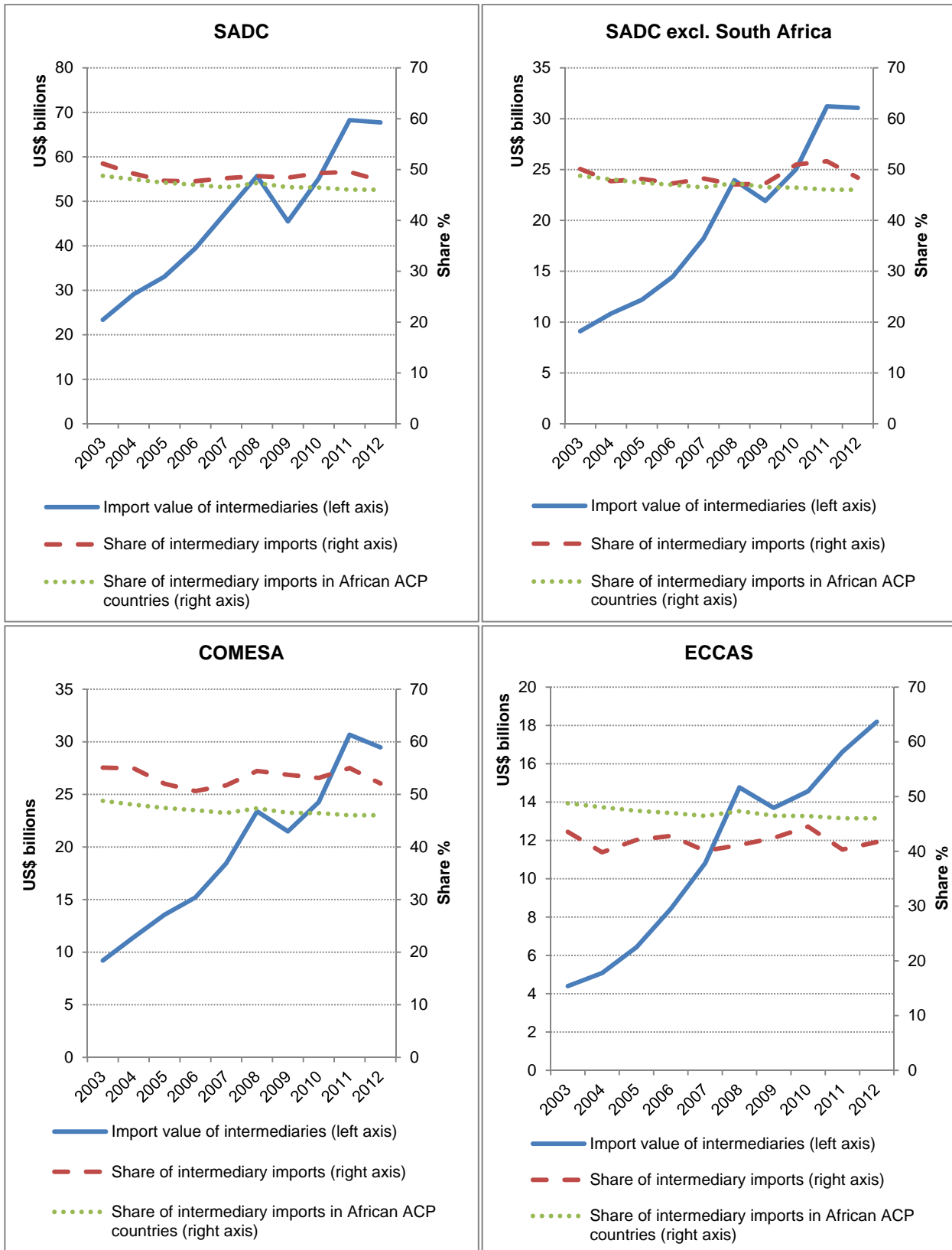
In the Caribbean group, intermediates have gained importance as compared to final goods imports. Iron ores, maize and cotton yarn are significant contributors to this increase. The Pacific group has the lowest share of all three ACP groups, with 28% of total imports requiring transformation. Machinery parts are the top imported intermediate good. Imports of machinery parts have been rising strongly between 2003 and 2012, but this was offset by a significant rise of imports of ships and vessels (which are capital goods) by the Marshall Islands. As discussed earlier, several large shipping companies choose to be registered in this country. Imports of ships and vessels represented one-third of total imports by the Pacific group in 2012, down from an even larger share in previous years.

As a result of this very large import flow, imports of capital goods represent the bulk of total imports by the Pacific group (Figure 13). In developing countries, the share of capital goods has slightly increased over the period, from 20–22% while it has been very stable in developed countries at 20%. ACP countries rely more on foreign suppliers for their purchase of capital goods, with a share of total imports varying between 25–31% over the period. This share has been decreasing in the Caribbean and is now close to the developing countries' average because countries in the group increasingly buy parts of machines and assemble them in the country.

Figure 12: Share of intermediate imports, excluding oil and precious stones and metals

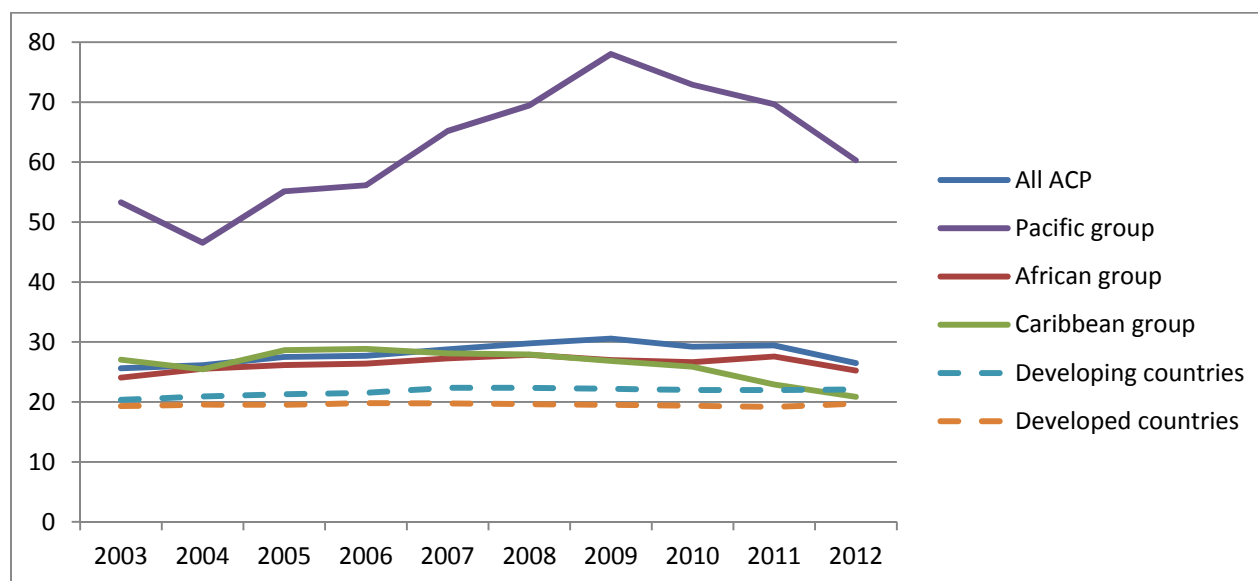






Source: ITC calculations based on Trade Map data and the classification of broad economic categories. Capital and consumption goods have been grouped together as final goods.

Note: Oil, coal and gas (HS 27) and pearls, precious stones and minerals (HS 71) are excluded from the calculation. Egypt and Libya were excluded from calculations for COMESA as they are not part of ACP.

Figure 13: Share of capital goods imports, excluding oil and precious stones and metals

Source: ITC calculations based on Trade Map data and the UN classification of Broad Economic Categories.¹² Capital and consumption goods have been lumped together as final goods.

Note: Oil, coal and gas (HS 27) and pearls, precious stones and minerals (HS 71) are excluded from the calculation. Egypt and Libya were excluded from calculations for COMESA, as they are not part of ACP.

Taken together, the analyses of diversification and value chain upgrading reveal positive trends for the Caribbean and Pacific group of ACP countries that have diversified their exports and increased the share of processed goods in total exports. The Caribbean group has strongly increased the share of intermediates in total imports, suggesting that capacities were built to process unfinished goods either for consumption at home or for exports.

On the downside, Caribbean and Pacific group members are still concentrated on very few markets. This presents a potential risk in case of asymmetric demand shocks that affect only certain economies. To the extent possible, greater market diversification should complement the trend of product diversification and participation in international trade at higher levels of the global value chain.

Exports of African countries have become more concentrated in terms of products over the period 2003–2012. Their participation in international trade has remained focused on exporting raw commodities and importing final goods. However, some regions have shown signs of significant improvement. EAC appears to be diversified in terms of products and markets, demonstrating significant improvements in terms of its export diversification by products. EAC has also increased its share of transformed goods in total exports (starting from a low level). SADC, excluding South Africa, is still rather concentrated in terms of export products, but the situation is improving and the share of transformed products in total exports is also increasing, over performing the African average.

¹² This product classification helps to define classes of goods, for example, intermediate, capital or consumption goods.

Chapter 3 Trade integration

This chapter assesses the current level and recent trends of trade integration among the countries constituting each ACP region – Africa, the Caribbean and the Pacific Islands – and within the ACP group overall. Trade integration is also assessed at the level of African regions. The assessment is first done based on the analysis of observed trade evolutions. The chapter then reviews current trade policy regimes, existing trade agreements and ongoing negotiations. Information on applied tariffs and preferential margins ACP countries face when trading with other ACP countries is complemented with information on non-tariff measures (NTMs) for selected countries to better understand obstacles to trade.

Regional trade integration brings a number of benefits. First, a high level of trade integration allows regional value chains to develop, materializing the benefits from geographical proximity. Second, it creates incentives for third countries to invest in ACP countries, as the size of the market that can be reached exceeds the size of the country where investment has been located. From this perspective, both tariff and non-tariff barriers are important.

1. Trends and level of trade integration

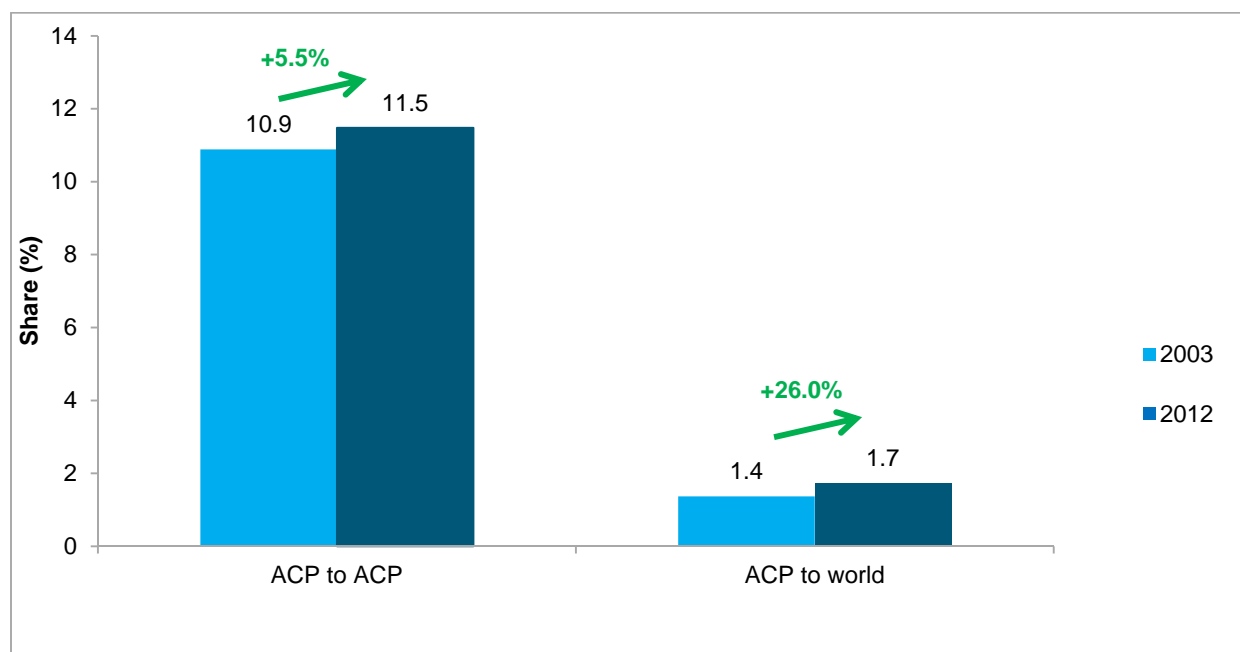
The ACP group is divided into at least three subregions that are distant from one another. In this section, integration is assessed at the level of the overall group and for all products to illustrate the principles of the method. Next, the subregional level is analysed.

Assessing integration may involve more than considering the evolution of trade within the group. If exports from a country expand faster than exports from other countries, its market share may increase in many regions. However, this should not imply that the country is integrating with all regions at the same time. Assessing trade integration requires a comparison of gained or lost market shares inside and outside a particular region. For intra-ACP integration to become a reality, the market share of ACP countries must have increased more in ACP markets than in world markets over a specific time frame.

Figure 14 compares the shares of ACP exports in total ACP imports and in total world imports in 2003 and in 2012. As expected, the intra-ACP market share is substantially higher than the market share of ACP countries in the world. Since 2003, the intra-ACP market share has, however, increased by only 5.5% whereas its share in the world market has grown by 26%. Trade integration would require market shares in intra-ACP trade growing faster than the benchmark – trade with the world.¹³ Since ACP countries were more oriented towards the world than they were in 2003, intra-ACP trade can be characterized by disintegration.

This observation is made globally for all non-oil merchandise trade. It may be the result of faster growth of export products geared towards the rest of the world as opposed to products exported to the region. It could result from reduced trade costs affecting more trade towards markets outside the region. It could also result from bottlenecks to trade within the region.

¹³ An increase in market share in regional markets that is larger than the increase in market share in world markets implies that the ratio of both market shares is increasing, that is: $\frac{v_{Region \rightarrow Region}}{v_{World \rightarrow Region}} / \frac{v_{Region \rightarrow World}}{v_{World \rightarrow World}}$ is increasing. By reorganising the fraction, it becomes: $\frac{v_{Region \rightarrow Region}}{v_{Region \rightarrow World}} / \frac{v_{World \rightarrow Region}}{v_{World \rightarrow World}}$, which means that the share of regional markets in total exports increases as compared to the share of regional markets in world exports.

Figure 14: Market shares of ACP countries

Source: ITC calculations based on Trade Map data.

Given the geographical dispersion of ACP countries and the absence of a formal trade agreement among the regional subgroups (see Figure 15), this result is not surprising. The picture may be different when it comes to trade within subregions or product categories. Table 6 displays the extent of trade integration by subgroup and HS section. Table 7 displays similar information for African regions. Trade integration is measured by the evolution in percentage terms of the ratio of the market share in the region, divided by the market share in the world. When trade integration occurs, market share in the region should increase faster than market share at world level, so that an increase in this ratio indicates trade integration.

Table 6: Trade integration of ACP countries, 2003 to 2012

	All ACP	African group	Caribbean group	Pacific group
All sections excl. oil (HS 27)	-17	-25	41	-71
By HS section				
Live animals and animal products (01)	8	6	35	-34
Vegetable products (02)	8	-3	74	23
Animal or vegetable fats and oils (03)	13	9	38	-30
Prepared foodstuffs, beverages and tobacco (04)	2	-3	17	26
Mineral products (05)	-21	-28	45	33
Chemical products (06)	-12	-21	32	5
Plastic (articles); rubber (articles) (07)	-31	-44	60	-82
Raw hides, skins, leather and leather articles (08)	16	19	131	-21
Wood and articles of wood (09)	18	15	-106	-93
Wood (articles) (10)	-39	-47	0	10
Textiles and textile articles (11)	43	4	162	93
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	-42	-55	4	172
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	-12	-31	42	-45
Pearls and precious stones or metals, imitation jewellery (14)	148	148	-188	-89
Base metals (articles) (15)	-41	-45	-18	-126
Machinery and mechanical appliances; electrical equipment (16)	8	1	62	29
Vehicles, aircraft, vessels and associated transport equipment (17)	8	7	102	-145
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	40	25	88	-108
Miscellaneous manufactured articles (20)	10	3	-15	11
Works of art (21)	53	-41	135	23

Source: ITC calculations based on Trade Map data.

Note: All figures are in %. Results for arms and ammunition (section 19) are not displayed. Global results do not include oil, coal, gas and electricity (HS 27), but these products are included in section 05. Colours in the cell indicate the degree of trade integration between 2003 and 2012; dark green corresponds to significant integration and dark red significant disintegration.

Trade integration did not take place within the African group; however, market share gains in African markets exceeded market share gains at world level for some sectors, such as textiles, and pearls and precious stones. This is primarily due to South Africa buying precious stones and metals from other African countries. Trade integration has been observed within the Caribbean group. Exports of textiles, clothing and footwear have significantly increased, essentially from the Dominican Republic to Haiti. Guyana has developed its exports of cargo containers to Trinidad and Tobago and Jamaica (along with other markets outside the region) and has taken over the European Union and become the first supplier of this product to the Caribbean group. Results are available for the Pacific group, but they are inconsequential as

intraregional trade corresponds to less than 1% of total imports of the group, as compared to approximately 10% for the Caribbean group (despite its relatively small economic size) and more than 16% for the African group.

Table 7: Trade integration for African ACP countries, 2003 to 2012

	EAC	ECOWAS	SADC	COMESA	ECCAS
All sections excluding oil (HS 27)	-18	-28	-41	-29	-83
By HS section					
Live animals and animal products (01)	-5	9	24	62	47
Vegetable products (02)	-11	-3	4	21	-72
Animal or vegetable fats and oils (03)	18	41	-8	-46	-45
Prepared foodstuffs, beverages and tobacco (04)	-14	19	-21	21	-44
Mineral products (05)	-116	-50	-26	-21	-88
Chemical products (06)	-28	-20	-21	-78	-8
Plastic (articles); rubber (articles) (07)	-64	-61	-17	-49	-124
Raw hides, skins, leather and leather articles (08)	-45	43	31	-46	-131
Wood and articles of wood (09)	-24	-8	22	31	-29
Wood (articles) (10)	-52	-59	-38	-3	-42
Textiles and textile articles (11)	-4	-85	42	3	-46
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	-108	-25	-42	-103	-44
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	-87	-56	-32	-81	-127
Pearls and precious stones or metals, imitation jewellery (14)	173	-65	124	118	
Base metals (articles) (15)	-66	-75	-51	-120	-183
Machinery and mechanical appliances; electrical equipment (16)	-77	-7	3	-75	-68
Vehicles, aircraft, vessels and associated transport equipment (17)	-47	94	-16	-61	-23
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	6	103	32	101	-106
Miscellaneous manufactured articles (20)	-97	46	7	-56	-176
Works of art (21)	-154	-185	-47	53	145

Source: ITC calculations based on Trade Map data.

Note: All figures are in %. Results for arms and ammunition (section 19) are not displayed. Global results do not include oil, coal, gas and electricity (HS 27), but these products are included in section 05. Colours in the cell indicate the degree of trade integration between 2003 and 2012; dark green corresponds to significant integration and dark red significant disintegration. Egypt and Libya were excluded from calculations for COMESA as they are not part of ACP.

Trade integration did not occur in the African regions analysed. This is particularly true for ECCAS. However, some integration can be observed in agriculture for the other three regions, in leather products for ECOWAS and SADC, in the wood and wood products for SADC and COMESA, and in the precious stones and metals and sectors in most African regions. This result regarding precious stones and metals is mainly driven by imports of diamonds by Botswana and South Africa, and a variety of precious metals by South Africa. It does not correspond to the creation of a regional value chain. However, export data show that these products, which are imported in raw form, are also mainly exported in raw form by these two countries. This implies that little or no transformation occurs in Botswana and South Africa, which operate mostly as trade hubs.

The trend in most ACP regions appears to be oriented more towards global markets. To verify if this pattern is specific to Africa, the same indicators have been computed for other regions, namely the Association of Southeast Asian Nations (ASEAN), ASEAN+3 (ASEAN, China, Japan and the Republic of Korea), the League of Arab States, and the European Union (Table 8). Results indicate that the other regions and country groups have experienced a similar trend towards disintegration and globalization, with the exception of the European Union, which has deepened the integration of its internal market.

Table 8: Trade integration for other regions, 2003 to 2012

	ASEAN	ASEAN+3	LAS	EU 28
All sections excluding oil (HS 27)	-21	-20	-50	13
By HS section				
Live animals and animal products (01)	-17	-15	-11	7
Vegetable products (02)	-23	-34	-35	24
Animal or vegetable fats and oils (03)	-17	-11	-33	21
Prepared foodstuffs, beverages and tobacco (04)	-28	-18	-34	11
Mineral products (05)	-2	-25	-33	8
Chemical products (06)	-47	-21	-54	9
Plastic (articles); rubber (articles) (07)	-36	-24	-91	14
Raw hides, skins, leather and leather articles (08)	-45	-6	-55	-10
Wood and articles of wood (09)	-27	-31	-1	5
Wood (articles) (10)	-4	-39	-49	8
Textiles and textile articles (11)	-50	-34	42	9
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	-9	-11	5	4
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	9	-35	-29	21
Pearls and precious stones or metals, imitation jewellery (14)	-4	15	-98	45
Base metals (articles) (15)	-25	-22	-49	12
Machinery and mechanical appliances; electrical equipment (16)	-10	-11	-9	13
Vehicles, aircraft, vessels and associated transport equipment (17)	-55	-20	-135	13
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	-23	-1	-21	11
Miscellaneous manufactured articles (20)	-5	3	-46	4
Works of art (21)	-84	32	105	-28

Source: ITC calculations based on Trade Map data.

Note: All figures are in %. Results for arms and ammunition (section 19) are not displayed. Global results do not include oil, coal, gas and electricity (HS 27), but these products are included in section 05. Colours in the cell indicate the degree of trade integration between 2003 and 2012; dark green corresponds to significant integration and dark red significant disintegration.

2. Obstacles to trade integration

2.1. Trade policy framework

ACP countries are active in seeking trade partnerships; however, efforts to integrate among themselves are limited to the region to which they belong (Figure 15). Caribbean ACP countries are united under the Caribbean Community and Common Market (CARICOM) and Pacific states under the Pacific Island Countries Trade Agreement (PICTA). In Africa, West African ACP members form the Economic Community of West African States (ECOWAS) and in the rest of sub-Saharan Africa, negotiations are underway to merge the Common Market of Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Cooperation (SADC) into a free trade area of 26 member states and would constitute the African Free Trade Zone.

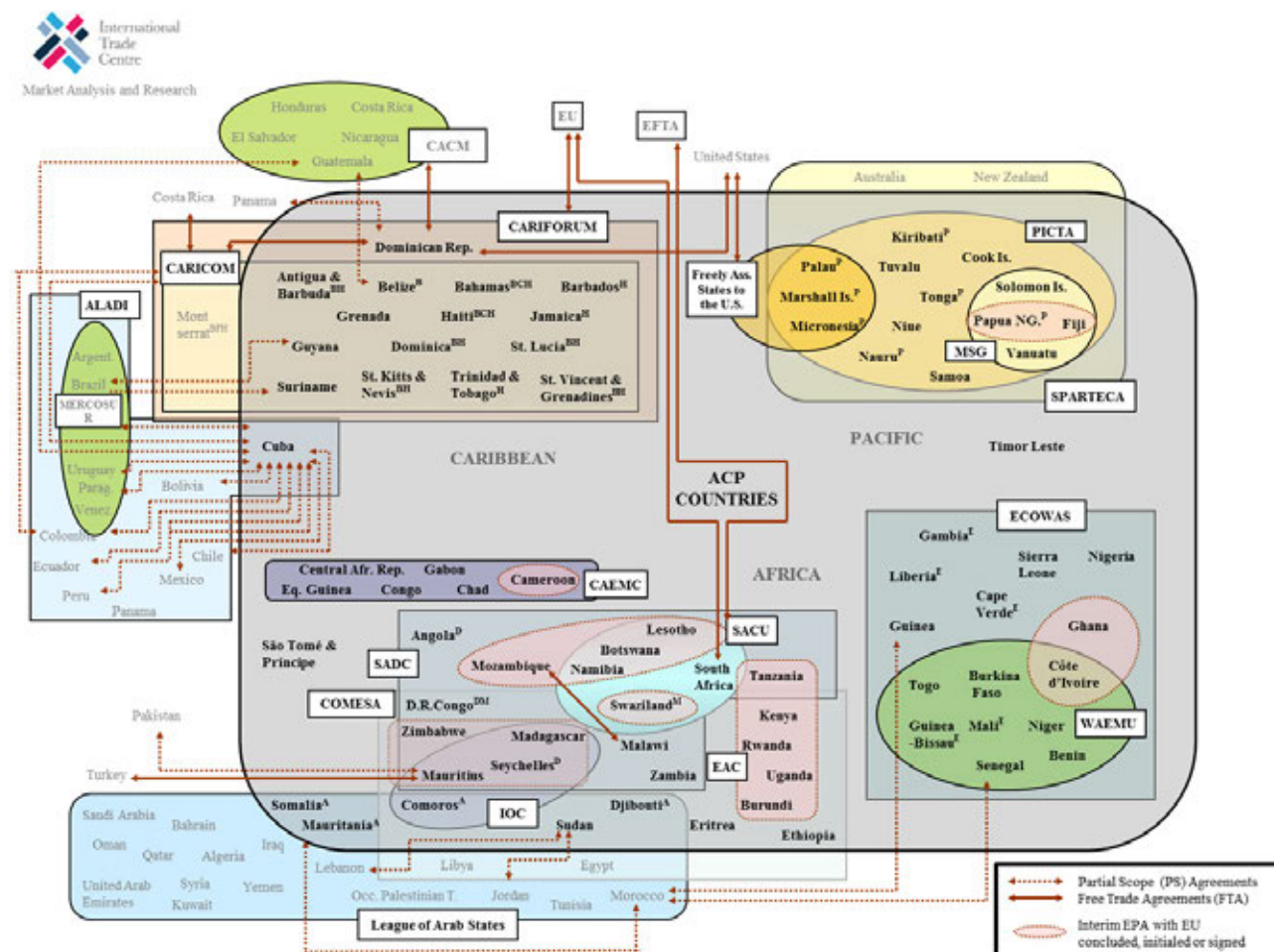
At an even larger scale, plans to create a pan-African free trade area are also discussed at the level of the African Union. Such an initiative would involve the ACP African group and include most North African countries. Currently, not all of these regions are free trade areas. A few regional agreements, such as the Western African Economic and Monetary Union (WAEMU), the Southern African Customs Union (SACU) and EAC are actual customs unions characterized by an absence of tariffs within the regions.

Most ACP countries have either individually or as part of their regional groups pursued partnerships with other trade blocks:

- Several East African ACP members are members of the League of Arab States (LAS) even though (with the exception of the Republic of Sudan) they do not benefit from trade preferences granted under the Great Arab Free Trade Agreement (GAFTA).
- CARICOM has a formal trade agreement with Costa Rica, and the Dominican Republic with the Central American Common Market.
- Cuba is linked to other South and Central American countries via multiple bilateral partial scope agreements.
- The Pacific ACP countries' exports of textiles, clothing and footwear benefit from non-reciprocal preferential access to markets in Australia and New Zealand under the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA).
- Caribbean group members signed a full EPA with the European Union in 2007. Other countries signed interim EPAs to secure the continuation of preferential access to the EU market. To date, many ACP countries have not initialized any tariff reductions.¹⁴

¹⁴ See various articles at: <http://www.bilaterals.org/?-eu-acc-epas->.

Figure 15: Trade agreements of ACP countries (2014)



Notes:

- ^A Members of the League of Arab States but not yet applying preferential tariffs under the Greater Arab Free Trade Agreement.
- ^B Do not apply preferences under CARICOM-Colombia, CARICOM-Cuba, CARICOM-Costa Rica, CARICOM-Dominican Republic.
- ^C Members of CARICOM but not of the single market.
- ^D Members of SADC but not yet applying preferential tariffs.
- ^E Members of ECOWAS but not yet applying preferential tariffs.
- ^F Not part of Cariforum.
- ^H Do not yet apply preferences under the EPA Cariforum-EU.
- ^M Members of COMESA but not yet applying preferential tariffs.
- ^P Parties to PICTA but not yet applying preferential tariffs.

This graph reflects, to the best of ITC's knowledge, the situation as of May 2014. Included are implemented agreements concerning trade in goods only. The number and list of products to which preferences are granted varies from country/territory to country/territory. With some exceptions, only agreements with reciprocal preferences are shown. It should be considered that ACP countries may be granted preferential tariffs resulting from trade regimes such as the General System of Preferences, that is, from countries providing non-reciprocal preferential tariffs to developing and least developed countries.

2.2. Tariffs

Despite the absence of a global ACP-level trade agreement, a number of regional trade agreements allow exporters to benefit from tariffs that are generally lower than the ones faced by their competitors in the same markets. Table 9 shows that ACP countries benefit from a larger tariff preference margin¹⁵ when exporting to ACP markets as compared to exporting to the rest of the world. However, the intraregional tariff level for ACP exporters remains significantly higher than the tariffs they face on the rest-of-the-world

¹⁵ The tariff preference margin is defined as the difference between the tariff charged to competitors and the tariff charged to the exporting country by a given market.

market. This is due to the fact that tariffs applied by ACP markets are on average higher than those of other markets.

Table 9: Tariffs and preference margins faced by ACP countries in ACP and other markets

	Tariff (%)		Preferential margin (percentage points)	
	Country group	Rest of the world	Country group	Rest of the world
All products by country group, excluding oil				
ACP	6.0	2.0	3.9	0.3
Africa	5.5	2.1	4.1	0.2
Caribbean	4.4	3.4	7.6	0.7
Pacific	10.4	0.8	1.5	0.3
All ACP groups, by HS section	ACP	Rest of the world	ACP	Rest of the world
Live animals and animal products (01)	6.6	5.2	3.8	1.3
Vegetable products (02)	6.3	6.8	2.1	-0.2
Animal or vegetable fats and oils (03)	8.4	0.9	5.7	2.5
Prepared foodstuffs, beverages and tobacco (04)	11.3	4.2	6.8	0.7
Mineral products (05)	2.7	0.2	0.1	0.0
Chemical products (06)	4.4	1.2	2.0	0.4
Plastic (articles); rubber (articles) (07)	6.6	1.7	4.7	0.0
Raw hides, skins, leather and leather articles (08)	6.2	2.5	14.1	-0.1
Wood and articles of wood (09)	5.1	0.9	3.2	-0.1
Wood (articles) (10)	5.6	0.9	4.2	-0.1
Textiles and textile articles (11)	8.0	2.0	12.9	4.5
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	9.1	2.2	13.6	4.3
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	7.2	2.1	5.1	0.3
Pearls and precious stones or metals, imitation jewellery (14)	0.8	1.5	0.5	0.0
Base metals (articles) (15)	5.0	1.0	3.0	0.2
Machinery and mechanical appliances; electrical equipment (16)	3.9	1.2	2.3	0.1
Vehicles, aircraft, vessels and associated transport equipment (17)	6.2	2.4	3.3	0.2
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	3.1	0.6	1.0	0.1
Miscellaneous manufactured articles (20)	8.4	0.7	8.2	0.3
Works of art (21)	1.4	0.0	0.6	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

Note: Tariffs and preference margins at section level for each of the three regions are provided in Appendix II.

Among the regional subgroups the Caribbean group stands out with both higher preference margins and lower applied tariffs granted to Caribbean exporters when compared with the all-ACP level. The opposite holds true for the Pacific region. Despite the PICTA agreement, both higher tariffs and less preference apply for Pacific countries when exporting within the region (see Appendix II).

Within Africa, only EAC operates as an entirely free trade area. Regions such as ECOWAS, ECCAS and SADC generally offer larger preferences to their members than the preferences they obtain when exporting to the rest of the world. However, as most-favoured-nation tariffs in these regions are significantly higher than those applied by other markets, preferential tariffs granted to regional members are still often higher than tariffs faced in the rest of the world.

Despite existing intra-ACP tariff preferences, there is still room for enhancing trade integration through further tariff reduction.

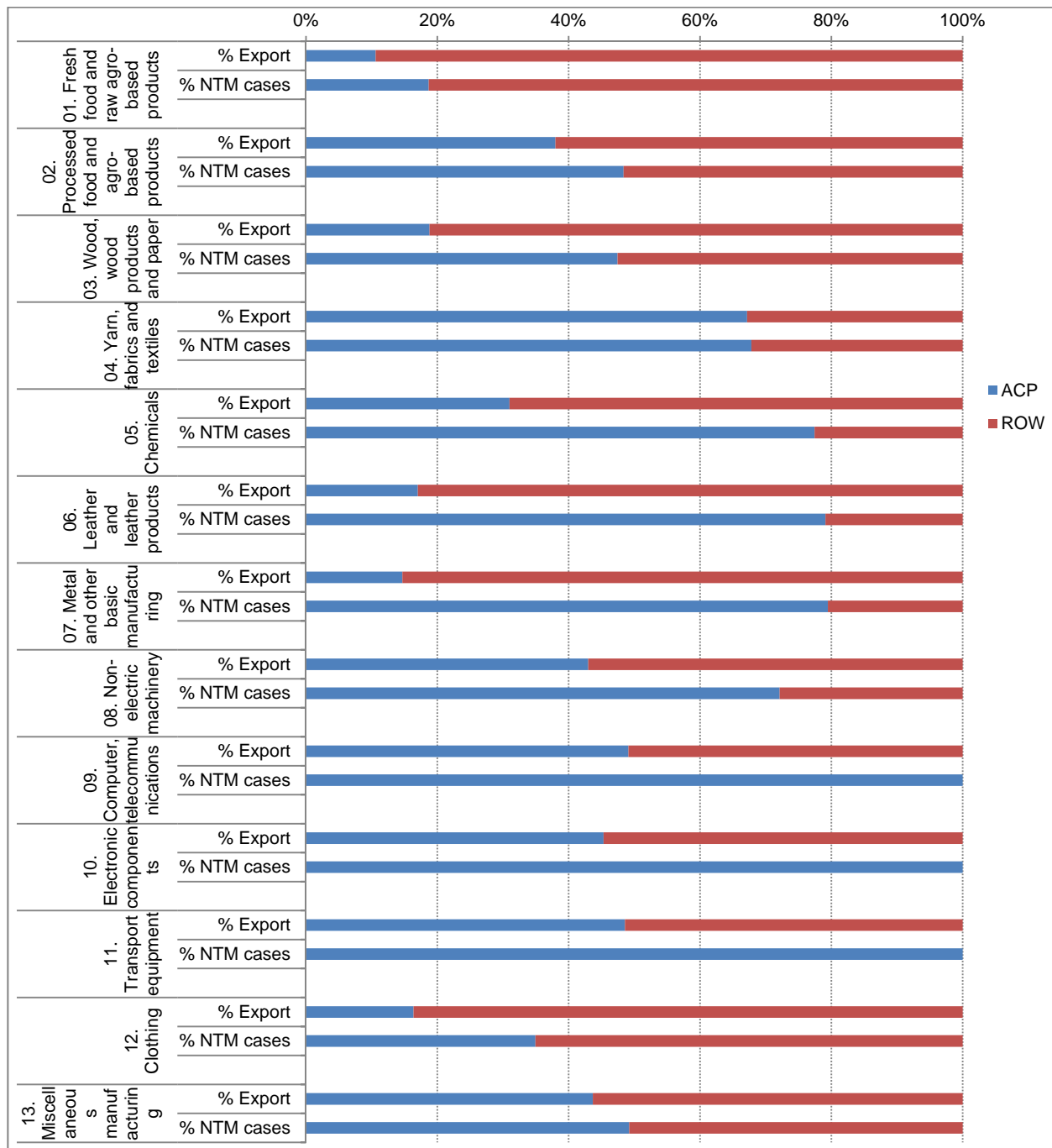
2.3. Non-tariff measures

The analysis of tariffs and tariff preferences is important because some tariffs are significant. However, it is generally acknowledged that NTMs can create more significant obstacles to trade than tariffs themselves. ITC has launched a programme to analyse NTMs from the business perspective by surveying trading companies in developing countries. ITC has surveyed 30 developing countries, including 12 ACP members.¹⁶

To inform the ongoing discussion about the potential for further integration across the ACP region, insights from these comprehensive NTM Surveys, carried out under the ITC NTM programme, highlight trade obstacles and suggest possibilities to overcome them.

¹⁶ These countries are: Burkina Faso, Côte d'Ivoire, Guinea, Kenya, Madagascar, Mauritius, Malawi, Rwanda, Senegal and United Republic of Tanzania in Africa and Jamaica and Trinidad and Tobago in the Caribbean. Data on Pacific countries is not yet available.

Figure 16: Share of cases of burdensome non-tariff measures versus share of exports



Source: ITC calculations based on Trade Map and NTM survey data collected between 2010 and 2013. To match the NTM data, export shares are computed as an average over three years, 2010-2012.

Note: ROW refers to rest of the world.

To illustrate how easily ACP exporters can access their regional market, Figure 16 compares the share of reported NTM cases to the share of exports by the partner region. Whenever the share of NTM cases exceeds that of exports for a given market, it can be interpreted that the relevant market is relatively difficult to access. Relative to their importance as export markets, ACP countries are responsible for a disproportionate amount of burdensome regulations. In every sector identified by the ITC NTM Surveys, the share of NTM cases when exporting to ACP markets often significantly exceeds the share of exports in value terms.

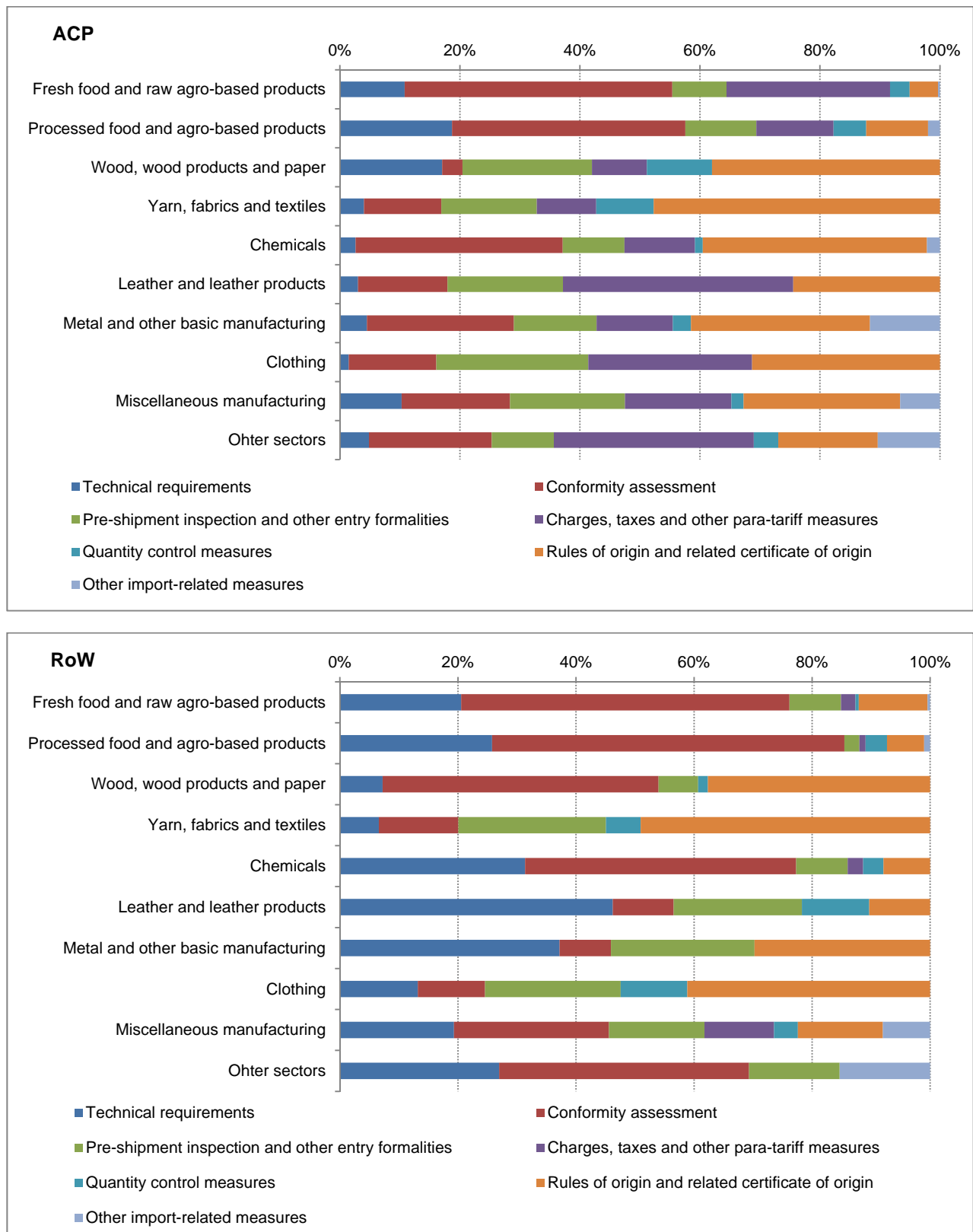
Reasons for this could be more stringent conditions to fulfil or more burdensome procedures applied by regional markets. It could also be the case that regional trade flows generally have a smaller unit value than flows to extra-regional destinations. Given the fact that most NTMs imply a cost that does not depend on the trade value, it means that exporting to regional markets is more costly as a share of the trade value than exporting outside the region.¹⁷

Figure 17 illustrates the NTMs ACP exporters find particularly difficult to cope with. Technical requirements and conformity assessment together make up a large share of burdensome NTMs, particularly in the agricultural sector and when exporting to the rest of the world. Technical requirements include product specific requirements such as tolerance limits for residues, hygienic requirements or measures on labelling and packaging. Conformity assessment refers to measures to ensure compliance with technical regulations, for example testing and certification.

These two categories cover sanitary and phytosanitary measures and technical barriers to trade in the NTM Survey classification. They are perceived as most challenging by agricultural companies that export to the world market.

¹⁷ A more specific analysis of NTMs faced by Kenyan companies when trading to other EAC countries has been carried out by Tabitha Kiriti Nganga: Connecting to global markets, Chapter 4, 2013.

Figure 17: Types of burdensome non-tariff measures in exports



Source: ITC calculations based on NTM Survey data.

Chapter 4 Conclusions

International trade plays an important role for the economies of ACP countries, which share the objective to further integrate into the global economy. This study provides an overview of the trade performance and trade policy developments in the ACP region and identifies prospects for stronger trade cooperation and performance.

ACP countries significantly expanded their exports over the last decade. This is particularly the case for exports of goods from the African and the Pacific groups. Exports of services also increased strongly, but are still underrepresented in the export portfolio of most ACP countries when compared with the rest of the world. The Caribbean region is the notable exception to this. In all regions, travel services appear to be a major contributor to services' exports.

Limited diversification in exports

ACP countries feature a limited level of diversification in their exports, especially in terms of product diversification. Different combinations of small size, remoteness and being landlocked explain this lack of diversification. The Caribbean region has managed to increase product diversification during the last 10 years. Some regions within Africa – EAC and ECCAS – have also managed to diversify their exports.

A specialization in commodity exports

ACP countries specialize in commodity exports and are characterized by limited development of their processing industries. The analysis of trade data over 10 years suggests no significant change for both the African and the Pacific groups in terms of their overall specialization.

Trade data reveals that processing activities are still behind the average of other developing countries. Only the Caribbean group has been able to increase its share of processed goods in total exports and the share of intermediate goods in total imports. The analysis of imports of intermediates and exports of processed goods reveals that EAC is one of the African regions that developed its processing activities the fastest.

A stronger integration in global markets than intraregional integration

During the last 10 years, integration in global markets has seen a stronger increase than intraregional integration for most ACP regions and for the ACP group as a whole. This is a trend that has been observed in most regions of the world and reflects the ongoing globalization process.

In the Caribbean group, regional integration has outperformed global integration. Despite the relatively small economic size of the group, 10% of total exports are directed to the region. Exports of the Caribbean group are driven by a large number of SMEs that benefit from a significant tariff preference granted by other Caribbean countries and an increased level of regional integration.

Within Africa, EAC is the only region that operates as an entirely free trade area; it is also the region for which intraregional trade has grown fastest as compared with overall trade. At sector level, the analysis shows that regional integration has been strongest in agricultural products, textiles, and machinery and transport equipment, notably in the Caribbean group.

ACP exporters face higher tariffs in ACP markets

The trade policy discussion in this study reveals that ACP countries benefit from a significant tariff preference as compared to their competitors when exporting to ACP markets. However, despite the tariff preference, ACP exporters still face higher tariffs in ACP markets than in third markets. At the regional level, both larger preferences and lower tariffs are granted by Caribbean countries to other Caribbean countries as compared with the two other regional groups. Within Africa a number of regional trade integration efforts coexist (COMESA, EAC, ECCAS, ECOWAS and SADC), but to date only the EAC Customs Union appears to offer free market access within the region.

Company-level surveys discussed in this study show that among the three regional groups, the size of exporting companies in Africa is the largest, followed by Caribbean countries, and smallest in the Pacific region. While small companies contribute significantly to economic growth and job creation, it is often more difficult for them to engage in international trade, especially to long-distance markets.

A high number of non-tariff measures originate from ACP countries

The analysis of NTMs reported by ACP exporters in 12 of the ACP countries reveals that the number of NTMs that originated from ACP countries is disproportionately high as compared to the share of exports within the ACP group and to the rest of the world. This is particularly true in the manufacturing sector.

Rules and certificates of origins are also often mentioned as significant obstacles to export to all markets, especially in sectors such as wood products, textiles and clothing, leather and chemicals. Other challenges faced by exporters when exporting to the rest of the world relate to technical requirements and conformity assessments, particularly in agricultural sectors.

Potential exists to strengthen regional integration

Although the ACP region is characterized by a significant level of cooperation in the area of trade, this study reveals that there is potential to strengthen regional integration. The role of regional integration for attracting foreign direct investment and for increasing trade flows has been much discussed in the economic literature.

A stronger role for SMEs

The data presented in this study in addition suggest that increased regional integration can contribute to a stronger role for SMEs in international trade, increased export diversification and a higher value added in exports.

Scaling up cooperation

Scaling up cooperation among ACP countries will lead to more trade, contribute to more inclusive trade and boost economic growth.

Appendix I – African, Caribbean and Pacific countries

Africa

Angola	Ethiopia	Niger
Benin	Gabon	Nigeria
Botswana	Gambia	Rwanda
Burkina Faso	Ghana	Sao Tome and Principe
Burundi	Guinea	Senegal
Cabo Verde	Guinea-Bissau	Seychelles
Cameroon	Kenya	Sierra Leone
Central African Republic	Lesotho	Somalia
Chad	Liberia	South Africa
Comoros	Madagascar	Sudan
Congo	Malawi	Swaziland
Côte d'Ivoire	Mali	Togo
Democratic Republic of the Congo	Mauritania	Uganda
Djibouti	Mauritius	United Republic of Tanzania
Equatorial Guinea	Mozambique	Zambia
Eritrea	Namibia	Zimbabwe

Caribbean

Antigua and Barbuda	Dominican Republic	Saint Lucia
Bahamas	Grenada	Saint Vincent and the Grenadines
Barbados	Guyana	Suriname
Belize	Haiti	Trinidad and Tobago
Cuba	Jamaica	
Dominica	Saint Kitts and Nevis	

Pacific

Cook Islands	Nauru	Solomon Islands
Fiji	Niue	Timor-Leste
Kiribati	Palau	Tonga
Marshall Islands	Papua New Guinea	Tuvalu
Micronesia (Federated States of)	Samoa	Vanuatu

Appendix II – Tariffs and preference margins by country group

African countries (ACP)

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	Africa	Rest of the world	Africa	Rest of the world
Live animals and animal products (01)	6.5	5.5	4.0	1.8
Vegetable products (02)	6.9	7.1	1.9	-0.3
Animal or vegetable fats and oils (03)	8.2	2.6	5.7	4.0
Prepared foodstuffs, beverages and tobacco (04)	10.3	3.4	6.9	0.9
Mineral products (05)	3.0	0.2	-0.5	0.0
Chemical products (06)	4.5	2.2	1.8	0.2
Plastic (articles); rubber (articles) (07)	6.2	1.8	5.1	-0.2
Raw hides, skins, leather and leather articles (08)	5.8	2.6	15.1	-0.2
Wood and articles of wood (09)	3.9	1.1	3.4	-0.1
Wood (articles) (10)	5.9	0.8	4.0	-0.1
Textiles and textile articles (11)	7.3	2.3	16.7	3.4
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	8.9	2.0	14.2	1.7
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	6.8	2.2	5.5	0.1
Pearls and precious stones or metals, imitation jewellery (14)	0.8	1.7	0.5	-0.1
Base metals (articles) (15)	4.4	1.1	3.3	0.2
Machinery and mechanical appliances; electrical equipment (16)	3.5	1.2	2.5	0.0
Vehicles, aircraft, vessels and associated transport equipment (17)	5.6	2.8	3.6	0.2
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	2.3	1.0	1.1	0.3
Miscellaneous manufactured articles (20)	8.3	0.6	8.4	0.2
Works of art (21)	1.3	0.1	0.3	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

Caribbean countries (ACP)

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	Caribbean	Rest of the world	Caribbean	Rest of the world
Live animals and animal products (01)	2.5	5.6	9.9	-0.6
Vegetable products (02)	2.5	3.6	6.2	1.3
Animal or vegetable fats and oils (03)	1.2	15.7	9.8	0.1
Prepared foodstuffs, beverages and tobacco (04)	3.6	12.0	20.1	-0.6
Mineral products (05)	0.5	0.9	4.8	0.0
Chemical products (06)	1.4	0.6	5.5	0.6
Plastic (articles); rubber (articles) (07)	8.5	3.6	4.5	0.9
Raw hides, skins, leather and leather articles (08)	8.7	3.0	4.5	1.6
Wood and articles of wood (09)	0.7	6.5	10.2	0.2
Wood (articles) (10)	1.4	4.8	7.7	-0.3
Textiles and textile articles (11)	9.9	1.5	0.2	7.4
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	9.7	2.5	2.5	4.7
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	5.4	9.3	2.8	0.6
Pearls and precious stones or metals, imitation jewellery (14)	1.1	0.0	31.6	0.6
Base metals (articles) (15)	4.6	2.1	1.5	0.0
Machinery and mechanical appliances; electrical equipment (16)	2.0	3.4	5.7	0.3
Vehicles, aircraft, vessels and associated transport equipment (17)	1.4	6.0	8.5	-0.1
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	1.6	0.8	5.3	0.0
Miscellaneous manufactured articles (20)	4.8	7.3	10.1	0.8
Works of art (21)	2.3	0.0	13.6	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

Pacific countries (ACP)

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	Pacific	Rest of the world	Pacific	Rest of the world
Live animals and animal products (01)	9.8	4.5	1.6	-0.4
Vegetable products (02)	5.4	1.3	0.9	-0.3
Animal or vegetable fats and oils (03)	11.3	0.1	0.1	1.8
Prepared foodstuffs, beverages and tobacco (04)	15.6	1.8	2.9	1.4
Mineral products (05)	5.3	0.6	0.2	0.0
Chemical products (06)	12.2	3.1	0.4	0.1
Plastic (articles); rubber (articles) (07)	11.4	1.3	0.4	0.0
Raw hides, skins, leather and leather articles (08)	14.5	0.5	3.6	0.4
Wood and articles of wood (09)	7.5	0.4	0.8	0.1
Wood (articles) (10)	7.0	2.9	0.8	-0.5
Textiles and textile articles (11)	15.2	0.6	0.5	7.2
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	6.7	5.3	6.9	2.3
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	7.4	9.0	0.0	-0.2
Pearls and precious stones or metals, imitation jewellery (14)	8.1	0.0	2.5	0.0
Base metals (articles) (15)	6.6	1.6	0.2	-0.1
Machinery and mechanical appliances; electrical equipment (16)	6.0	3.6	0.3	0.5
Vehicles, aircraft, vessels and associated transport equipment (17)	8.0	1.1	3.8	-0.1
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	4.1	1.0	0.5	0.4
Miscellaneous manufactured articles (20)	13.3	2.5	3.6	0.2
Works of art (21)	0.5	0.0	0.0	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

East African Community (EAC)

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	EAC	Rest of the world	EAC	Rest of the world
Live animals and animal products (01)	0.0	7.2	29.1	0.4
Vegetable products (02)	0.0	4.1	16.0	-0.1
Animal or vegetable fats and oils (03)	0.0	7.7	10.9	9.8
Prepared foodstuffs, beverages and tobacco (04)	0.0	5.8	18.8	4.9
Mineral products (05)	0.0	1.5	9.1	0.5
Chemical products (06)	0.0	6.5	5.3	2.3
Plastic (articles); rubber (articles) (07)	0.0	11.0	14.7	1.4
Raw hides, skins, leather and leather articles (08)	0.0	2.6	4.5	0.3
Wood and articles of wood (09)	0.0	1.7	14.7	3.7
Wood (articles) (10)	0.0	5.5	15.7	3.1
Textiles and textile articles (11)	0.0	1.5	16.1	5.4
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	0.0	16.3	20.8	4.2
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	0.0	8.8	14.0	1.5
Pearls and precious stones or metals, imitation jewellery (14)	0.0	1.1	22.8	0.9
Base metals (articles) (15)	0.0	4.6	13.8	0.9
Machinery and mechanical appliances; electrical equipment (16)	0.0	1.2	6.6	0.5
Vehicles, aircraft, vessels and associated transport equipment (17)	0.0	3.3	6.3	4.1
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	0.0	1.6	0.6	0.9
Miscellaneous manufactured articles (20)	0.0	9.4	18.9	3.1
Works of art (21)	0.0	0.4	22.5	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

Economic Community of West African States (ECOWAS)

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	ECOWAS	Rest of the world	ECOWAS	Rest of the world
Live animals and animal products (01)	5.5	3.5	4.6	0.9
Vegetable products (02)	3.5	4.6	7.8	0.2
Animal or vegetable fats and oils (03)	5.3	2.9	12.2	2.2
Prepared foodstuffs, beverages and tobacco (04)	7.0	0.8	6.5	0.2
Mineral products (05)	3.1	0.4	0.3	-0.2
Chemical products (06)	7.2	3.4	2.0	-0.3
Plastic (articles); rubber (articles) (07)	9.1	1.2	4.0	-0.2
Raw hides, skins, leather and leather articles (08)	9.5	3.3	4.3	-1.3
Wood and articles of wood (09)	5.7	2.2	4.9	-0.2
Wood (articles) (10)	4.8	7.4	7.0	-0.8
Textiles and textile articles (11)	10.0	0.8	2.1	0.0
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	14.4	14.6	2.8	-0.5
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	7.9	7.5	1.8	-0.6
Pearls and precious stones or metals, imitation jewellery (14)	18.4	0.1	0.0	0.0
Base metals (articles) (15)	8.6	2.9	4.6	-0.3
Machinery and mechanical appliances; electrical equipment (16)	9.1	2.4	0.4	0.1
Vehicles, aircraft, vessels and associated transport equipment (17)	4.5	5.5	0.1	-1.6
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	8.7	1.6	0.0	0.5
Miscellaneous manufactured articles (20)	16.3	7.9	2.9	-0.9
Works of art (21)	18.9	0.0	0.0	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

Southern African Development Community (SADC)

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	SADC	Rest of the world	SADC	Rest of the world
Live animals and animal products (01)	6.4	10.8	5.9	2.7
Vegetable products (02)	4.4	11.0	1.0	-0.7
Animal or vegetable fats and oils (03)	10.7	4.4	2.1	8.2
Prepared foodstuffs, beverages and tobacco (04)	8.6	10.8	8.2	1.3
Mineral products (05)	1.6	0.2	0.5	0.0
Chemical products (06)	3.9	2.7	1.5	0.1
Plastic (articles); rubber (articles) (07)	5.3	4.9	5.9	-0.2
Raw hides, skins, leather and leather articles (08)	5.1	2.3	18.6	0.2
Wood and articles of wood (09)	2.8	0.5	3.4	0.2
Wood (articles) (10)	5.5	2.1	3.4	0.3
Textiles and textile articles (11)	6.5	3.2	22.6	3.9
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	6.1	6.2	18.5	1.3
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	4.3	6.7	6.6	0.3
Pearls and precious stones or metals, imitation jewellery (14)	0.1	1.8	0.5	-0.1
Base metals (articles) (15)	3.6	1.2	3.5	0.2
Machinery and mechanical appliances; electrical equipment (16)	2.6	2.0	3.0	0.0
Vehicles, aircraft, vessels and associated transport equipment (17)	5.3	4.6	8.3	-0.3
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	1.0	1.9	1.5	0.2
Miscellaneous manufactured articles (20)	6.0	3.7	9.6	0.2
Works of art (21)	3.1	0.2	0.4	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

Southern African Development Community (SADC), excluding South Africa

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	SADC excluding South Africa	Rest of the world	SADC excluding South Africa	Rest of the world
Live animals and animal products (01)	7.6	15.4	3.1	4.9
Vegetable products (02)	5.2	4.0	0.4	2.2
Animal or vegetable fats and oils (03)	7.1	2.3	2.3	13.3
Prepared foodstuffs, beverages and tobacco (04)	9.4	6.3	6.5	5.6
Mineral products (05)	2.4	0.1	0.3	0.0
Chemical products (06)	4.0	2.5	0.8	0.1
Plastic (articles); rubber (articles) (07)	7.4	4.2	3.5	2.0
Raw hides, skins, leather and leather articles (08)	14.1	0.7	4.7	0.7
Wood and articles of wood (09)	5.5	0.3	1.1	0.5
Wood (articles) (10)	3.2	3.1	4.7	5.8
Textiles and textile articles (11)	10.1	1.3	7.3	6.9
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	11.9	2.0	9.4	12.9
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	10.7	14.1	1.8	0.8
Pearls and precious stones or metals, imitation jewellery (14)	0.3	0.3	0.0	0.0
Base metals (articles) (15)	3.0	0.7	3.3	0.4
Machinery and mechanical appliances; electrical equipment (16)	4.5	3.8	1.1	1.0
Vehicles, aircraft, vessels and associated transport equipment (17)	4.9	9.1	1.9	-3.0
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	2.1	1.1	0.8	0.3
Miscellaneous manufactured articles (20)	12.8	5.7	1.6	2.9
Works of art (21)	12.7	0.2	0.7	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

Common Market for Eastern and Southern Africa (COMESA), not including Egypt and Libya

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	COMESA	Rest of the world	COMESA	Rest of the world
Live animals and animal products (01)	3.1	3.2	12.1	0.9
Vegetable products (02)	2.3	4.9	4.9	0.1
Animal or vegetable fats and oils (03)	5.1	1.3	6.4	7.8
Prepared foodstuffs, beverages and tobacco (04)	6.0	6.5	10.8	6.1
Mineral products (05)	1.5	0.1	2.6	0.1
Chemical products (06)	3.8	3.1	2.7	1.0
Plastic (articles); rubber (articles) (07)	5.7	2.4	7.5	6.4
Raw hides, skins, leather and leather articles (08)	1.6	2.1	5.0	0.5
Wood and articles of wood (09)	4.5	0.6	6.6	0.6
Wood (articles) (10)	1.8	2.7	9.2	3.2
Textiles and textile articles (11)	3.1	1.4	10.7	6.6
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	8.6	1.2	13.1	9.3
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	4.9	2.5	8.7	6.0
Pearls and precious stones or metals, imitation jewellery (14)	2.5	0.5	8.5	0.0
Base metals (articles) (15)	2.8	0.9	7.4	0.4
Machinery and mechanical appliances; electrical equipment (16)	3.8	1.4	3.1	1.6
Vehicles, aircraft, vessels and associated transport equipment (17)	3.4	2.0	6.0	2.0
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	2.3	1.0	1.4	0.3
Miscellaneous manufactured articles (20)	6.6	1.7	11.7	3.8
Works of art (21)	2.1	0.3	12.6	0.0

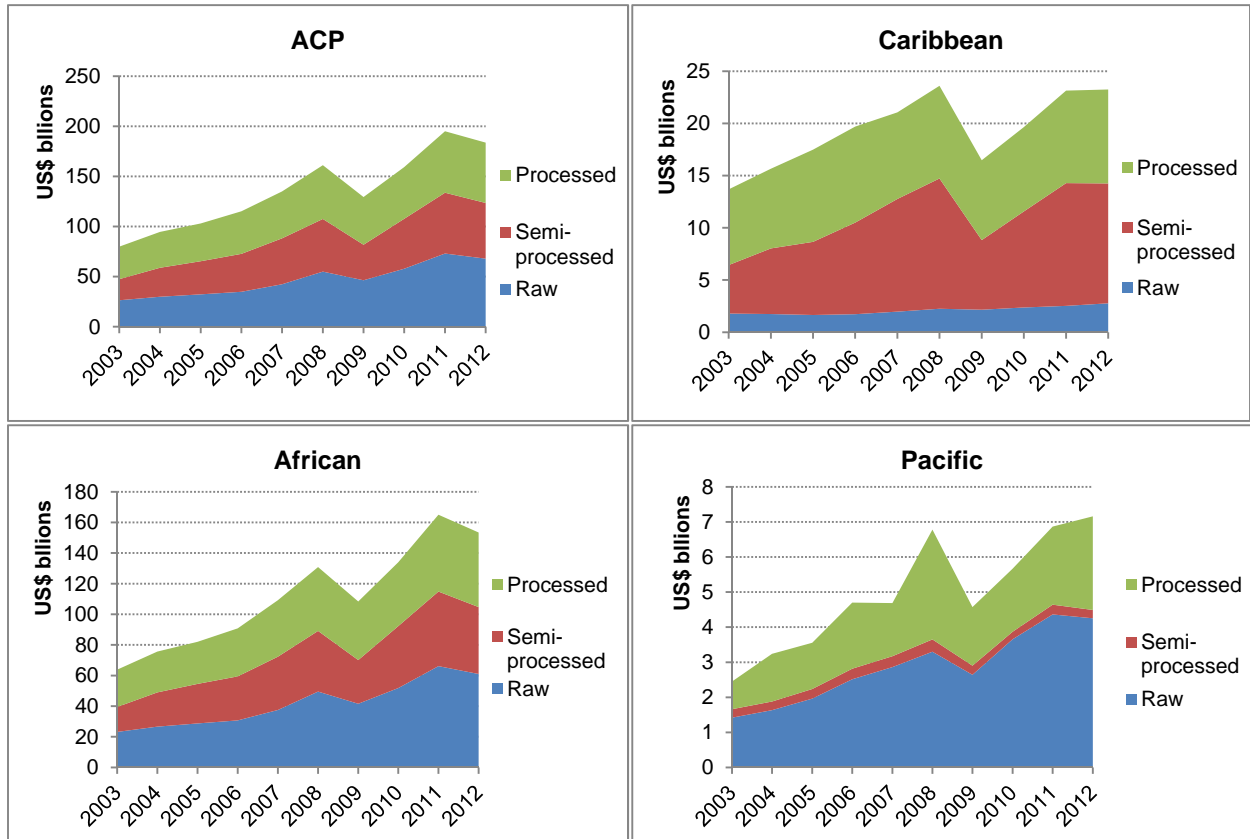
Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green larger preference.

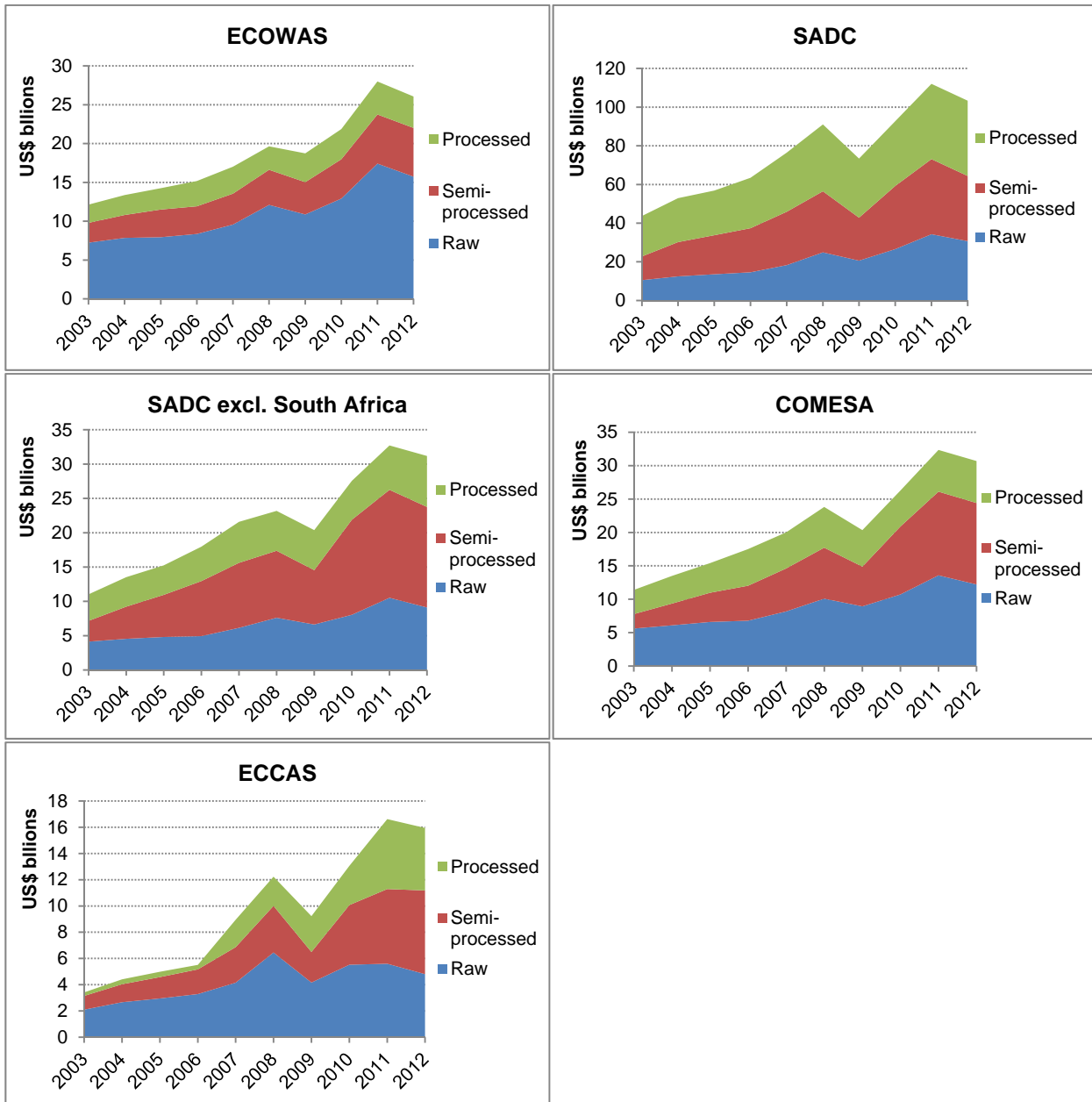
Economic Community of Central African States (ECCAS)

HS Sections	Tariff (%)		Preferential margin (percentage points)	
	ECCAS	Rest of the world	ECCAS	Rest of the world
Live animals and animal products (01)	2.3	4.2	9.8	0.5
Vegetable products (02)	7.2	2.1	16.6	0.7
Animal or vegetable fats and oils (03)	2.3	8.7	20.6	-6.2
Prepared foodstuffs, beverages and tobacco (04)	2.3	0.9	21.1	-0.2
Mineral products (05)	3.2	0.1	6.3	0.0
Chemical products (06)	2.2	0.6	19.0	1.0
Plastic (articles); rubber (articles) (07)	2.0	0.7	10.1	0.0
Raw hides, skins, leather and leather articles (08)	15.3	1.3	11.1	0.6
Wood and articles of wood (09)	1.9	0.9	25.6	-0.2
Wood (articles) (10)	2.3	7.4	13.3	-0.2
Textiles and textile articles (11)	5.2	1.7	15.3	0.0
Footwear, headgear, umbrellas, (walking) sticks, whips, riding crops; prepared feathers and articles made therewith (12)	1.8	5.7	26.2	3.1
Articles of stone, plaster, cement, asbestos, mica etc., ceramic products; glass(ware) (13)	2.8	14.9	8.4	0.2
Pearls and precious stones or metals, imitation jewellery (14)	0.0	0.3	29.6	0.0
Base metals (articles) (15)	3.6	1.1	10.1	0.5
Machinery and mechanical appliances; electrical equipment (16)	2.1	3.5	8.0	0.0
Vehicles, aircraft, vessels and associated transport equipment (17)	3.8	7.3	2.4	0.1
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments; clocks and watches; musical instruments (18)	2.3	2.3	5.3	0.2
Miscellaneous manufactured articles (20)	10.1	7.6	11.4	0.0
Works of art (21)	0.6	0.0	29.2	0.0

Source: ITC calculations based on Trade Map and Market Access Map data. Colours in the cell indicate the level of applied tariffs and tariff preference; dark red corresponds to high tariffs and dark green to larger preferences.

Appendix III – Processing stages of ACP exports





Source: ITC calculations based on Trade Map data.

Note: Egypt and Libya were excluded from calculations for COMESA as they are not part of ACP.



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