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AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA): IMPACT ON SMALL BUSINESSES AND EXPORT REVENUE IN NIGERIA

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Abstract

The African Growth and Opportunity Act (AGOA), bipartisan trade legislation and a cornerstone of US commercial policy towards Sub-Saharan Africa (SSA), was enacted on 18 May 2000. The non-reciprocal initiative granted unprecedented duty-free access to more than 1800 eligible exports of SSA. The ultimate objective of this initiative is to create small businesses, boost exports and enhance economic growth in SSA.

This study, therefore, analyzed available trade data from 2000 to 2019 to ascertain whether or not Nigeria's non-oil exports to the US have increased as a result of AGOA. We undertook a descriptive and non-technical analysis of the impact of AGOA, which revealed that Nigeria's non-oil exports to the US had not shown any discernable or notable increase since 2000. Excluding oil exports, the US has experienced a trade surplus with Nigeria since the inception of AGOA. Hence, the expected positive impact of AGOA on small businesses remains elusive. Policy recommendations on how Nigeria may overcome the impediments to AGOA are discussed.

Keywords

AGOA, Trade Relations, Development, Nigeria

JEL Codes: F13, O24, 055

INTRODUCTION

Sub-Saharan African (SSA) economies are besieged with negative growth indicators amid an unprecedented expansion of the economies of other developing countries. Poverty rates are increasing with lackluster or declining economic growth. While other developing countries, especially in Asia, have integrated exceptionally well and taken advantage of the global trade, SSA has failed to integrate into the global economy. The region accounts for a paltry two percent (2%) of world trade with a per capita income of about $2300 (World Bank 2019).

The dire economic situation of SSA is attracting international attention, and the United States has intervened with the African Growth and Opportunity Act (AGOA), a non-reciprocal and unilateral trade agreement. The AGOA, bipartisan trade legislation and a cornerstone of US commercial policy towards SSA, was enacted on May 18, 2000, under former US President Bill Clinton. AGOA granted unprecedented duty-free access to more than 1800 eligible exports of SSA (Office of the US Trade Representative 2021). AGOA and the US Generalized System of Preferences (GSP) now offer SSA the opportunity to export about 7000 products to the US duty-free. The ultimate objective of AGOA is to integrate SSA into world trade. Given the recent role of trade in lifting countries such as China, South Korea, Thailand, and Malaysia out of poverty, this initiative is supposed to create small businesses, boost exports, create jobs, enable technology transfer, and deepen manufacturing in SSA. Hence, AGOA is arguably the most strategic unilateral intervention offered by a developed country to a less developed region in recent times.

It has been twenty-two years since AGOA was implemented, and as expected, discussions and questions about its impact have started in earnest. Since its inception, Nigeria has been a beneficiary of AGOA, as the country was declared AGOA eligible on October 2, 2000. Therefore, the objective of this study is to analyze available trade data to ascertain whether or not Nigeria has benefited from the opportunities offered by AGOA. Specifically, has Nigeria's non-oil exports to the US increased as a result of AGOA? This study provides a descriptive and non-technical analysis of the impact of AGOA on Nigeria's non-oil exports to the US with the hope that insightful trends will be delineated and made more apparent. Hence, we do not undertake any theoretical and empirical considerations. We focus on Nigeria because it is arguably the most strategic country in SSA. Nigeria has the largest economy in SSA with a GDP of $442 billion as of 2022 and the largest population of about 200 million people. The countries in SSA expect Nigeria to provide leadership in economic and political matters within the region.

Furthermore, as Schneidman and Lewis (2012) stated, the US Export-Import Bank has identified seven strategic markets – Nigeria, South Africa, Angola, Ghana, Kenya, Mozambique, and Tanzania - that the success of the AGOA project rests on, and Nigeria is the largest among them.These seven countries account for seventy-five percent (75%) of US exports to SSA, while Nigeria and South Africa account for slightly over fifty percent (50%) of this trade volume. While several studies have examined the impact of AGOA on SSA as a whole, country-specific studies are relatively scanty even though AGOA is fundamentally a unilateral arrangement offered by the US to eligible countries in SSA. This study, therefore, adds to the extant literature by examining the impact of AGOA on Nigeria-US trade relations.

Successive governments in Nigeria have embraced the rhetoric that the country's economy needs to be diversified to mitigate the dire consequences of a monoculture economy. However, very little success has been achieved in that regard. Today, the reality is that the dependence on crude oil exports has intensified rather than diversifying the economy. Revenue from crude oil exports accounts for ninety-five percent (95%) of Nigeria's foreign exchange earnings and eighty percent (80%) of government revenue. In addition, the country is still grappling with perennial problems of ethnic rivalries and clashes, political instability and turmoil, inadequate and obsolete infrastructure, corruption, and mind-boggling mismanagement of resources. These problems have made economic progress painfully slow. However, the country seems eager to embrace opportunities that offer avenues to sustainable economic growth, and AGOA seems to be a viable option to exploit.

The growth in Nigeria’s non-oil exports has been unimpressive, to say the least, as crude oil exports still dominate, accounting for 93.5% of AGOA eligible exports and generating about $4.3 billion in revenues in 2019. In contrast, much smaller countries and leading non-oil AGOA exporters generated the following as of 2019: South Africa ($8,362.29 million), Kenya ($518.09 million), Ghana ($440.65 million), Lesotho ($310.40 million), Ethiopia ($247 million), and Madagascar ($239.65 million). Clearly, these figures show that Nigeria is yet to tap into the opportunities offered by AGOA, as our data analysis in section 3 reveals.

It is noteworthy that taking advantage of opportunities offered by AGOA is not automatic for countries in SSA. Certain eligibility criteria[1]in institutional, economic, and human rights reforms must be met before a country’s exports are granted duty-free access to the US. As of 2021, thirty-nine eligible countries are evaluated annually to determine the level of compliance with the eligibility criteria. Countries are dropped or added to the program depending on the outcome of the annual evaluation. For instance, in 2020, the Democratic Republic of the Congo was dropped as a beneficiary country for failing to make the required progress in meeting the eligibility criteria (Office of the Federal Register 2020). It is equally noteworthy that AGOA is not an indefinite commercial policy but a renewable initiative where beneficiary countries are reviewed periodically to determine eligibility for continuation in the program. In 2015, the US renewed AGOA for another ten years until 2025. The hope is that the US will continue to renew AGOA for the foreseeable future since many countries in SSA are still struggling to put in place the wherewithal needed to manufacture and export to the US.

The remainder of the paper is organized as follows: Section 2 reviews the literature, while data and methodology are discussed in section 3. Section 4 undertakes data analysis and discussion, while section 5 delves into the impediments to AGOA. In section 6, we discuss the steps/actions necessary to take advantage of the opportunities offered by AGOA. Section 7 outlines how a successful AGOA program could improve government revenue generation, while section 8 summarizes and concludes the paper.

LITERATURE REVIEW

AGOA provides duty-free access to over 1800 products in addition to more than 5000 products that qualify for duty-free access under the Generalized System of Preferences (GSP). It has been twenty-two years since AGOA, a non-reciprocal preferential trade arrangement was implemented, and attempts to assess its impact on exports of SSA have begun. The literature on assessing the impact of AGOA on SSA’s exports to the US falls into three categories. After a careful evaluation, it is difficult not to conclude that the evidence on the impact of AGOA, the cornerstone of US trade policy towards SSA, needs further assessment. The three categories that available assessments fall under are: (a) those that find a positive impact, (b) those that find no impact, and (c) those that are inconclusive. Notably, none of the studies accessed in this study has confirmed a negative impact of AGOA.

On the studies that find that AGOA has a positive impact on SSA’s exports to the US, Tadesse and Fayissa (2008), employing data from 1991-2006, conclude that not only has AGOA induced new exports to the US, it equally resulted in an intensification of existing exports, even though the intensification aspect is marginal. They further state that these exports encompass a broad range of goods in manufactured and non-manufactured products. Similarly, Cook and Jones (2015) find that AGOA, through its apparel provision, has led to more export diversification for SSA. Adding to the body of work that finds that AGOA has a positive impact on SSA's exports, Didia, Nica, and Yu (2015), employing the gravity model and trade data from1989-2012, conclude that AGOA has a positive and significant impact on SSA's exports to the US. However, the disproportionate impact of oil exports was noted. As Tull (2006) and Lincoln (2006) observed, some of the success in exporting apparel to the US is attributable to Chinese firms and other nationals moving to SSA to take advantage of the opportunities offered by AGOA.

Among the studies that find that AGOA has no impact on the exports of SSA, Mueller (2008), utilizing the gravity model, carried out a test to determine whether AGOA is "trade creating for eligible countries targeting the US market." The study concludes that AGOA has no significant impact on trade. Possible theoretical explanations offered for this finding include the uncertainty about the life span of AGOA, eroding preferential margins, and the lack of wherewithal on the part of eligible countries to meaningfully exploit this preferential trade arrangement. In similar studies, Seyoum (2007) and Zappile (2011) provide support for the findings of Mueller (2008). For many countries in SSA, exports under AGOA account for less than 2% of the total export as Resendes-Santos (2020) noted in the case of Cabo Verde (Cape Verde).Along the same lines, Zenebe et al. (2015**)**, examining the impact of AGOA on agricultural exports, conclude that AGOA has no noticeable effect on the value of agricultural exports from SSA. Moreover, they conclude that AGOA does not even enhance the probability of agricultural exports to the US.

Other studies investigating the impact of AGOA have concluded that the impact of AGOA on the exports of SSA remains inconclusive. For example, Bangura (2009**)** did a thorough data analysis covering 1993 to 2008 and concludes that it is difficult to claim that AGOA has resulted in a statistically significant increase in exports of SSA. Cook and Jones (2021) went a step further to examine the impact of AGOA on economic growth, rather than just the impact on exports alone. This extension is in order since the ultimate objective of increasing exports and integrating SSA into world trade is to facilitate economic growth. They find that being "eligible for AGOA preferences is associated with higher growth rates in the future, but that this effect may not be immediate …." Hence, the immediate impact of AGOA on economic growth is inconclusive.

Similarly, McCormick (2006) investigated whether AGOA has catalyzed economic growth in SSA. Considering the legislative history and the legal framework of AGOA and multilateral developments in trade law, the study concludes that AGOA has not been a catalyst for economic development in SSA due to three main impediments. These impediments include "constraints imposed by the legislative process, dependence on a one-dimensional strategy of tariff reduction, and the inherent limitations of "special and differential" trade law treatment."

In examining the literature on AGOA, it is apparent that some work has been done to evaluate the impact of AGOA on SSA as a whole, but very little has been done to examine the country-specific impacts of the trade initiative. In a strategic country such as Nigeria, the literature review revealed that very little had been done to assess the impact of AGOA, not minding that the AGOA trade initiative is unilateral (US to individual SSA countries). Hence, country-specific impact studies must be undertaken as issues are revealed, and lessons from one country will affect other countries.

In one of a few studies exploring the impact of AGOA on Nigeria's exports to the US, Osabohien, Adeleye, and Osabuohien (2021), employing a combination of empirical analysis and in-depth interviews of critical stakeholders, conclude that Nigeria is yet to embrace the opportunities offered by AGOA. These authors blame this state of inactivity on weaknesses in the domestic economy and other factors discussed later in section 5. Similarly, Sunday (2019) concluded that AGOA had not impacted Nigeria's economy in any significant way. The study identifies two impediments – the inability of Nigeria to provide a conducive environment for exports and the standards/quality requirements of the US – as the principal culprits to the non-impact of AGOA. However, gingered by the realization that oil is waning as a significant source of foreign exchange earnings, Nigeria is renewing efforts to diversify the economy and take advantage of the opportunities offered by AGOA. Hence, more studies are warranted to assess the impact of AGOA on Nigeria-US trade relations properly.

DATA AND METHODOLOGY

The data used in this study come from the Dept. of Commerce, Office of United States Trade Representative, and the World Bank. Data analysis covering nineteen years (2000 – 2019) since AGOA was implemented focused on descriptive measures to uncover any trends and issues that impact the composition and flow of trade. AGOA, Nigeria's export to the US was crude oil, and the issue of interest is whether or not this situation has changed with AGOA. In other words, has Nigeria's non-oil exports shown any substantial increase since AGOA came into effect.

ANALYSIS AND DISCUSSION

Analysis of US Trade Relations with sub-Saharan Africa

Before going into the analysis of the impact of AGOA on US trade relations with Nigeria, it is necessary to briefly summarize the impact of AGOA on US trade relations with SSA as this would help to place a discussion on trade relations with Nigeria in proper context. Table 1 displays the goods trade between the US and SSA. An examination of the table reveals that after AGOA.

(Billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total goods trade (exp + imp)	28.3	24	32.5	44.4	60.6	71.3	81.8	105	62	82.1	95.5	72.1	63.3	52.3	36.9	33.7	39	40.9	36.7
Total U.S. goods exports	7	6	6.9	8.6	10.3	12.1	14.4	18.6	15.1	17.1	21.2	22.5	24	25.5	18	13.5	14.1	15.9	15.7
Total U.S. goods imports	21.3	17.9	25.6	35.9	50.3	59.2	67.4	86.1	46.9	65	74.3	49.6	39.3	26.8	18.8	20.2	24.9	25.1	21
Trade balance	-14.4	-11.9	-18.8	-27.3	-40	-47.1	-53	-67.5	-31.8	-47.9	-53.2	-27.1	-15.3	-1.3	-0.8	-6.7	-10.8	-9.2	-5.3
AGOA imports (incl. GSP)	8.2	9.1	14.1	26.6	38.1	44.2	51.1	66.3	33.7	44.3	53.8	34.9	26.9	14.2	9.3	10.4	13.7	12	8.4
AGOA oil imports	6.8	6.9	11.2	23.1	35.2	41	47.7	61.2	30.3	40.2	48.8	30.1	22	9.9	5.1	6.5	9.5	8	4.6
Trade balance (excluding oil)	7.5	5	7.5	4.2	4.8	6.1	5.3	6.3	1.5	7.7	4.3	-3	-6.7	-8.6	-4.3	0.2	1.3	1.2	0.7
AGOA non-oil imports (incl. GSP)	1.4	2.2	2.9	3.5	2.9	3.2	3.4	5.1	3.4	4	5	4.8	4.9	4.4	4.1	4.2	4.3	4	3.8
AGOA apparel imports	0.4	0.8	1.2	1.6	1.4	1.3	1.3	1.1	0.9	0.7	0.9	0.8	0.9	1	1	1	1	1.2	1.4

TABLE 1: Goods Trade between the United States and Sub-Saharan Africa

Note: Due to the rounding of numbers to accommodate the table, some numbers in the table may be slightly off
Source: Office of the United States Trade Representative

Came into effect in 2000, US trade (exports plus imports) with SSA increased steadily until 2011. The trade tapered down from 2012 to 2019. To appreciate the dynamics of US trade relations with SSA, it is necessary to disaggregate total trade into imports and exports. From table 1, US exports to SSA grew steadily from $7 billion in 2001 and hit $25.5 billion in 2014, and a declining trend appeared from 2015 to 2019. US imports from SSA grew steadily from $21.3 billion in 2001 and peaking at $86.1 billion in 2008. Examination of the trade balance reveals a trade relationship favouring SSA with the US running a trade deficit from 2000 to 2019.

However, another story is hidden in this trade relationship. On the surface, the relationship appears to be favouring SSA. However, the increased imports from SSA reflect increased oil imports mainly from Nigeria following the onset of the war in Iraq in 2003 and a deliberate US attempt to reduce its dependence on Middle East oil. Oil imports from Nigeria account for about 60% of US imports from SSA. Therefore, it would appear as if AGOA was responsible for the increased trade with SSA on the surface. However, AGOA was not responsible for the increased oil imports as this amount of oil imports would have entered the US under the GSP. More importantly, it was never the intent of AGOA to increase oil imports.

Now, let us examine the trade balance between the US and SSA without the distorting influence of oil imports. From table 1, and focusing on AGOA trade, it is apparent that without oil imports, what appeared initially to be a significant trade deficit for the US begins to wane drastically from 2001 to 2019, resulting in trade deficits for SSA from 2012 to 2015. The lesson here is that SSA's export to the US is disproportionately crude oil, even though more than 1800 eligible exports are under AGOA. This is not the intent of AGOA, as AGOA was meant to spur the growth of the economies of SSA by creating new businesses, and boosting the export of manufactured and agricultural products that will result in job creation and economic growth**.** Besides, about 90% of the oil imports come from Nigeria and Angola, while fifty-five countries are in SSA. As indicated in table 1, AGOA non-oil imports from SSA, including Generalized System of Preferences (GSP), running from a paltry $1.4 billion in 2001 to a high of $5 billion in 2011 and declining to $3.8 billion in 2019 indicates that the potential of AGOA is yet to be realized.

Except for a few members of SACU[2](Botswana, Lesotho, Namibia, South Africa, and Swaziland) and other countries such as Kenya that have capitalized on apparel exports to the US, it appears as if SSA is inundated with impediments hindering the realization of the potential of AGOA. As table 1 indicates, from 2001 to 2019, the whole of SSA (55 countries) earned about an average of $1 billion in apparel exports to the US. In contrast, Bangladesh alone earned $4.29 billion in apparel exports to the US in 2010, and the amount jumped to $5.40 billion in 2018 (US Trade Representative, Dept. of Commerce, retrieved 19 March, 2021). The non-relevance of AGOA is underscored by the fact that AGOA non-oil imports as a percentage of GDP averaged 0.33% from 2001 to 2019 which is considerably less than 1% of the GDP of SSA, as indicated in table 2.

Similarly, AGOA non-oil imports per capita averaged $4.08 from 2001 to 2019, as indicated in table 2. This is not the impact that would transform an economy and lift people out of extreme poverty. Without fear of contradiction, one could conclude that this was not the impact the US and SSA envisioned when AGOA was enacted.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
AGOA* apparel imports	0.4	0.8	1.2	1.6	1.4	1.3	1.3	1.1	0.9	0.7	0.9	0.8	0.9	1	1	1	1	1.2	1.4
GDP (SSA)*	382	417	522	649	771	916	1063	1219	1162	1377	1554	1635	1742	1809	1662	1540	1642	1721	1767
Population* (SSA)	0.68	0.7	0.72	0.74	0.76	0.78	0.8	0.82	0.85	0.87	0.89	0.92	0.94	0.97	1	1.02	1.05	1.08	1.11
AGOA non-oil imports as % of GDP**	0.37	0.53	0.56	0.54	0.38	0.35	0.32	0.42	0.29	0.29	0.32	0.29	0.28	0.24	0.25	0.27	0.26	0.23	0.22
AGOA non-oil imports per capita**	2.05	3.14	4.03	4.74	3.82	4.1	4.25	6.2	4.02	4.6	5.6	5.23	5.2	4.54	4.12	4.11	4.09	3.71	3.43

TABLE 2: Goods Trade between the United States and Sub-Saharan Africa

Note: Due to the rounding of numbers to accommodate the table, some numbers in the table may be slightly off.
*Billions
**Author's calculation
Source: Office of the United States Trade Representative and the World Bank

Even though minimal progress has been made in apparel exports, practically not much has been done in manufacturing in the region. SSA is yet to take advantage of the opportunities offered by AGOA, and this is not surprising since SSA must overcome daunting challenges such as lack of basic technology, poor infrastructure, low capital base, political strife, and lousy governance before the region can meaningfully venture into manufacturing and exporting.

Analysis of US Trade Relations with Nigeria

The analysis of the trade relations between the US and SSA clearly showed that SSA is yet to take advantage of the opportunities offered by AGOA. This outcome notwithstanding, it is plausible that individual countries may be faring better as AGOA is a unilateral trade initiative. Since we have briefly explored the nature of US-SSA trade relations, we now examine the impact of AGOA on US-Nigeria trade relations. Given the population, resources, and the strategic position Nigeria occupies in SSA, one would expect a more dynamic trade relation between the US and Nigeria.Table 3 displays the goods trade between the US and Nigeria. An examination of the table reveals that after AGOA came into effect in 2000, US trade (exports plus imports) with Nigeria increased steadily from a low of $7 billion in 2002 to a high of $42.1 billion in 2008. A drastic decline in trade volume ensued in 2012 with $24 billion and reached a low of $7.8 billion in 2019.

(Billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total goods trade (exp + imp)	9.7	7	11.4	17.8	25.9	30.1	35.6	42.1	22.8	34.6	38.8	24	18.1	10	5.3	6.1	9.2	8.3	7.8
Total U.S. goods exports	0.9	1	1	1.5	1.6	2.2	2.7	4.1	3.6	4	4.9	5.03	6.3	5.9	3.4	1.8	2.1	2.6	3.2
Total U.S. goods imports	8.8	6	10.4	16.2	24.2	27.9	32.8	38	19.1	30.5	33.9	19	11.7	3.8	1.9	4.1	7.1	5.6	4.6
Trade balance	-7.8	-4.8	-9.3	-14.6	-22.6	-25.6	-29.9	-33.9	-15.4	-26.4	-28.9	-13.9	-5.3	2.1	1.5	-2.2	-4.9	-2.9	-1.4
AGOA imports (incl. GSP)		6	10.4	16.2	24.2	27.9	32.8	38	19.1	30.5	33.9	19	11.7	3.8	1.9	4.1	7.1	5.6	4.6
AGOA oil imports		5.58	9.9	15.7	22.8	26.8	31.7	36.3	18.3	29.2	31.8	17.6	10.1	2.7	1.4	3.6	6.3	5	4.3
Trade Bal. (excl. oil)		-0.69	-0.52	-1.01	-0.27	-1.22	-1.74	-2.38	-2.92	-2.8	-2.86	-3.67	-4.78	-4.91	-2.91	-1.38	-1.48	-2.11	-2.9
AGOA non-oil imports (incl. GSP)		0.3	0.5	0.5	1.3	1	1	1.7	0.7	1.2	2	1.3	1.6	1	0.5	0.5	0.7	0.5	0.3
AGOA apparel imports		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

TABLE 3: Goods Trade between the United States and Nigeria

Note: Due to the rounding of numbers to accommodate the table, some numbers in the table may be slightly off.
Source: Office of the United States Trade Representative

Table 3 reveals that the trade between Nigeria and the US is all about crude oil. The increased trade volume was precipitated by the Iraq war (2003 – 2008). The US deliberately moved to shift to a more secure source of crude oil outside the Middle East, and Nigeria was the beneficiary of this move. Once the Iraq war ended in 2011, almost immediately, the trade volume experienced a precipitous decline from $24 billion in 2012 to $7.8 billion in 2019.The US runs a trade deficit with Nigeria with oil imports and experiences a trade surplus without oil.

An examination of AGOA non-oil imports (including GSP) in table 3 further illustrates that the trade between Nigeria and the US is all about crude oil. After AGOA came into effect in 2000, the non-oil imports increased from $363 million in 2002 to $1.7 billion in 2008, and that was followed by a downward trajectory until 2011 when it reached a high of $2 billion. This was accompanied by another precipitous decline hitting a low of about $304 million in 2019. In apparel exports, where a few SSA countries are making notable progress, Nigeria seems oblivious to opportunities. For instance, from 2002 to 2019, Nigeria has averaged about a paltry one hundred and seventy thousand dollars ($170,000.00) per annum in apparel exports under AGOA. From 2000 to 2019, Nigeria's apparel exports ranged from a low of $49,784 in 2002 to a high of $834,363 in 2012. Contrast these statistics with much smaller African countries such as Kenya, Botswana, Lesotho, Namibia, South Africa, and Swaziland that are averaging more than $1 billion annually in just apparel exports to the US under AGOA. Figure 1 drives the point home that the US experienced an alarming trade surplus with Nigeria without oil.

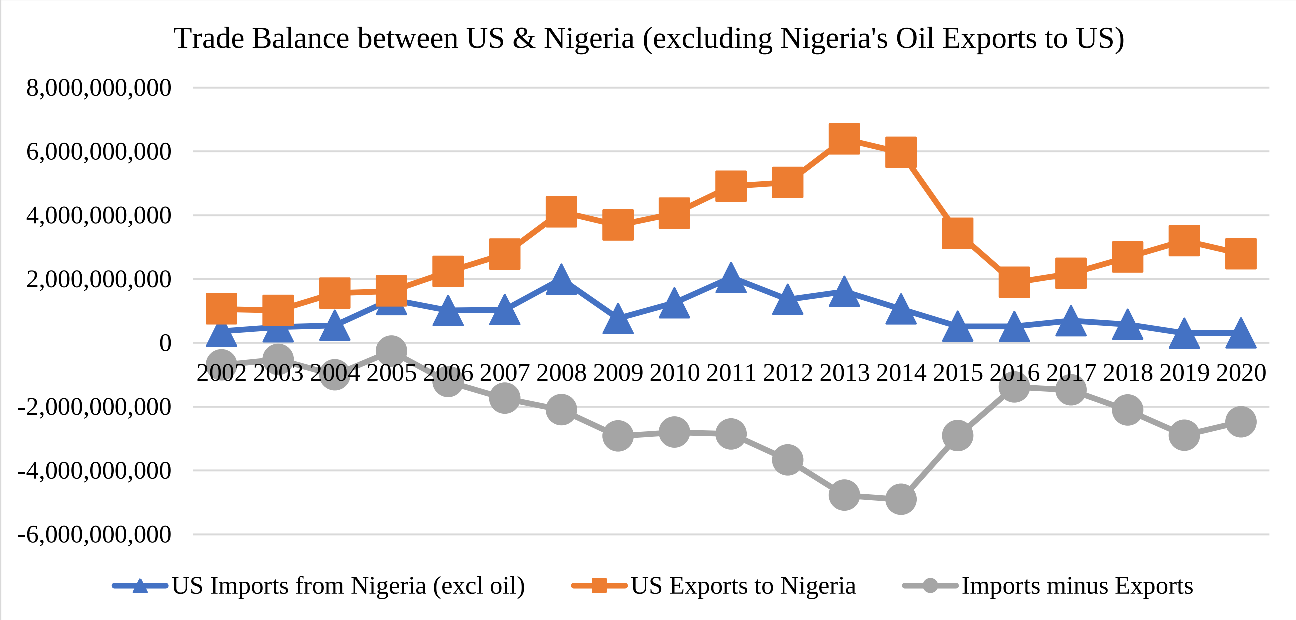

Figure 1: Trade balance between the US and Nigeria (excluding oil)

Source: Information used for the figure come from the Office of the United States Representative

The underutilization or non-utilization of AGOA is made more apparent when AGOA non-oil imports, including GSP, are expressed as a percentage of Nigeria's GDP. As table 4 indicates, AGOA has contributed way less than one percent (1%) to Nigeria's GDP from 2002 to 2019. The figures got worse from 0.30% in 2012 to almost nothing (0.07%) in 2019. This implies that there are impediments to harnessing the potentials of AGOA.The intent of AGOA was to encourage the export of agricultural and manufactured goods which will create jobs and lift millions out of extreme poverty. Furthermore, expressing AGOA non-oil exports, including GSP, on per capita basis as shown in table 4, displays the non-relevance of AGOA to Nigeria's economic growth.

From 2002 to 2019, each Nigerian received six dollars ($6.00) annually due to AGOA exports. Without a doubt, this is not the kind of impact that was intended or envisioned under AGOA for the largest and arguably the most strategic country in SSA.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
AGOA* apparel imports	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GDP* (Nigeria)	95	104	136	176	236	276	337	292	363	410	459	515	569	495	405	376	398	448
Population* (Nigeria)	0.13	0.13	0.14	0.14	0.14	0.15	0.15	0.15	0.16	0.16	0.17	0.17	0.18	0.18	0.19	0.19	0.2	0.2
AGOA non-oil imports as % of GDP **	0.4	0.5	0.4	0.8	0.4	0.4	0.5	0.3	0.3	0.5	0.3	0.3	0.2	0.1	0.1	0.2	0.1	0
AGOA non-oil imports per capita**	3	4	4	10	7	7	11	5	8	13	8	9	6	3	3	4	3	2

TABLE 4: Goods Trade between the United States and Nigeria

Note: Due to the rounding of numbers to accommodate the table, some numbers in the table may be slightly off.
No data available for 2000 & 2001
*Billions
**Author's calculation
Source: Office of the United States Trade Representative and The World Bank

The question that begs for an answer now is why Nigeria has failed to harness the potentials of AGOA, even as smaller and less-endowed countries are making efforts to encourage manufacturing and exporting to the US under AGOA? Some of the impediments to harnessing the opportunities offered by AGOA are examined below.

IMPEDIMENTS TO AGOA

There are a few impediments to the realization of the full potentials of AGOA in Nigeria. These impediments are discussed below.

Fixation on crude oil revenues

The first and foremost reason why Nigeria seems oblivious to the potentials of AGOA has to do with the over-reliance and unhealthy fixation on crude oil exports. Revenues from crude oil come very quickly and easily. The country brings in oil multinationals such as Shell and AGIP to extract crude oil, foreign buyers take delivery, and Nigeria's federal government gets paid. The federal government then shares proceeds from crude oil sales to the state and local governments monthly, and after that, everyone goes home and waits for allocations that will be shared the following month. The hard work of building the necessary infrastructure needed to manufacture and export is consequently neglected. That is the main reason why Nigeria cannot manufacture and export like even smaller and less-endowed countries in SSA.

Revenue from the export of goods and services (including crude oil) has averaged about 14% of GDP from 2013-2018. However, Nigeria averages way less than one billion dollars annually in exports without crude oil exports to the US. For instance, in 2018 and 2019, Nigeria earned $5.6 billion and $4.6 billion in total export of goods and services to the US. On the other hand, Nigeria earned $0.5 billion and $0.3 billion without crude oil, respectively, for 2018 and 2019. As a result, as a percentage of GDP, Nigeria's non-oil export to the US is 0.14% and 0.07% in 2018 and 2019, respectively. From 2014 to 2019, as a percentage of GDP, Nigeria's non-oil export to the US averaged 0.14% annually, which is considerably less than 1% of GDP. The over-dependence on crude oil manifests itself heavily in the amount of internally generated revenue (IGR) of the thirty-six states and Nigeria's federal capital territory (FCT). Data from Nigeria's National Bureau of Statistics (NBS) reveal that in 2018, the IGR of these states and the FCT combined was about N1.16 trillion ($3.25 billion). These figures underscore the fixation on crude oil in Nigeria. Moreover, the oil industry is very capital-intensive and does not create the jobs necessary to absorb the surplus labour in the country.

Anti-competitive domestic policies of AGOA trading partners

Rather than blame the OECD, the US, and other countries for the lackluster performance of SSA in manufacturing and exporting, studies such as Yeats et al. (1996), Elbadawi (1999), and Zeufack 2001) place the blame squarely on the Africans. They state that the anti-competitive domestic policies enacted and implemented by the countries in SSA are to blame for the marginalization of SSA in world trade rather than the tariffs and non-tariff barriers. These studies note that the East Asian countries faced much harsher tariffs, but they could penetrate these markets by adopting more competitive domestic policies. Other studies such as Collier and Gunning (1999); Limao and Venable (2001); Roberts and Thoburn (2003); and Van Biesebroeck (2005) echo the sentiments of Yeats et al. (1996), as they state that domestic policies as manifested in lack of credit facilities, lack of social capital, crude production technology, misguided government policies, and inadequate contract enforcement infrastructure are responsible for the marginalization of SSA in world trade.

Worse than the reasons stated above, several countries in SSA, such as Nigeria, Mali, and Chad, are still mired in unprecedented political instability, insecurity, and poor management of national resources. These constraints make it extremely difficult for firms to operate and satisfy local demand, let alone venturing into international markets. Furthermore, this inability to access foreign markets precludes SSA from acquiring the latest techniques and technologies to be efficient and competitive. Hence, as Oyeshola and Lawal (2009) noted, Nigeria must first implement competitive domestic policies and establish necessary infrastructure before meaningfully taking advantage of preferential trade opportunities such as AGOA.

High transportation costs

Lack of basic transportation infrastructure in Nigeria makes both inland and international transportation of goods and services prohibitive compared to other countries such as India, South Korea, and China. Therefore, right from the start, firms in Nigeria come to the stage with a debilitating disadvantage that hinders growth.

Lack of basic infrastructure

Firms in Nigeria still grapple with fundamental issues that their counterparts, even in other countries in SSA, do not have to contend with. Basic amenities like electricity, potable water, and good roads are in short supply in Nigeria. Imagine the competitive disadvantage engendered by a situation where firms operating in Nigeria have to run private generators to supply the energy and water needed in their firms. In addition to the dearth of hard infrastructure, the absence or inadequacy of soft infrastructures such as contract enforcement mechanisms, security apparatus, and the rule of law equally hinder the establishment and growth of firms.

Competition from other emerging markets

In addition to contending with the lack of basic infrastructure, firms in Nigeria must compete with more established manufacturing powerhouses such as China, India, South Korea, and Thailand that have been exporting to the USA for many years. While AGOA grants duty-free access, it does not provide immunity against competition. Firms from more competitive countries with experience and infrastructure to manufacture and export to the USA can out-compete AGOA countries, duty-free access notwithstanding. The elimination of the quota on apparel exports from China and other countries in 2004 did not help matters for AGOA countries (Brenton and Ikezuki 2004; Hasnat 2006). As Brenton and Ikezuki noted, the liberalization of the rules of origin in the sourcing of fabrics will further compound the competitive pressure faced by AGOA countries. The competition confronting AGOA countries and the inability to take full advantage of the opportunities offered by AGOA is reflected in the fact that for most AGOA countries, revenues from AGOA do not exceed one-tenth of one percent (1%) of GDP. Despite these impediments to exporting, the potential of AGOA as a cornerstone of US commercial policy towards SSA remains unprecedented and ought to be sustained and expanded (Brenton and Ikezuki 2004).

Uncertainty about the life of AGOA

The fact that AGOA is a non-binding renewable unilateral trade initiative subject to the US Congress's mood and the American people's economic conditions creates some apprehension in harnessing or commitment of scarce resources by AGOA countries. This apprehension in committing scarce resources by AGOA countries is heightened as countries are reviewed annually by the US to ascertain their compliance with stated requirements such as embracing the rule of law, honoring human rights, controlling corruption, the movement towards a free-market economy, and not engaging in any acts that undermine US interests. These conditions introduce some guarded commitment or hesitation in devoting resources to AGOA. Alden and Soko (2005) allude to this looming impediment when they state that being a unilateral non-binding agreement, AGOA may not attract the kind of resources and commitment required to generate new export opportunities. It is, therefore, necessary that the US make a long-term commitment that reassures the Africans that AGOA will be here for some time.

TAKING ADVANTAGE OF OPPORTUNITIES OFFERED BY AGOA

Nigeria has not even begun to take advantage of the opportunities offered by AGOA. As of 2019, crude oil export still accounts for 99.7% of the country's exports to the US. This is not the intent of AGOA, as oil exports from Nigeria would have entered the US duty-free under the GSP. For Nigeria to begin to take advantage of the opportunities offered by AGOA, the country must address the impediments discussed above as a matter of urgency. Below are some of the actions and investments needed to overcome these impediments.

National AGOA strategy

Nigeria needs a deliberate and carefully crafted policy on taking advantage of the opportunities offered by AGOA. These opportunities are immense and must not be left to the private sector to sort it out alone. The private sector in Nigeria lacks the requisite skills, experience, and resources to compete effectively with established exporters from China, Pakistan, India, and Singapore. There must, therefore, be a deliberate effort by the Nigerian government to nurture manufacturing and exporting, especially to the developed countries in Europe and North America. The few exporters to developed countries have faced seemingly insurmountable obstacles in the quality of manufactured products, sanitary and phytosanitary issues, packaging, and labeling, as Osabohien, Adeleye, and Osabuohein (2021) alluded to. Nigeria needs to be proactive in attending to the needs of these budding exporters. The country cannot afford to be nonchalant in making AGOA work for these exporters and Nigerians at large.

The government of Nigeria has articulated an AGOA strategy that is yet to be meaningfully implemented. Osabohien, Adeleye, and Osabuohein (2021) rightly recommended that AGOA should be integrated into National Planning and Budgeting process. The ultimate goal of the AGOA strategy should be to ensure that non-oil products, especially manufactured goods, are exported to the US in quantities that will create and sustain small businesses, and positively impact the economic growth and welfare of the people. Currently, the main products being targeted for exports are agricultural products such as cashew, tomatoes, oranges, sesame seeds, plantain, shea butter, and cocoa. The focus on exportable goods should include manufactured goods which create more skilled and higher-wage jobs. Hopefully, this national AGOA strategy will not experience the same fate as many other well-articulated strategies and policies that never see the light of day in Nigeria.

Mass education and subsidies for exporters

As is the case in other countries, budding manufacturers and exporters in Nigeria need the government's support. The Government of Nigeria should be willing to provide necessary assistance to these entrepreneurs, which could come from mass education and subsidies. Nigeria needs to create resource centers on AGOA in each state and encourage states to identify eligible exports. Government officials must be proactive in anticipating areas of need and provide necessary assistance to these entrepreneurs. The national AGOA strategy needs to incorporate this dimension of assistance.

Training of firms for the export business

Workshops on the idiosyncrasies of exporting should be a regular feature for potential
exporters. The process of getting products ready for export, warehousing, port documentation/paperwork and procedures, shipping and clearing, customer acquisition, bank/financial transactions, and quality certifications, among others, should regularly feature on workshops for exporters. Again, this outreach to exporters must be part of the national AGOA strategy.

Establishment of industrial parks

Due to the deficiency of critical hard and soft infrastructure needed by manufacturers in the country**,** the government of Nigeria should consider providing industrial parks for export manufacturing. Industrial parks would be spared the epileptic power and water supply, which has derailed many manufacturing attempts. Industrial parks would also provide synergy in technical assistance needed by firms. For instance, experts can be located in the parks where they can attend to several clients simultaneously. Issues with quality control, sanitary and phytosanitary, packaging and labeling, and others can be addressed in these parks, thus engendering economies of scale. This is perhaps, one of the most critical areas that need to be part of the national AGOA strategy. The Nigerian America Chamber of Commerce has floated the idea of establishing parks in the various states for businesses interested in taking advantage of the opportunities offered by AGOA, as Ogunfuwa (2020) reported.

ENHANCING GOVERNMENT REVENUE

Besides enhancing economic growth and the overall welfare of the Nigerian people, successful implementation of the AGOA strategy will usher in a critical and residual benefit in revenue generation for the government. The government will experience an increase in revenue generation from the following areas.

Increase in employment opportunities

Successful implementation of the AGOA strategy will result in creation of small businesses and more exports of non-oil products to the US. The problem with the oil industry as currently constituted in Nigeria is that it is very capital intensive and hence does not create the number of jobs commensurate with the capital invested. Nigeria extracts crude oil and exports it without refining or value-added and then imports refined products, creating needed jobs in other economies. Even if the country starts with light manufacturing such as apparel, textiles, and shoes, jobs will be created in Nigeria, and more people will be gainfully employed. With more people working, more taxes will accrue to the government. Similarly, the government can expect an increase in corporate taxes collected as these firms find their footing. Other benefits of manufacturing are the potential for technology and skills transfer to Nigeria and reducing social ills associated with unemployment. Reducing social ills means that the government may spend less on security and divert these resources to capital projects and infrastructure catalysts for economic growth.

Increase in activities at the ports

With the increase in exports, the demand for port services will increase. Therefore, providing port services for these exporters will generate revenue for the government.

Increase in foreign exchange

The foreign reserves of Nigeria will improve dramatically as exports increase. As the foreign reserves position improves, the currency (Naira) will be strengthened. Hence, manufacturers will buy needed machinery and other equipment at a lower cost, improving Nigeria's efficiency and productivity. As a result, Nigeria's Balance of Payments position will improve, attracting lower interest payments on foreign loans, thereby conserving government revenue.

Psychological boost

Perhaps, the most significant benefit of a successful AGOA strategy may come from the psychological boost to the country. Knowing that they can now manufacture and export in respectable quantities like other countries will bring an immense sense of accomplishment and confidence that will permeate other endeavors. For years, the Nigerian people have decried their inability to shake off the fixation on crude oil and compete internationally with the rest of the world. Successful utilization of AGOA will usher in multiplier effects in the economy that may spark the beginnings of a meaningful industrial takeoff.

SUMMARY AND CONCLUSION

It has been twenty-two years since AGOA was implemented, and discussions and questions about its impact on Nigeria's economy have started in earnest. The study, therefore, analyzed available trade data from 2000 to 2019 to ascertain whether or not Nigeria has benefited from the opportunities offered by AGOA. We undertook a descriptive and non-technical analysis of the impact of AGOA on Nigeria's non-oil exports to the US. Specifically, the study examined whether Nigeria's non-oil exports to the US have increased due to AGOA. The short and straightforward answer to this question is, no – Nigeria's non-oil exports to the US have not shown any discernable increase since 2000. In a nutshell, Nigeria's exports to the US before, during, and maybe after AGOA will remain primarily crude oil unless drastic and deliberate steps are taken to wean Nigeria from the debilitating reliance on crude oil. Excluding oil imports, the US has enjoyed a trade surplus with Nigeria since the inception of AGOA in 2000.

An examination of AGOA non-oil exports (including GSP) to the US indicates that Nigeria's exports to the US are all about crude oil. Nigeria's total non-oil exports to the US averaged about one billion dollars ($1 billion) between 2002 and 2019. Contrast these statistics with much smaller African countries such as Kenya, Botswana, Lesotho, Namibia, South Africa, and Swaziland that are averaging more than $1 billion annually in just apparel exports to the US under AGOA.

The underutilization or non-utilization of AGOA is made more apparent when AGOA non-oil exports, including GSP, are expressed as a percentage of Nigeria's GDP. As table 4 indicates, AGOA has contributed way less than one percent (1%) on average to Nigeria's GDP from 2002 to 2019. The figures got worse from 0.30% in 2012 to almost nothing (0.07%) in 2019. Furthermore, as table 4 shows, the non-relevance of AGOA to Nigeria's economic growth is further displayed when AGOA non-oil exports, including GSP, are expressed per capita. From 2002 to 2019, each Nigerian has received on average six dollars ($6.00) due to AGOA non-oil exports. This is not the impact intended or envisioned under AGOA for the largest and arguably the most strategic country in SSA.

The government of Nigeria has not done much to harness the potentials of AGOA since the intent of AGOA was to encourage the creation of small businesses that will produce for export, create jobs and lift millions out of extreme poverty. Since the revenue from non-oil exports has not impacted the citizenry in any meaningful way, the government has equally not benefited in revenue generation that would have accrued from increased income tax collections, tariffs on imports from the US, port services, and other multiplier effects.

Given that AGOA has not impacted Nigeria as intended, what can the government of Nigeria do to tap into the opportunities offered by AGOA? First, Nigeria must begin the process of mass education of the citizenry on the opportunities offered by AGOA. Second, the firms that exhibit significant potential for manufacturing and exporting to the US must be encouraged through appropriate subsidies and other support. Third, a national AGOA strategy must be articulated and implemented. Manufacturing firms in the country need to be encouraged and given appropriate training on the idiosyncrasies of exporting to the developed world. Furthermore, Nigeria needs to establish industrial parks that will accommodate firms willing to tap into the opportunities offered by AGOA. These parks will provide both hard and soft infrastructural support necessary to manufacture and export successfully.

In all, Nigeria still has the opportunity to tap into the benefits offered by AGOA. Besides, any lessons learned in exporting under AGOA will serve the country and manufacturing firms well in the future.

NOTES

1. The eligibility criteria in institutional, economic, and human rights reforms as outlined by the Office of the United States Trade Representative (2021) include making progress towards a market-based economy, protection of human rights, elimination of barriers to US trade and investment, political pluralism, poverty reduction, the entrenchment of the rule of law, respect of workers' rights, and fighting corruption. In addition, the country must not be involved in acts of terrorism or any acts that jeopardize US national security.AGOA ELIGIBLE COUNTRIES – 1. Angola 2. Benin 3. Botswana 4. Burkina Faso 5. Cabo Verde 6. Central African Republic 7. Chad 8. Comoros 9. Democratic Republic of Congo 10. Republic of Congo 11. Côte d'Ivoire 12. Djibouti 13. Eswatini (Swaziland) 14. Ethiopia 15. Gabon 16. The Gambia 17. Ghana 18. Guinea 19. Guinea-Bissau 20. Kenya 21. Lesotho 22. Liberia 23. Madagascar 24. Malawi 25. Mali 26. Mauritius 27. Mozambique 28. Namibia 29. Niger 30. Nigeria 31. Rwanda 32. São Tomé and Príncipe 33. Senegal 34. Sierra Leone 35. South Africa 36. Tanzania 37. Togo 38. Uganda 39. Zambia. COUNTRIES NOT ELIGIBLE FOR AGOA - 1. Burundi 2. Cameroon 3. Equatorial Guinea** 4. Eritrea 5. Mauritania 6. Seychelles** 7. Somalia* 8. South Sudan 9. Sudan* 10. Zimbabwe
* Not reviewed for eligibility because Somalia and Sudan have not requested designation as an AGOA beneficiary country. ** Equatorial Guinea and Seychelles have graduated from GSP, so they are not eligible for consideration for AGOA benefits. (*www.ustr.gov*).Retrieved February 4, 2021.

2. SACU stands for South Africa Customs Union. The five members of this Customs Union include Botswana, Lesotho, Namibia, South Africa, and Swaziland.

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