

Africa Beyond 2005: Understanding the Impact of Eliminating NTBs and tariffs on Textiles and Clothing

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Introduction

➤ Motivation

- Why are we interested in this?
- Hasn't this been done before?

➤ Literature

- Mattoo, Roy and Subramanian (2002)
- Francois and Spinanger (2001)

Background

➤ U.S. Trade Act of 2000

- African Growth Opportunity Act (AGOA)
 - Preferential treatment for clothing from eligible SSA countries for 8 years.
 - Duty and quota free to clothing assembled in SSA with U.S.-origin fabrics + some clothing from regional fabrics from SSA or US yarns.
- CBTPA
 - Similar (enough) to AGOA for modeling purposes.

T&C Trade Flows 1996-2001

➤ SSA Exports to World (Table 1)

- SSA cotton, veg. textile fibers, manmade filament and staple fibers (HS 52-55) exports up till 1997, then fall.
- Growth rates for silk, nonwoven, and laminated fabrics (HS 50, 56, 59) slowed then fell for 1999/2000 relative to previous years.

➤ SSA Exports to U.S. (Table 2)

- 4% of average total Xs
 - HS 52 Cotton negligible
 - HS 58 Special woven fabric 42 %

Details

- GTAP model v.5 with 1997 base data
- 14x7 Aggregation
 - AFRICA (SACU, Other Southern Africa and Rest of SSA)
 - Mexico, Central America/Caribbean
 - Latin America
 - Asia (China, old NICs, ASEAN, S. Asia)
 - North (U.S., Canada, EU15)

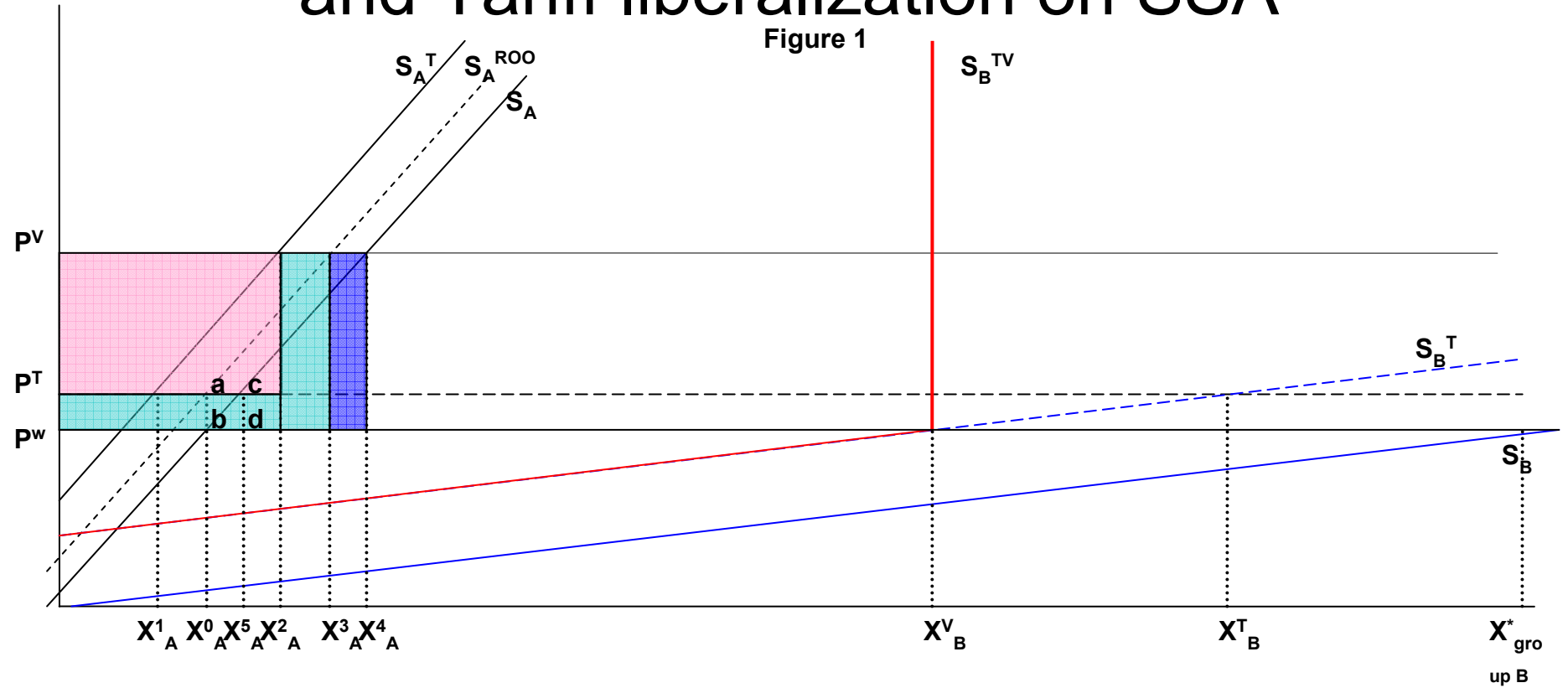
Details (*cont*)

➤ Sectoral Aggregation

- Textiles
- Clothing
- Cotton
- Mining
- Services
- Agriculture
- Manufacturing

The Impact of AGOA, ATC implementation and Tariff liberalization on SSA

Figure 1



Policy Shocks

➤ Scenario 1

- Post AGOA and CBTPA

➤ Scenario 2

- Implementation of ATC

➤ Scenario 3

- After ATC is removed, how will things change with removal of all T&C tariffs?

Results from AGOA and CBTAP Implementation

- All three African regions enjoy an increase in economic welfare (Table 5A)
- Central American & Caribbean also enjoy an increase, although much larger.
- The rest of the specified regions experience a fall in welfare, especially US.

Results from AGOA and CBTAP Implementation (*cont*)

➤ Changes in Trade (Table 5B)

- African regions generally increase trade in both T & C.
- Central American and Caribbean do the same, save for textile exports.
- US begins importing significantly more clothing and textile imports fall.
- Generally, Asian T&C imports fall slightly while Clothing exports fall somewhat.

Results from ATC Implementation

- As expected, Africa loses its gains enjoyed from AGOA
- Central America & Caribbean also experience losses, much deeper
- T&C producing countries like China gain
- T&C importing countries gain (USA, Canada, EU)

Results from ATC Implementation (*cont*)

➤ Trade

- African trade generally falls, especially clothing exports
- Mexico and CA/Caribbean fall dramatically save for Mexican clothing imports.
- US loses due to its high textile protection going away, as do Canada and EU
- Asia (save for old NICs) gain in their trade.

Results from Tariff elimination

- Post ATC, this experiment shows
 - SACU and Other Southern Africa are as good off as they were under AGOA
 - Rest of SSA loses
 - US and EU, both which have large tariffs, lose welfare
 - China, and the rest of Asia experience welfare gains

Results from Tariff elimination (*cont*)

➤ Trade

- Africa regions increase all of their trade.
- Latin American also increases.
- CA/Caribbean increase textile trade, and clothing exports fall by 24 percent.
- Mexico clothing also falls, by 47 %
- China enjoys large gains, as does Asia
- Large importers are mixed.

Conclusion

- We aimed to study the welfare implications for Africa
 - Post AGOA, Post ATC and Post tariff removal
- Found Africa gains with AGOA, loses with ATC
- Post tariff removal, SACU and Other SSA gain.
- There are benefits from continued liberalization for Africa.