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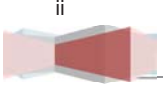
UNITED NATIONS
New York and Geneva, 2018

United Nations publication issued by the United Nations Conference on Trade and Development.

UNCTAD/DITC/TAB/2017/4



ACKNOWLEDGEMENTS

Key Statistics and Trends in Economic Integration: ACP Region provides an in-depth analysis of ACP States' trade performance and related key issues. It is a product of the Division on International Trade in Goods and Services, and Commodities, UNCTAD. It is part of a larger effort by UNCTAD to analyze trade-related issues of particular importance for developing countries in terms of their participating in the international trading system.

The study was prepared by Mesut Saygili and Ralf Peters. Christian Knebel, Alessandro Nicita, Rado Razafinombana and Philipp Socha provided substantial inputs. Overall guidance was provided by Bonapas Onguglo. The study benefitted from comments from Viwanou Gnassounou, Assistant Secretary General, and Morgan Githinji, Expert, of the ACP Secretariat as well as from participants in the ACP Senior Trade Official meetings in 2017. Financial support by the ACP Secretariat is gratefully acknowledged.

Desktop publishing was done by Jenifer Tacardon-Mercado.

This publication has been produced with the support of the African, Caribbean, and Pacific Group of States (ACP) Secretariat.

DATA SOURCES

The statistics in this publication were produced by the UNCTAD Secretariat by using data from various sources. This report mainly relies on the United Nations Commodity Trade Statistics Database (COMTRADE) (comtrade.un.org), UNCTADStat (unctadstat.unctad.org) and UNCTAD TRAINS (unctad.org/tab) as its data sources. For some indicators the World Investment Report 2013, World Bank Doing Business Indicators 2016, UNCTAD B2C E-Commerce Index 2016 and ILOSTAT databases have been used. The data has been standardized to ensure cross country comparisons. Data, although comprehensive and comparable across countries, does not perfectly reflect national statistics, and thus some discrepancies with specific national statistics may be present. Unless otherwise specified international trade is defined as trade in goods (merchandise) and services. Countries are categorized by geographic region as defined by the United Nations classification (UNSD M49). Developed and developing countries comprise those commonly categorized as such in United Nations statistics. Product sectors are categorized according to the Broad Economic Categories (BEC) classification and the International Standard Industrial Classification (ISIC) augmented by five broad agricultural sectors based on the Harmonized System (HS) classification. Figures are in current United States of America dollars, except where otherwise specified.

The boundaries, colours, denominations, and other information shown on any map in this work do not imply any judgment on the part of UNCTAD concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

CONTENTS

OVERVIEW

The Africa, Caribbean and Pacific Group of States (ACP) was established by the Georgetown Agreement in 1975 to negotiate and implement cooperation treaties with the European Union. Today, the group includes 79 member States from Sub-Saharan African, Caribbean and Pacific countries. Its goals also went beyond the initial mandate by including achieving sustainable development, integrating member States to the world economy and strengthening cooperation among member States in trade, economics, politics and culture. This study maps the group's trade and trade policy structure, and discusses challenges and opportunities of deep economic integration.

The ACP group has a fractured economic and trade structure as the member States are geographically dispersed around the world and possess different geographical and economic features. Heterogeneity of the level of economic development, local productive capacities, economic sizes and structures of member States as well as lack of a clear move at the ACP level for supra-regional economic integration often hinders development of intra-regional trade and economic links. Many member states are highly dependent on primary goods exports and rely on few developed country markets for export revenues. Intra-ACP trade, however, has higher manufacturing and technology content and thus offers possibility to diversify export product basket and increase the domestic content of the ACP countries in more sophisticated products.

Tariffs and non-tariff measures (NTMs) remain obstacles in increasing trade growth of the member States along with other challenges in trade facilitation. Occasionally average tariff rates vary significantly among ACP regions. In general, agricultural products face higher tariff rates than industrial products. Intra-regional trade also tends to face lower tariff rates than inter-regional trade. However, NTMs remains to be more important in affecting international trade flows than tariffs.

Maritime transport, which is the backbone of the world trade in merchandise goods, is not sufficiently efficient in many ACP countries to promote rapid trade growth among the member States. The region also performs low in e-commerce even compared to the developing countries' average.

ACP countries' performance in business environment varies considerably across different indicators. Members often score better in starting a business but perform weak in enforcing contracts and trading across borders. Weaknesses in general business environment, along with other factors, impede FDI inflows and participation of member States to the global value chains. Per capita FDI inflows to the ACP countries are less than one fifth of the world and one twentieth of the developed countries average.

The labour productivity in ACP is about 24 per cent below the world average. While the productivity gap is the widest for the ACP Pacific region, Caribbean region performs well above the world average. Since 2009 ACP countries successfully increased their labour productivity, but the upturn remained below the world average and thus the gap has widened considerably since then. The terms of trade (TOT) has deteriorated for natural resource dependent economies during the last 5 years, eroding the commodity price based surge in TOT at the beginning of the century. The recent appreciation of USD against many currencies also gave temporary price advantages to many ACP countries in the export markets.

The report is structured into two parts. The first part briefly summarizes the history of the ACP group and presents an overview of ACP economies in the world economy and some challenges that member States face. The second part provides illustrative statistics on ACP countries' trade in goods and services during the last decade. The section includes various indicators of trade structure, services trade and investment flows, trade facilitation, tariffs and non-tariff measures as well as international competitiveness. While the section presents some of the most commonly used trade indicators for the ACP group as a whole, some other figures compare the structure and performance of three geographical regions of the ACP: Africa, Caribbean and Pacific.

PART I

INTRODUCTION

African, Caribbean and Pacific Group of States and its History

The African, Caribbean and Pacific Group of States (ACP) is an organization composed of 79 African, Caribbean and Pacific states. It includes 48 countries from sub-Saharan Africa, 16 from Caribbean and 15 from Pacific (Table 1). ACP was established in 1975 by the Georgetown Agreement with the aim of negotiating and implementing cooperation treaties with the European Union. The historical roots of the ACP, however, are directly linked to the founding of the European Economic Community (EEC) in 1957. EEC established the European Development Fund to support its overseas countries and territories in their development. The group grew steadily, particularly when the UK and Spain joined the EEC, to coordinate among them when negotiating development cooperation and preferential market access with the EEC. In 1975, the ACP Group formed its own political identity by signing its founding charter. [1]

For decades numerous rounds of agreements were concluded between the ACP countries and the EEC. The most recent accord between ACP and EU, the Cotonou Agreement, was signed in 2000. It provides a 20 year long framework of development cooperation between the governments while also reaching out to civil society and the private sector. Furthermore, it was agreed to replace the existing rules by Economic Partnership Agreements (EPAs) between the EU and the different regional economic communities (RECs) of the ACP between 2002 and 2007 in order to make ACP-EU relations compatible with WTO rules. Despite the fact that the ACP countries developed historically to stand as one group vis-à-vis the EU when negotiating trade and development agreements, today seven groups conduct individual EPA negotiations.

The group's goals today extend beyond its original objective and cover cooperation among member States in trade, economics, politics and culture. Yet, there is a certain fragmentation among ACP countries as in its current state the ACP group as a whole does not follow a vision of supraregional economic integration of all the ACP countries despite its standing intergovernmental structure and history of joint trade policy. On the one hand they are united by an organizational structure as they share a number of standing institutions, such as, the Summit of Heads of State and Government, the Council of Ministers, and the Committee of Ambassadors. Particularly, the Council of Ministers, the group's main decision making body, meets regularly in different sectorial meetings, one of them being the Meeting of Trade Ministers. On the other hand, the EPA negotiations divide the group into the seven different EPA negotiation Regional Economic Communities RECs according to the principle of "differentiation and regionalization".[2]

[1] See ACP web site for further information on the history of the group (http://www.acp.int).
[2] EPAs are concluded between the EU and the five regions in Africa (West Africa, Central Africa, Eastern and Southern Africa (ESA), the East African Community (EAC), the Southern African Development Community (SADC)), the Caribbean and the Pacific.

Table 1
ACP Member States

Africa			
Angola	Djibouti	Madagascar	Senegal
Benin	Equatorial Guinea	Malawi	Seychelles
Botswana	Eritrea	Mali	Sierra Leone
Burkina Faso	Ethiopia	Mauritania	Somalia
Burundi	Gabon	Mauritius	South Africa
Cameroon	Gambia	Mozambique	Sudan
Cape Verde	Ghana	Namibia	Swaziland
Central African Republic	Guinea	Niger	Tanzania
Chad	Guinea-Bissau	Nigeria	Togo
Comoros	Kenya	Congo	Uganda
Cote d'Ivoire	Lesotho	Rwanda	Zambia
Democratic Republic of the Congo	Liberia	Sao Tome & Principe	Zimbabwe
Caribbean			
Antigua & Barbuda	Cuba	Guyana	St Lucia
Bahamas	Dominica	Haiti	St Vincent and the Grenadines
Barbados	Dominican Republic	Jamaica	Suriname
Belize	Grenada	St Kitts & Nevis	Trinidad & Tobago
Pacific			
Cook Islands	Micronesia (Federated States of)	Papua New Guinea	Tonga
Fiji	Nauru	Samoa	Tuvalu
Kiribati	Niue	Solomon Islands	Vanuatu
Marshall Islands	Palau	Timor-Leste	

Source: ACP website (http://www.acp.int).

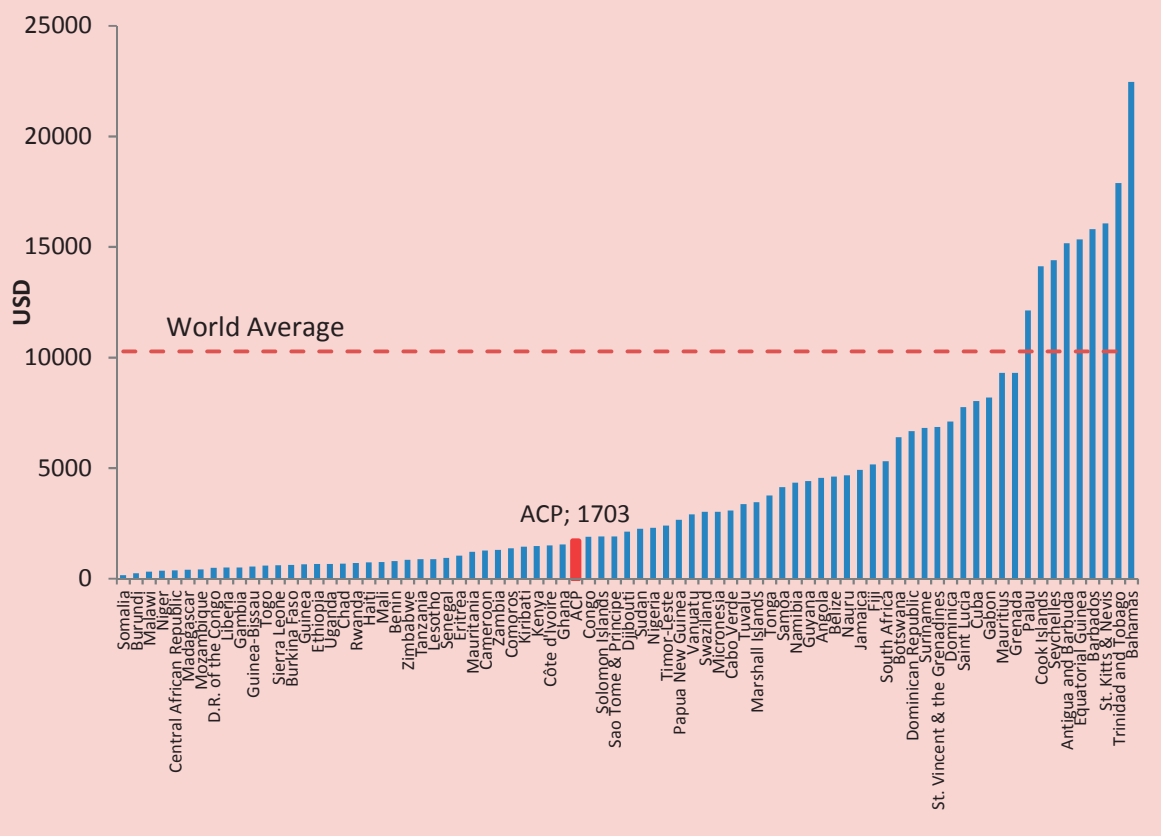
ACP member States are not only geographically dispersed around the world but also possess different geographical and economic features (Table 2). About 15 member States are classified as landlocked developing countries (LLDC) while 28 of them are small island developing states (SIDS) according to the UN definition. Besides, the level of development and per capita income levels also varies considerably among the members. Out of 79 member States about half are LDCs. There is a wide income gap among the group members; while per capita income is as low as $145 in Somalia, it is as high as $22,466 in Bahamas (Chart 1).

Table 2
Distribution of ACP member States by classification and region

	Landlocked Developing Countries	*Small Island Developing States*	*LDCs*	*All*
Africa	15	5	34	48
Caribbean	0	10	1	16
Pacific	0	13	5	15
Total	15	28	40	79

Source: UNCTADStat database.

Chart 1: GDP per capita of ACP member states, 2016, USD



Source: UNCTADStat database.

Note: 2016 figures are estimates. 2015 figures for Somalia, Kiribati, Micronesia, Marshall Islands, Nauru, Palau and Cook Islands.

Weak Economic Convergence

The differences of income levels among ACP member States appear to be persistent or decrease only slowly. Convergence, poorer economies grow faster than richer, is often expected to coincide with integration. In terms of ACP regions convergence is not visible. GDP per capita in constant US$ is highest in the Caribbean ACPs, yet it also has the highest annual real per capita growth rate among the ACP regions over the period of 2000-2016 (Table 3).

Table 3
Initial GDP per capita (2000) and real GDP growth rate (2000-2016) in ACP and ACP regions

	Initial real GDP per capita in $	*Real GDP growth rate in $ (per cent)*
	2000	*2000-2016*
Africa	873	2.3
Caribbean	3074	2.8
Pacific	1507	1.7
ACP	987	2.2

Source: UNCTAD calculations based on UNCTADStat.

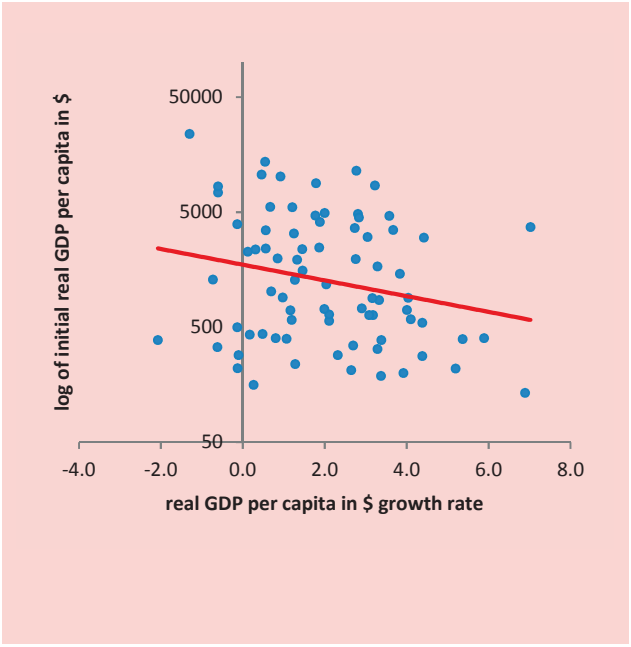
Income convergence, however, is visible when income data is used at individual country level irrespective of their geographical location. Table 4 shows the basic statistics for ACP member States when they are split into two groups; high initial income group (ones that had greater than the ACP average real per capita income in 2000) and low initial income group (ones that had less than the ACP average real per capita income in 2000) (table 4). Both, the average and median real per capita income growth rate of the low initial income group are higher than the corresponding figures for the high initial income group indicating a closing of the initial income gap on average. The figures in the last two columns of table 4 show that the convergence is not driven by the growth rate of a few countries. The number of countries growing above the ACP average is higher in the low income group than in the high income group showing that the income gap is closing for a significant number of the ACP member States.

Table 4
Real GDP growth rate (2000-2016) in high and low income country groups of ACP

	Mean(1) growth rate (per cent)	*Median growth rate (per cent)*	*Number of countries growing above the average*	*Total number of countries in the sample*
High initial income	1.7	1.5	13	40
Low initial income	2.4	2.7	21	38
Total(2)	2.0	1.9	34	78

Source: UNCTAD calculations based on UNCTADStat.
(1) Simple average. (2) Total figures compute mean and median growth rates for 78 individual members. As total figure treats each member equally by using simple averaging, the mean growth rate differs from the ACP mean growth rate in table 3.

Chart 2: Plot of initial (2000) real GDP per capita in US$ on real GDP growth rateover the period of 2000-2016



Source: UNCTAD calculations based on UNCTADStat

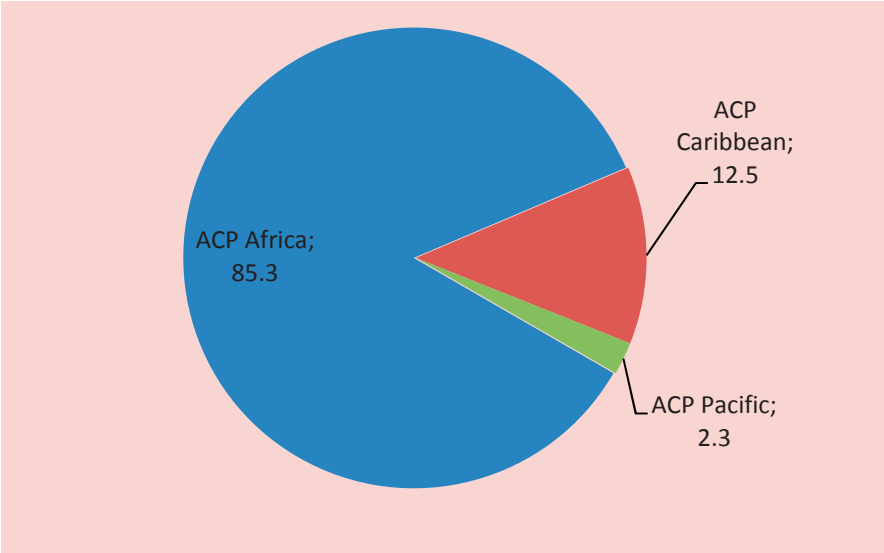
When initial real GDP per capita of countries are plotted against their growth rates over the last 16 years, the pattern confirms a negative correlation (Chart 2). Countries that have higher initial income (vertical axis) tend to have lower annual growth rates. In other words, many poorer economies catch up.

Opportunities for Trade in the Region

Economic sizes of the three geographical regions of ACP countries are very diverse. With an estimated population of 1.1 billion ACP Africa is the largest region accounting for more than 95 per cent of the group's total in 2017. Caribbean and Pacific are smaller in comparison with an estimated population of about 40 and 12 million respectively. Similarly, with 1.5 trillion combined GDP, African countries account for more than 85.2 per cent of the ACP group's total GDP in 2016. Africa is followed by Caribbean ($237 billion) and then by Pacific ($33 billion).[3]

Moreover, African countries are the biggest trader (exports plus imports) of the group by accounting for about 85.3 per cent of the ACP's merchandise trade flows in 2016 (Chart 3). In contrast, Caribbean and Pacific countries' exports are about 12.5 per cent and 2.3 per cent of the total respectively.

Chart 3: Distribution of ACP trade by region, 2016, per cent

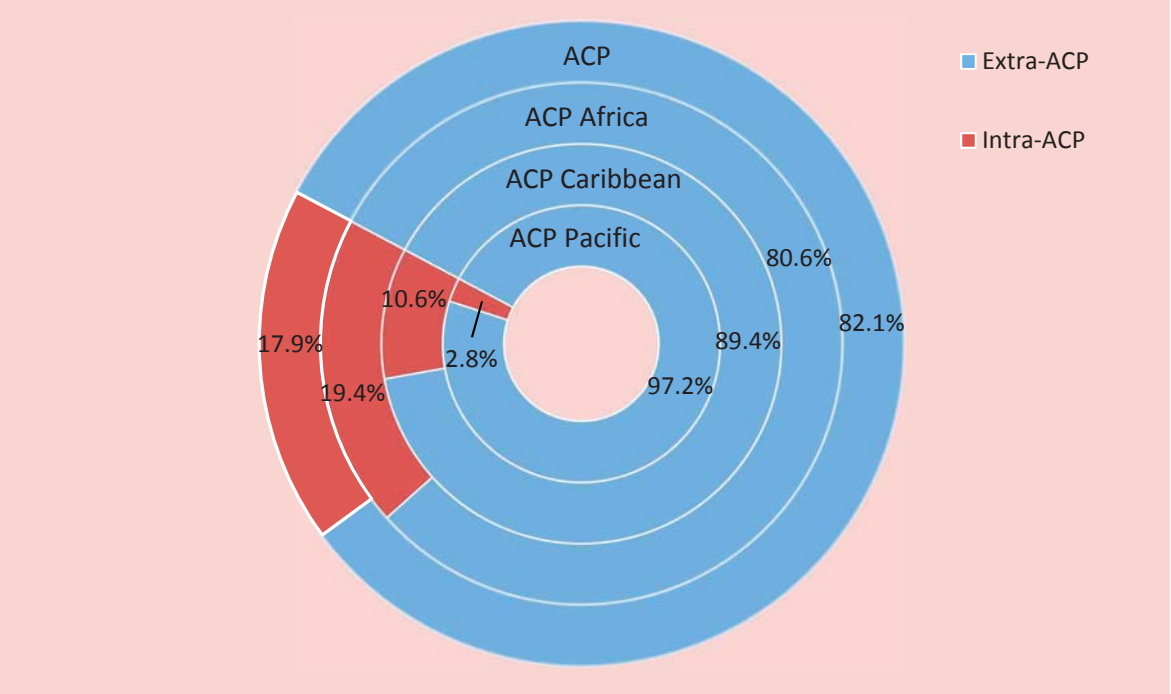


Source: UNCTADStat database.

Intra-ACP trade accounts for 17.9 per cent of the total trade (exports plus imports) in 2016, relatively low compared to established regional trade blocks. For example, intraregional trade accounts for 61.7 per cent and 40.3 per cent in the European Union and North American Free Trade Area.[4] Nevertheless, aggregate figure hides the heterogeneity of trade flows and trade concentrations within subregions of the ACP. As it is originally conceived as a block to negotiate trade agreements with the European Union, intra-ACP trade appears to have a fractured geography in three regional trade zones: Africa, Caribbean and Pacific. While ACP accounts for 19.4 per cent and 10.6 per cent of the ACP Africa's and Caribbean's trade respectively, it only captures 2.8 per cent of ACP Pacific's trade flows (Chart 4). For the latter group of countries, geographical dispersion and weak domestic productive capacity inhibit trade expansion.

[3] UNCTADStat database.
[4] UNCTAD Key Statistics and Trends in Regional Trade in Africa (forthcoming).

Chart 4: Share of intra-ACP in total trade by ACP regions (2016) per cent



Source: UNCTADStat database.

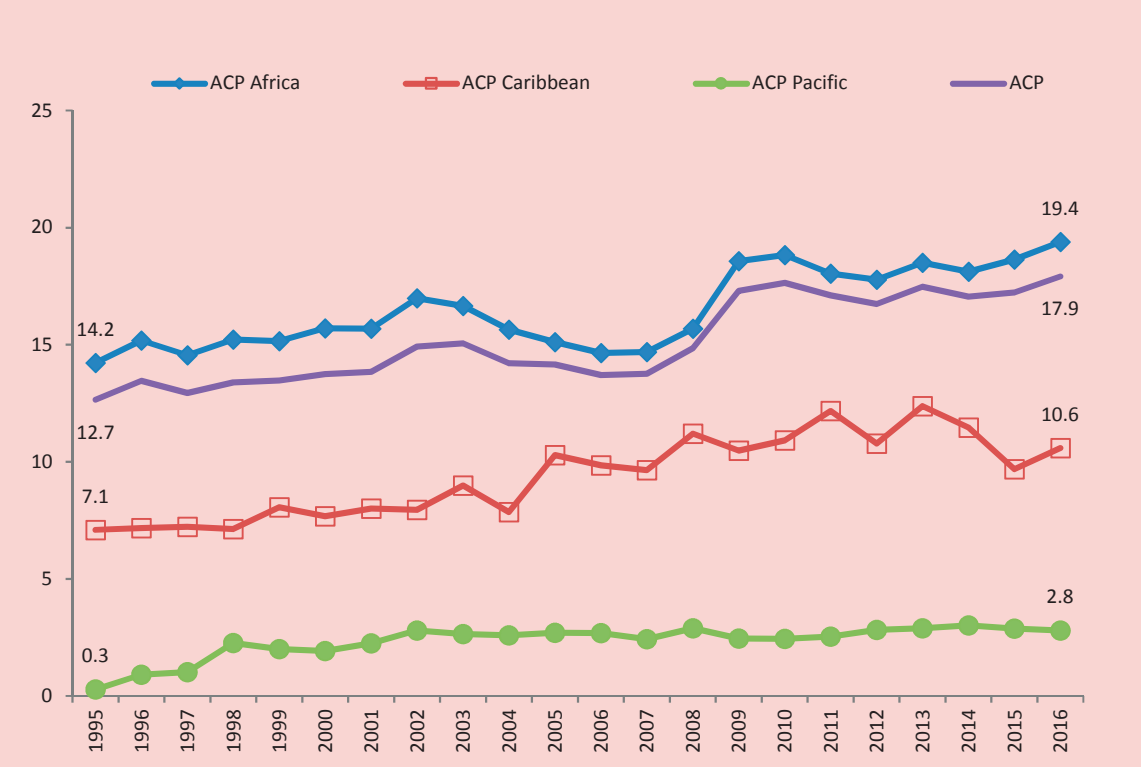
Fractured trade structure is visible when intra-ACP trade by region is studied. A significant share of intra-ACP trade is done among the members of the same geographical region while trade flows among the regions are weak (Table 5). On average, about 70.6 per cent of the trade flows of the Caribbean and 81.6 per cent of the Pacific regions are with the countries in their respective region. For African countries, this figure goes over 98 per cent.

Table 5
Distribution of intra-ACP trade by destination, 2016, per cent

		Trade Partner			
		ACP			
Reporting Economy		*Africa*	*Caribbean*	*Pacific*	*Total*
ACP	Africa	98.4	1.4	0.2	100
	Caribbean	28.7	70.6	0.7	100
	Pacific	14.0	4.4	81.6	100
	Total	93.0	6.5	0.5	100

Source: UNCTADStat database.
Note: Distribution of intra-ACP trade by region is in parenthesis.
Reading example: From all intra-ACP trade (exports plus imports) of Caribbean ACP countries 70.6 per cent is with other Caribbean ACP countries, 28.7 per cent with African and 0.7 with Pacific ACP countries.

Chart 5: Share of intra-ACP in total trade by ACP regions (1995-2016), per cent



Source: UNCTADStat database.

Despite the fractured trade structure, intra-ACP trade is gradually gaining importance for member States over the course of two decades (Chart 5). The rise may be mainly due to a generally increasing share of developing countries in world trade than deliberate and concerted efforts of ACP countries to strengthen their economic ties and integration.

PART II

STATISTICAL TRENDS

1. Trends in International Trade: The Geography

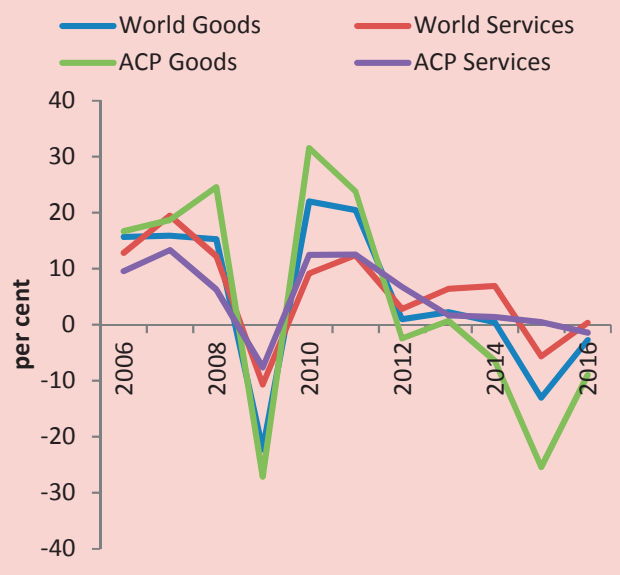
After strong recovery sharp decline of goods exports

Exports of goods of ACP countries' are valued at $305 billion, while services accounted for $93 billion in 2016. Following a strong recovery from the global recession ACP countries' exports started to fall after 2011 and the fall accelerated in 2015 and 2016. Services exports remained more robust during the recent downturn.

Figure 1
Values and growth rates of trade in goods and services

1a: ACP's Exports of Goods and Services

1b: Export Growth Rate of Goods and Services



Source: UNCTADStat.

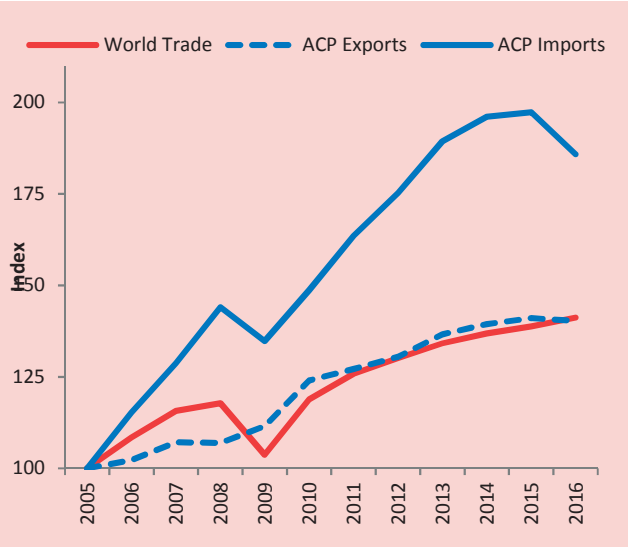
International trade can be broadly distinguished between trade in goods (merchandise) and services. The bulk of international trade concerns physical goods, while services account for a much lower share.

ACP countries' goods export has increased from $238 billion in 2005 to $488 billion in 2011 and then has fallen to $305 billion in 2016 (figure 1a). ACP countries' merchandise exports started falling as early as 2012 and the fall accelerated in 2015 to about 25 per cent, as high as the 2009 Great Recession (figure 1b). ACP merchandise exports have been more volatile than world exports since 2006 with high positive and negative growth rates. Services export has increased from $55 billion in 2005 to $93 billion in 2016. It has been less volatile.

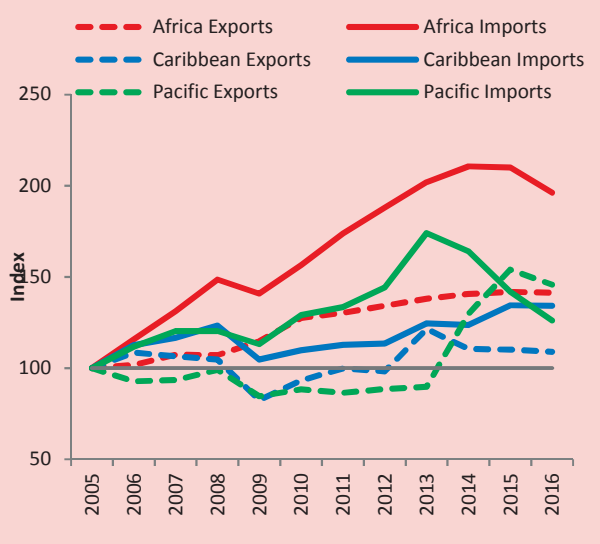
The strong decline of the value of ACP exports since 2011 is mainly due to a fall in export prices. The volume of merchandise exports continues to increase before declining by only 0.5 per cent in 2016 (Figure 2a). The volume of ACP imports, however, dropped stronger in 2016 by 5.8 per cent reversing its continuous growth pattern since 2009. Among the ACP regions, volume of imports showed the biggest decline in 2015 and 2016 in the Pacific region (Figure 2b).

Figure 2
Volume of merchandise trade

2a: World and ACP Merchandise Trade Volumes (2005=100)



2b: Merchandise Trade Volumes by ACP Regions (2005=100)

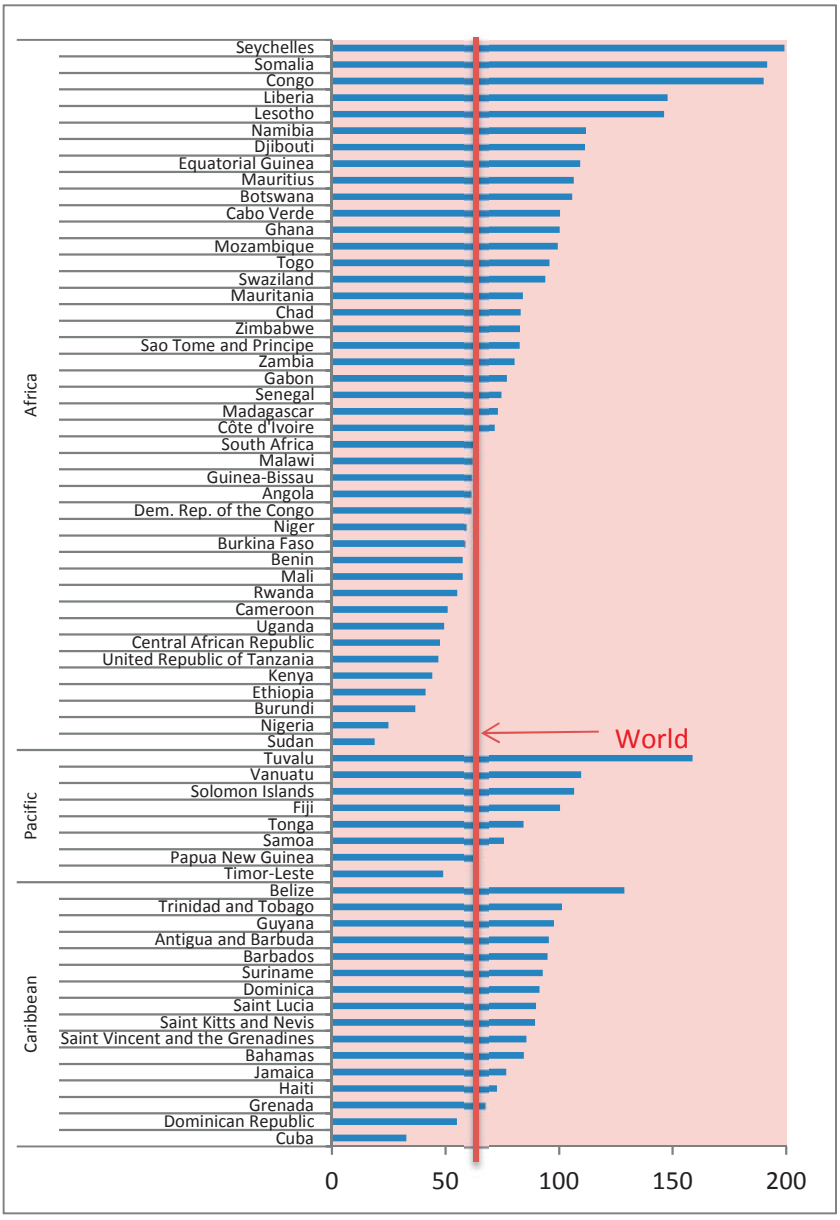


Source: UNCTADStat database. *Note*: Volume indexes of exports and imports of UNCTADStat database are used. Volume index is computed as the ratio of the export value index to the corresponding unit value index. Aggregate volume indices have been revised by switching to a chain-weighted method.

ACP is more active in trade than the world average

Most of the ACP countries can be considered as small open economies (Figure 3). Majority of them achieve high openness rate (exports plus imports over GDP) due to their small economic sizes. The figure increases up to 200 per cent in Seychelles, Somalia and the Congo while it is well below the world average of 56.2 per cent in some others such as Sudan, Nigeria and Cuba.

Figure 3
Trade openness



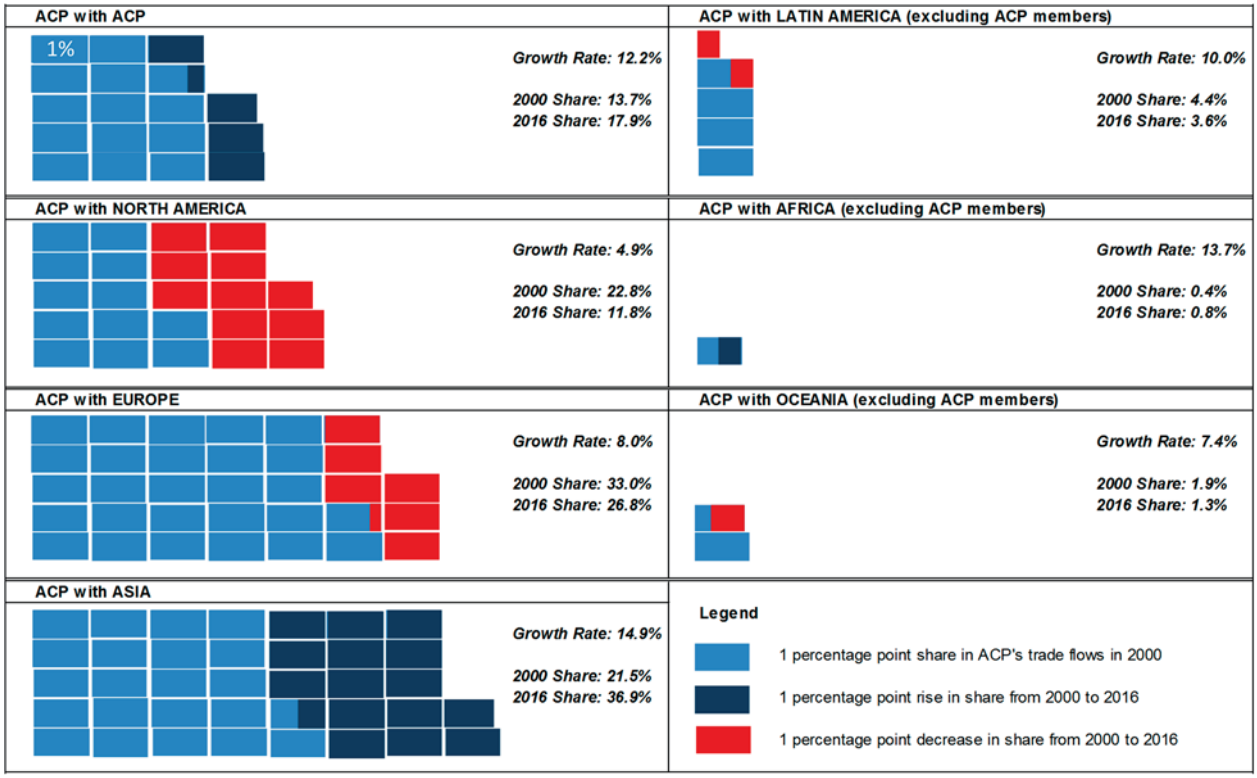
Source: UNCTAD calculations based on UNCTADStat.

Openness of economies is often measured as the share of sum of exports and imports in national income of an economy. High value of trade openness indicates greater dependence of economies on foreign markets.

ACP's trade with Asia and itself is growing

The bulk of ACP trade (exports plus imports) is with Asian (36.9 per cent), European (26.8 per cent) and North American (11.8 per cent) countries in 2016 (Figure 4). While the former has increased its share considerably since 2000, the latter two regions have lost significant market share in ACP. However, in absolute terms, trade with all regions grew. Intra-ACP trade has increased from 13.7 per cent to 17.9 during the same period. Asia, non-ACP members of Africa and intra-ACP trade registered the highest trade expansion during this period.

Figure 4
Intra- and extra-ACP trade flows (2000 and 2016) and growth rates (2000-2016)



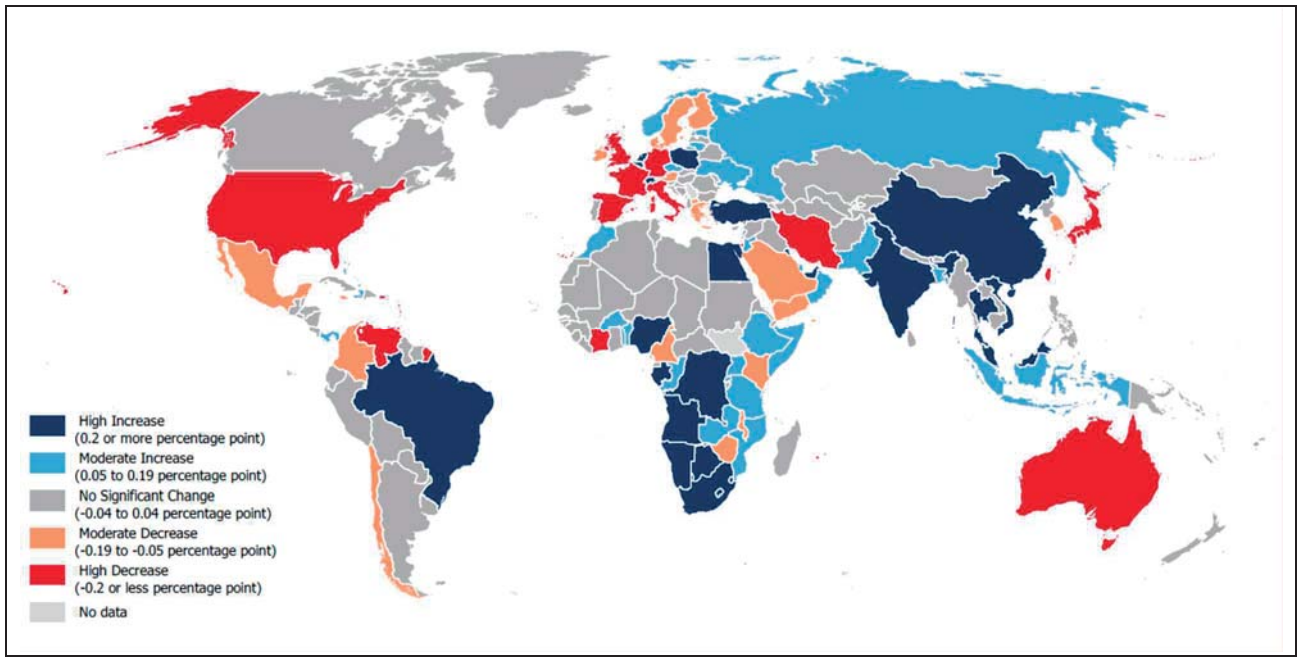
Source: UCTADStat.

ACP global trade chart (Figure 4) illustrates the importance of trade between ACP and other regions, as well as the trade growth rate between 2000 and 2016. Each rectangle represents 1 percentage point share in ACP countries' total trade. Therefore Asia, the biggest trade partner of ACP with 36.9 per cent share has 36 full rectangles and 9/10 of a rectangle. Dark blue rectangles show the increase in the share from 2000 to 2016 while red ones are the losses in share during that period. ACP Caribbean member States are excluded from the Latin American total. Similarly, ACP Africa countries are excluded in computing Africa total and ACP Pacific member States are deleted from the Oceania group. Growth rates are 2000-2016 period average.

Geographical distribution of ACP trade is changing

The ACP countries' trade share with most developed countries has been declining since 2000 while it has been growing with China, India and some countries in Africa, South America and Asia.

Map 1: Changes in the share of ACP trade from 2000 to 2016, in percentage point



Source: UNCTAD calculations based on UNCTADStat.

Reading example: The share of Australia in ACP's trade has decreased by 0.59 percentage point (from 1.65 per cent in 2000 to 1.06 per cent in 2016).

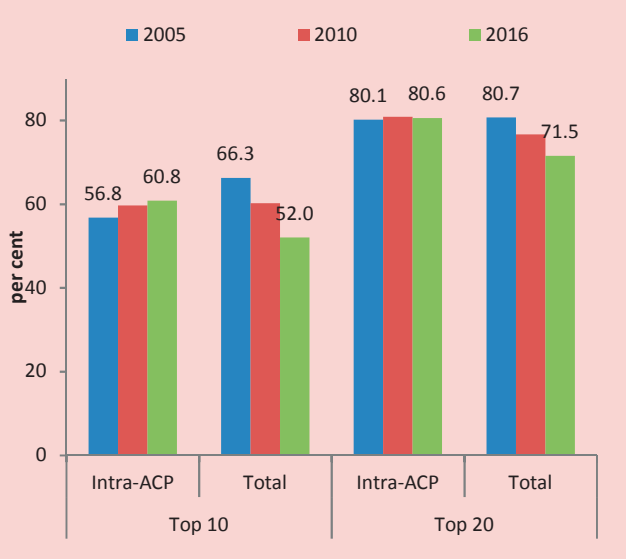
In computing these statistics merchandise trade (exports plus imports) figures of ACP countries with all countries (including intra-ACP trade) for 2000 and 2016 are used. Shares of each country in ACP's trade in 2016 are compared with their respective figure in 2000. Differences between 2016 and 2000 shares are used to colour the world map. Rise in share are coloured blue and falls red.

ACP exports are concentrated on a few markets but trend is positive towards more diversification

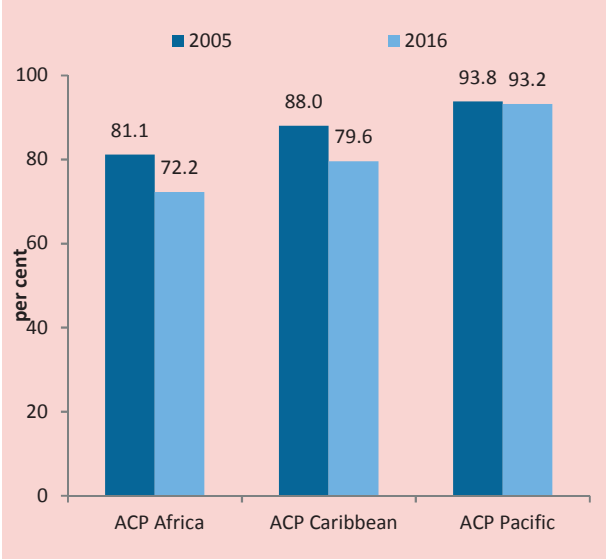
ACP countries' exports are highly concentrated in a few markets (Figure 5a). More than half of the exports are destined for 10 countries. Top 20 markets account for about 71.5 per cent of the exports. Intra-ACP trade is also highly concentrated. Across the ACP regions market concentration varies considerably; ACP Pacific tops the list with 93.2 per cent followed by ACP Caribbean and Africa. Market concentration rates in the latter two regions, though lower than the former, are still considerably high (Figure 5b). ACP countries are on a positive path: The concentration of exports to the world is declining in all three ACP regions.

Figure 5
Market concentration

5a: Top 10 and 20 Markets' Share in ACP Exports: Intra-ACP and Total Exports (2005, 2010 and 2016), per cent



5b: Top 20 Markets' Share in Total Exports of ACP Regions (2005 and 2016), per cent



Source: UNCTAD calculations based on UNCTADStat.
Reading example: Top 10 markets account for 56.8 per cent of the intra-ACP exports in 2005.

Countries with the highest 10 and 20 shares in ACP countries' merchandise exports are used in the computations. European Union member States are treated as individual countries. ACP regions may have a higher concentration index than ACP itself if regions trade extensively with another member in the same region than a member in a different ACP region.

China, USA and India are the main export markets for the ACP countries. South Africa is the only African country on the top 10 list. China and India are the main markets for ACP Africa while USA and Canada for ACP Caribbean and Australia and China for ACP Pacific.

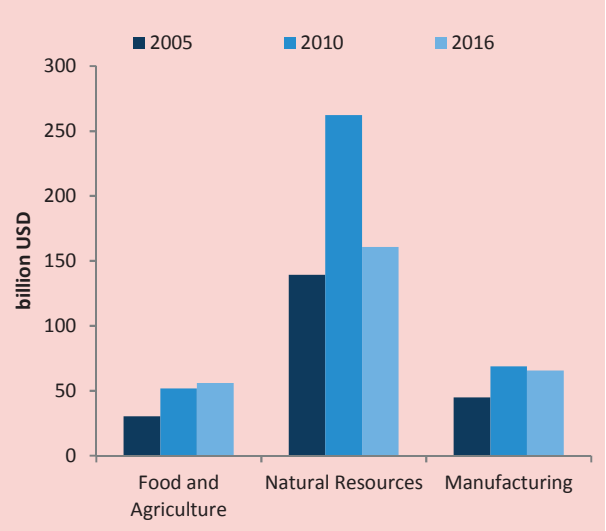
2. TRADE STRUCTURE: PRODUCT COMPOSITION

Natural resources are the most important export product

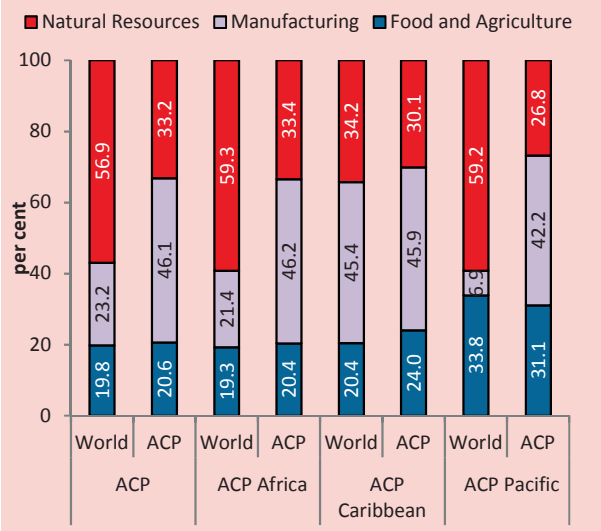
Natural resources, particularly fuel, account for a significant share of ACP countries' exports (Figure 6a). With $161 billion it comprises about 57 per cent of the ACP's total exports in 2016 (Figure 6b). The fall in commodity prices after the Great Recession and weak global demand led to swift decline in exports of natural resources compared to food and agriculture, and manufactured products since 2010. A large share of natural resource based products in ACP countries' merchandise trade is in contrast with the world trade which is largely composed of manufactured products (about $11.3 trillion and 73.2 per cent of the total). As in the case of world trade, however, ACP countries' trade in agriculture and manufacturing were more resilient to the recent trade downturn.

Figure 6
Exports of goods by broad categories

6a: ACP countries' Exports of Goods by Broad Category (2005, 2010 and 2016), billion USD



6b: Distribution of Exports of Goods in ACP and ACP Regions by Broad Category (2016), per cent



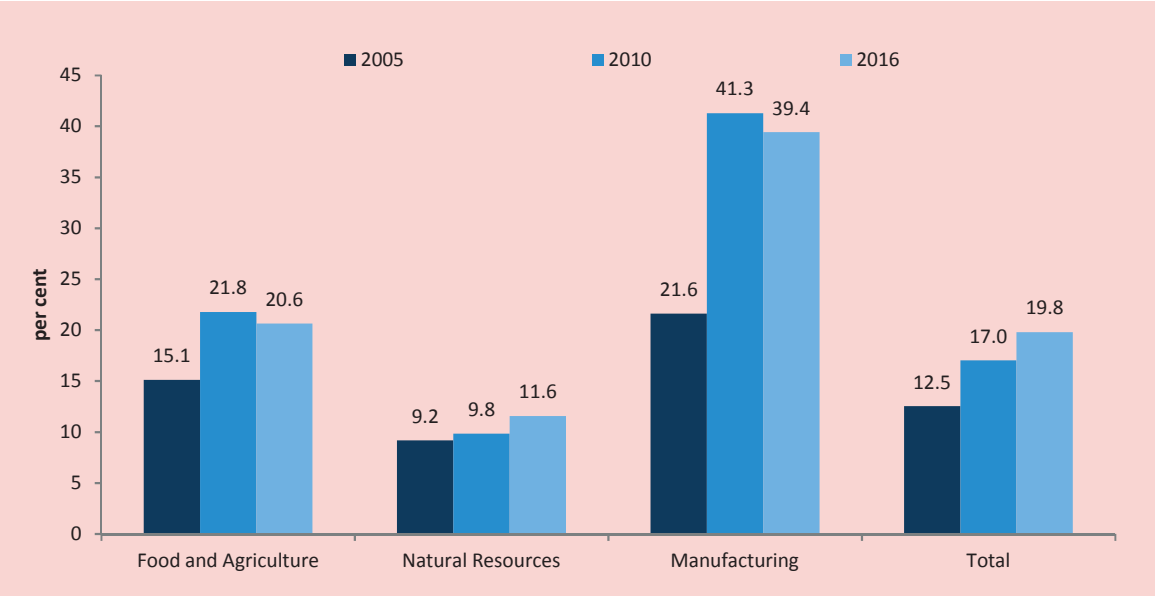
Source: UNCTADStat.
Reading example: In figure 6b the share of food and agriculture products in ACP countries' exports to the world is 19.8 per cent.

International trade in goods can be classified in three broad categories: Natural resources, food and agriculture, and manufacturing. The food and agriculture category includes SITC 0, 1, 2 (excluding 27 and 28) and 4. Natural resources category includes SITC 3, 27, 28, 68, 667 and 971. Manufactured goods category includes SITC 5 to 8 less 667 and 68.

ACPs export natural resources to the world and manufactures to each other

The Intra-ACP export share is highest in manufactured products with about 40 per cent share (Figure 7). The figure is significantly higher than the total export's share which is about 20 per cent. Manufactured goods are followed by food and agriculture and then natural resources. The rise in total intra-ACP exports is largely a consequence of (1) a high (resilient) share of manufactures exports within ACP countries and (2) falling commodity prices leading to shrinking ACP exports to non-ACP countries.

Figure 7
Share of intra-ACP exports in total by product categories, per cent , 2016



Source: UNCTADStat.

International trade in goods can be classified in three broad categories, including natural resources, food and agriculture, and manufacturing. The food and agriculture category includes SITC 0, 1, 2 (excluding 27 and 28) and 4. Natural Resources category includes SITC 3, 27, 28, 68, 667 and 971. Manufactured goods category includes SITC 5 to 8 less 667 and 68. When ACP total exports fall sharply (Figure 1) including because of falling commodity prices, stable manufacturing exports to other ACP countries lead to rising intra-ACP trade shares.

While fuels, ores and metals, and food and live animals are the three main export categories of total ACP exports, machinery and transport equipment as well as other manufactured goods also stands out in intra-ACP exports (Table 6a). Industries with higher value added than natural resources such as transport vehicles and other specialized, industrial and electrical machinery, parts and appliances tend to capture larger share in trade among ACP countries (Table 6b). Similarly, higher shares of processed metals and minerals as well as oils for perfumes and cleaning preparations in intra-ACP trade stays in contrast with extra-ACP exports that mainly rely on raw or less processed natural resources.

Table 6a
Composition of Total and Intra-ACP Exports by Broad Categories and their Sub-Groups, 2016, billion USD and per cent

	Total	*Intra-ACP*	*Total*	*Intra-ACP*
	(billion USD)		(per cent)	
Food and Agriculture	**56.03**	**11.56**	**19.84**	**20.65**
Food and live animals	*36.58*	*7.74*	*12.96*	*13.83*
Beverages and tobacco	*6.18*	*1.97*	*2.19*	*3.52*
Crude materials, inedible, except fuels	*11.39*	*0.94*	*4.03*	*1.69*
Animal and vegetable oils, fats and waxes	*1.88*	*0.90*	*0.66*	*1.61*
Natural Resources	**160.74**	**18.59**	**56.93**	**33.20**
Mineral fuels, lubricants and related materials	*91.88*	*12.08*	*32.54*	*21.57*
Ores, metals, precious stones and non-monetary gold	*68.85*	*6.51*	*24.39*	*11.63*
Manufactured Goods	**65.58**	**25.84**	**23.23**	**46.15**
Machinery and transport equipment	*24.73*	*9.50*	*8.76*	*16.97*
Manufactured goods	*15.58*	*7.13*	*5.52*	*12.74*
Chemicals and related products, n.e.s.	*13.61*	*5.50*	*4.82*	*9.83*
Miscellaneous manufactured articles	*11.66*	*3.70*	*4.13*	*6.61*

Source: UNCTAD calculations based on UNCTADStat.

Table 6b

Distribution of Total and Intra-ACP Exports by Detailed Manufactured Goods Categories, 2016, billion USD and per cent of total

	Total	*Intra-ACP*	*Total*	*Intra-ACP*
	(billion USD)		(per cent)	
Machinery and transport equipment	**24.73**	**9.50**	**8.76**	**16.97**
Road vehicles	*10.08*	*2.41*	*3.57*	*4.30*
Other transport equipment	*3.66*	*1.88*	*1.30*	*3.36*
Specialised machinery	*2.04*	*1.47*	*0.72*	*2.63*
Other industrial machinery and parts	*3.34*	*1.27*	*1.18*	*2.27*
Electrical machinery, apparatus and appliances, n.e.s.	*2.71*	*1.24*	*0.96*	*2.22*
Telecommunication and sound recording apparatus	*1.00*	*0.48*	*0.35*	*0.85*
Power generating machinery and equipment	*1.27*	*0.37*	*0.45*	*0.66*
Office machines and automatic data processing machines	*0.50*	*0.32*	*0.18*	*0.58*
Metal working machinery	*0.12*	*0.06*	*0.04*	*0.11*
Manufactured goods	**15.58**	**7.13**	**5.52**	**12.74**
Iron and steel	*7.03*	*1.70*	*2.49*	*3.03*
Non metallic mineral manufactures, n.e.s.	*1.93*	*1.64*	*0.68*	*2.93*
Manufactures of metal, n.e.s.	*2.00*	*1.36*	*0.71*	*2.43*
Textile yarn and related products	*1.51*	*0.98*	*0.54*	*1.74*
Paper and paper manufactures	*1.11*	*0.83*	*0.39*	*1.48*
Rubber manufactures, n.e.s.	*0.48*	*0.35*	*0.17*	*0.63*
Cork and wood manufactures (excluding furniture)	*0.61*	*0.23*	*0.22*	*0.41*
Leather, leather manufactures and dressed furskins	*0.91*	*0.05*	*0.32*	*0.08*
Chemicals and related products, n.e.s.	**13.61**	**5.50**	**4.82**	**9.83**
Essential oils for perfume materials and cleaning prep.	*2.24*	*1.78*	*0.79*	*3.17*
Chemical materials and products, n.e.s.	*1.38*	*0.81*	*0.49*	*1.44*
Fertilizers other than group 272	*1.10*	*0.63*	*0.39*	*1.12*
Medicinal and pharmaceutical products	*1.22*	*0.50*	*0.43*	*0.89*
Plastics in primary forms	*0.86*	*0.48*	*0.31*	*0.86*
Plastics in non-primary forms	*0.48*	*0.39*	*0.17*	*0.70*
Inorganic chemicals	*2.99*	*0.37*	*1.06*	*0.66*
Dyeing, tanning and colouring materials	*0.46*	*0.28*	*0.16*	*0.49*
Organic chemicals	*2.88*	*0.27*	*1.02*	*0.49*
Miscellaneous manufactured articles	**11.66**	**3.70**	**4.13**	**6.61**
Miscellaneous manufactured articles, n.e.s.	*3.51*	*1.54*	*1.24*	*2.75*
Articles of apparel & clothing accessories	*4.36*	*0.84*	*1.54*	*1.50*
Footwear	*0.95*	*0.41*	*0.33*	*0.73*
Professional and scientific instruments, n.e.s.	*1.92*	*0.36*	*0.68*	*0.64*
Furniture and parts thereof	*0.44*	*0.32*	*0.16*	*0.57*
Prefabricated build., sanitary, heating and lighting fix., n.e.s.	*0.19*	*0.15*	*0.07*	*0.27*
Photo apparatus, optical goods, watches and clocks	*0.20*	*0.06*	*0.07*	*0.10*
Travel goods, handbags, etc.	*0.10*	*0.04*	*0.03*	*0.07*

Source: UNCTAD calculations based on UNCTADStat.

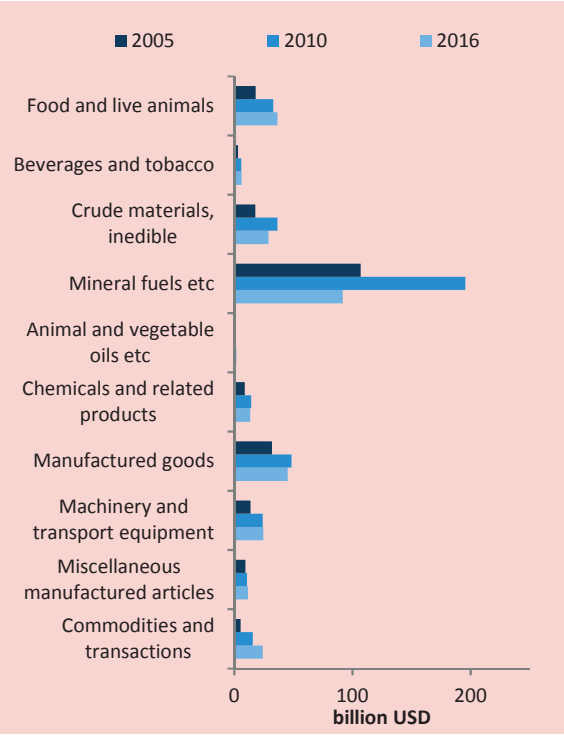
Oil is exported and machines are imported

Mineral fuels category is the biggest export item for ACP countries as a group with $92 billion value, about 32 per cent of the total (Figure 8a). A high share of mineral fuels implies strong dependence on commodity price fluctuations. The fall in energy prices which led to decline in value of international trade value in energy products has contributed to more than 40 per cent of the drop in world trade in 2015.[5] Similarly, mineral fuel exports of ACP countries declined by 53 per cent from 2010 to 2016 which also significantly contributed to the overall decline in the region's merchandise exports.

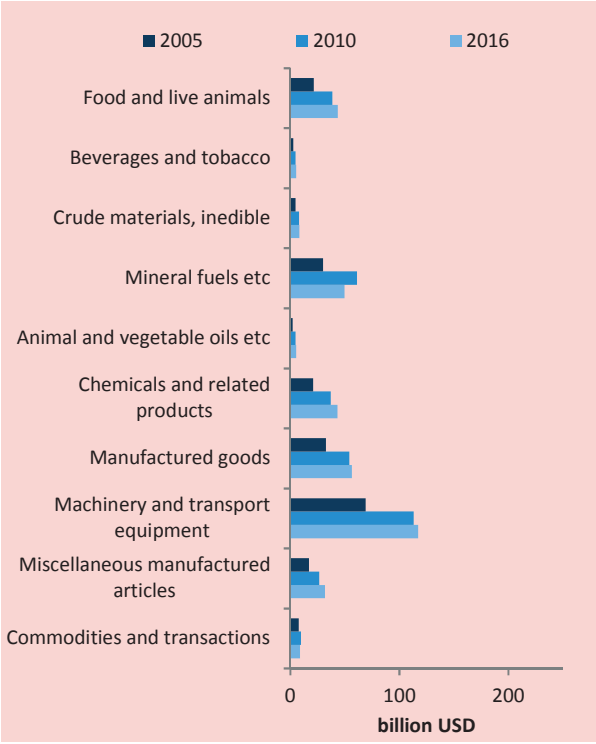
Machinery and transport equipment is the largest import category for ACP with $117 billion followed by manufactured goods (Figure 8b). In contrast to exports, ACP's imports continue to increase from 2010 to 2016 in most of the product groups.

Figure 8
Values of ACP countries' trade in goods by sector (2016) per cent

8a: ACP Countries' Exports by Product Category, (2005, 2010 and 2016), billion USD



8b: ACP Countries' Imports by Product Category, (2005, 2010 and 2016) billion USD



Source: UNCTADStat.

Figure 8a and 8b displays the value of ACP countries' trade in 11 main SITC categories of goods. In terms of value, a large amount of ACP's trade relates to energy products (oil, gas, coal and petroleum products) and manufactured goods. On the other hand, ACP's imports are more diversified and machinery, transport equipment, and manufactured goods comprised the largest share in the total. The fall in commodity prices and the appreciation of the US dollar, inter alia, contributed to the recent fall in world trade.

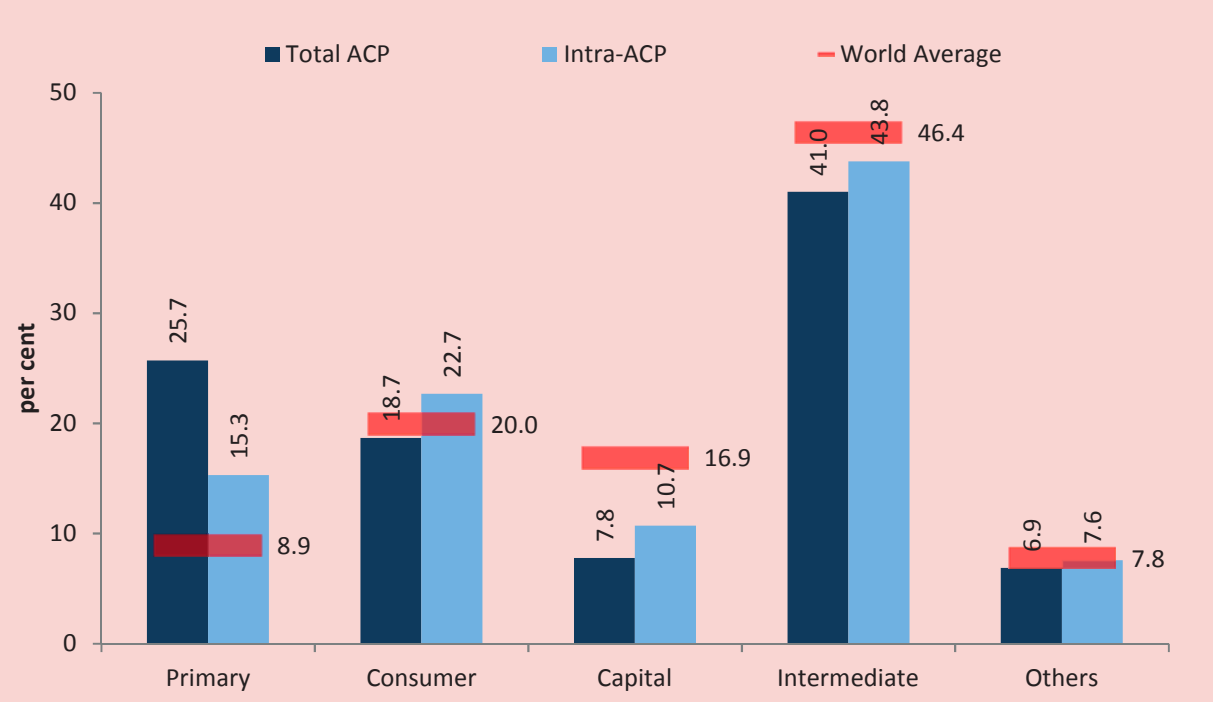
[5] UNCTAD, Key Statistics and Trends in International Trade, 2016.

Intra-ACP trade composition is closer to world patterns than extra-ACP trade: More consumer, capital and intermediate - less primary goods

With about 41 per cent share, intermediate goods account for the biggest share in total ACP exports, followed by primary goods (Figure 9). Compared with the total exports of the group, intra-ACP exports include much less primary but more consumer, capital and intermediate goods. Therefore, intra-ACP exports offers more opportunities in diversifying the export basket, adding more value in production and achieving more sustainable trade growth in the long run compared to extra-ACP trade.

In general, ACP exports are highly concentrated on primary goods relative to the world average. The group scores low particularly in capital goods, about half of the world average, and in intermediate goods, 5 percentage points less than the average.

Figure 9
Distribution of total ACP and intra-ACP exports by processing, per cent , 2016



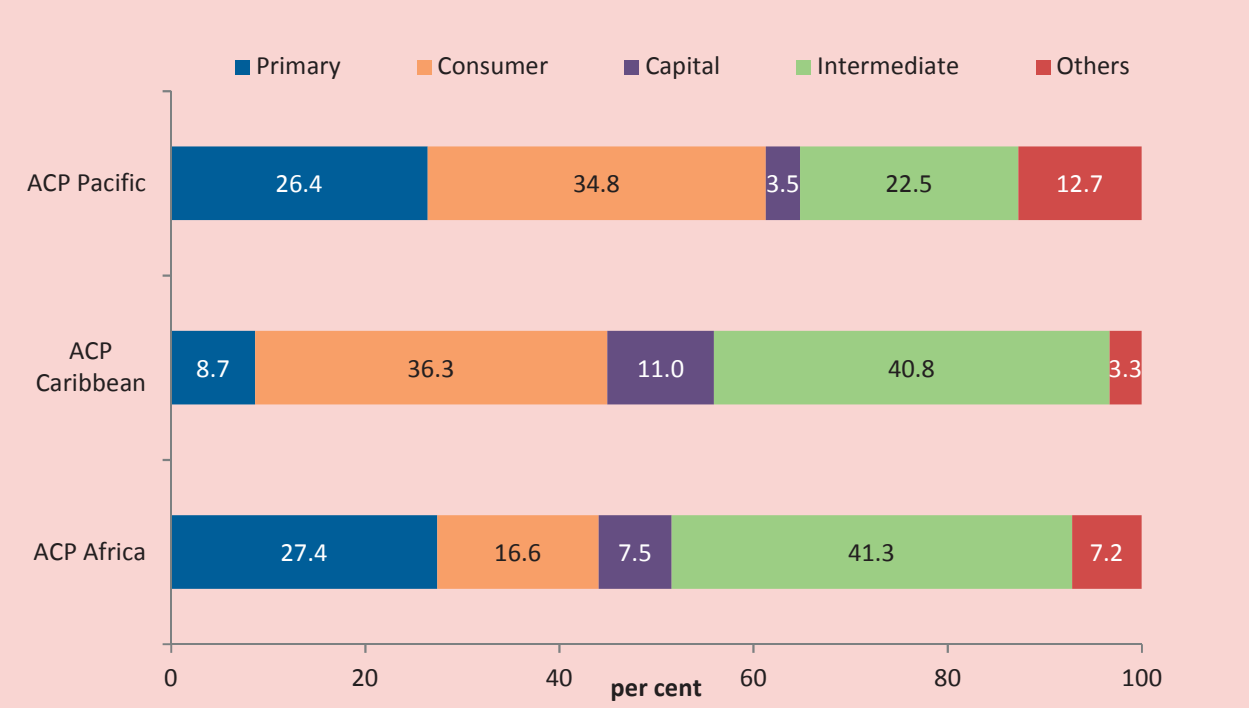
Source: UNCTAD calculations based on COMTRADE.

International trade in goods can be differentiated by the stage of processing, depending on their intended use along the production chain. Goods are therefore classified as primary, intermediates, consumer and capital (the latter comprising machinery used for the production of other goods). Non-classified goods are placed under the "others" category. Distribution of World trade by product processing is the average of gross export and import figures.

There are significant differences between ACP regions in export composition

The distribution of exports by processing varies considerably between ACP regions (Figure 10). The primary goods category captures an important share of Pacific and African countries' exports. Intermediate goods are an important product category in African and Caribbean ACP countries' trade. On the other hand, consumer goods occupy larger shares in Pacific and Caribbean member States' exports. Capital goods however, account for smaller shares in all regions compared to the world average of about 17 per cent.

Figure 10
Distribution of exports of ACP regions by processing, per cent , 2016



Source: UNCTAD calculations based on COMTRADE.

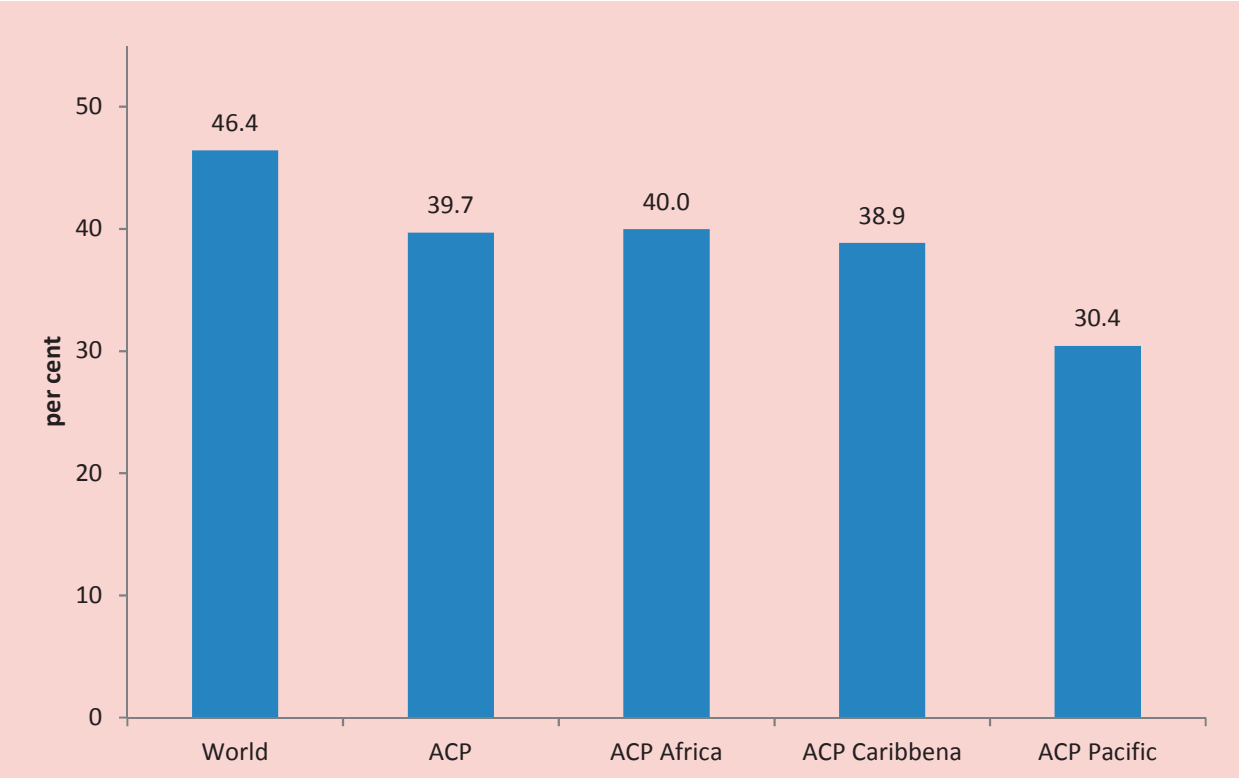
- Intermediate goods: Goods that are manufactured to be further processed by other producers
- Consumer goods: Final goods that are purchased by consumers
- Capital goods: Machinery and equipment that are used for producing products

International trade in goods can be differentiated by the stage of processing, depending on their intended use along the production chain. Goods are therefore classified as primary, intermediates, consumer and capital (the latter comprising machinery used for the production of other goods). Non-classified goods are placed under the "others" category.

Low integration in global production networks

Trade in intermediate goods can be used to measure a country's degree of integration into the global production networks. ACP countries, particularly ACP Pacific region members, score low in the share of trade in intermediate goods (exports plus imports) in total trade (Figure 11). As it is further elaborated in section 3 on services trade and investment flows, many countries in the ACP region are lagging in attracting foreign direct investments and integrating to the global value chains.

Figure 11
Share of intermediate goods in total trade by ACP regions, per cent , 2016



Source: UNCTAD calculations based on COMTRADE.

Trade in intermediate goods is, however, only one possible indicator for the integration into global value networks. Primary goods exports are also used in the production process by other countries. This form of integration is, however, often seen as creating less value and fewer jobs.

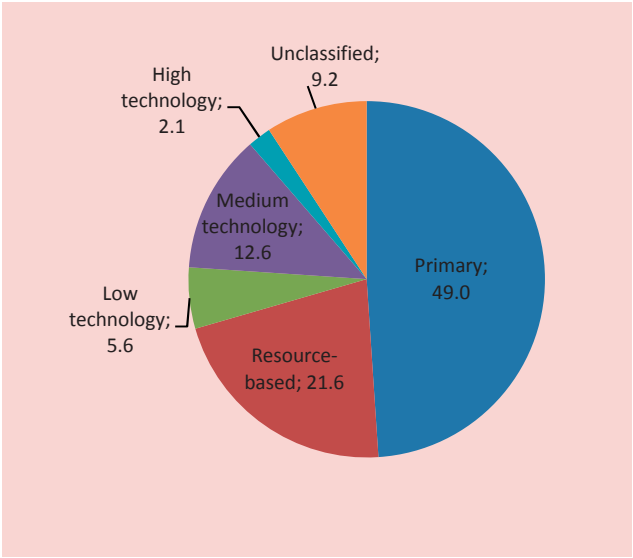
International trade in goods can be differentiated by the stage of processing, depending on their intended use along the production chain. Goods are therefore classified as primary, intermediates, consumer and capital (the latter comprising machinery used for the production of other goods). Non-classified goods are placed under the "others" category. World trade in intermediate goods is the average of gross export and import figures.

More medium- and high-tech products are traded among ACP members

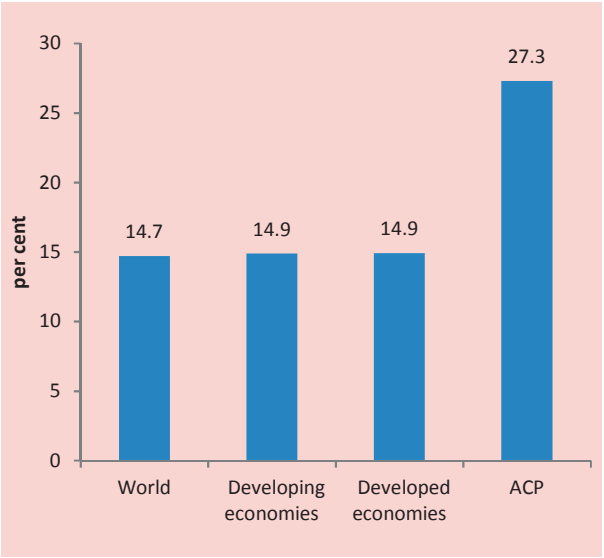
Primary goods account for about half of the goods exports of ACP countries while medium and high technology products are together capturing only 14.7 per cent of the total (Figure 12a). Technology content of intraregional trade is higher than extraregional trade in ACP countries. While medium and high technology goods account for 14.9 per cent of exports to developed countries in 2016, this figure is 27.3 per cent in intra-ACP trade (Figure 12b).

Figure 12
Exports by technology content

12a: ACP countries' exports by technology content (2016), per cent



12b: Share of medium and high technology goods in total export of ACP by destination (2016), per cent



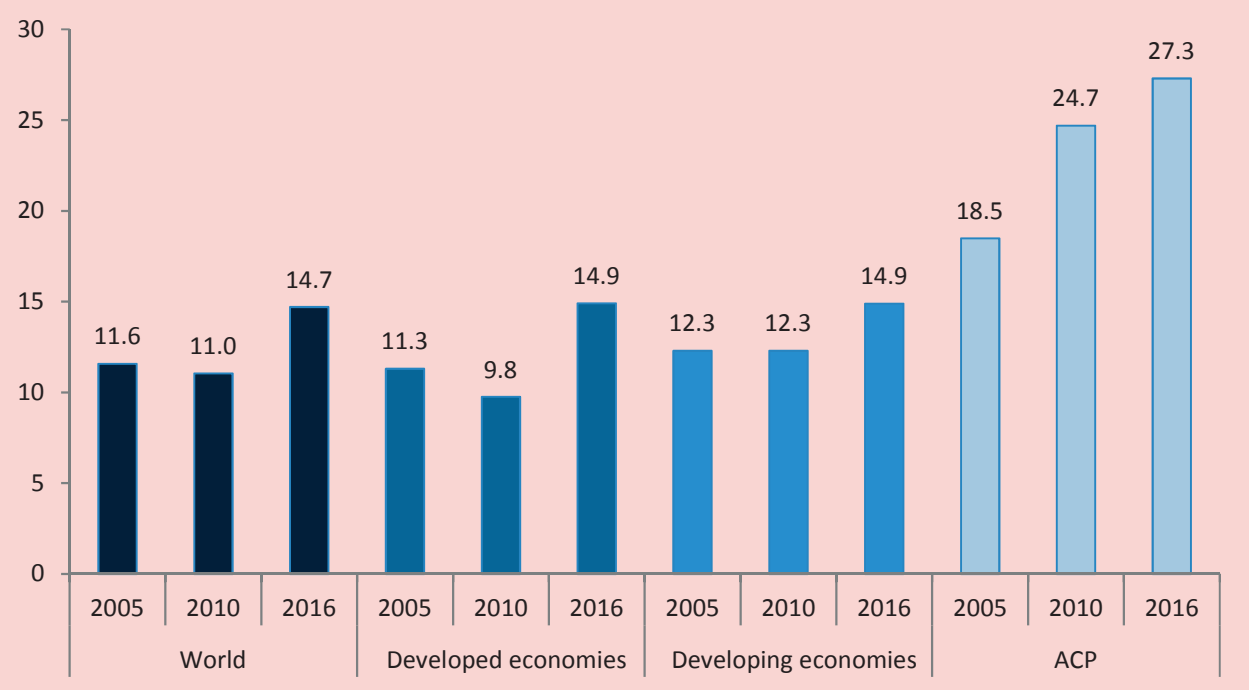
Source: UNCTADStats.
Note: Lall classification is used.

Merchandise exports can be classified as primary products, resource-based manufactures, low technology manufactures, medium technology manufactures and high technology manufactures following a research conducted by Sanjaya Lall ("*The Technological Structure and Performance of Developing Country Manufactured Exports, 1985-1998",* QEH Working Paper Series – QEHWPS44, June 2000).

Technology content is improving

The combined share of medium and high technology products has increased recently in the total exports of ACP (Figure 13). The main increase happened after the global recession when fuel prices and thus the value of primary goods declined. Nevertheless, technology content of intra-ACP trade has increased even before the fall in commodity prices.

Figure 13
Share of medium and high technology products in ACP exports by destination (2005, 2010 and 2016), per cent



Source: UNCTADStats.
Note: Lall classification is used.
Reading example: In 2005, 11.3 per cent of all ACP exports to developed countries were medium to high technology products.

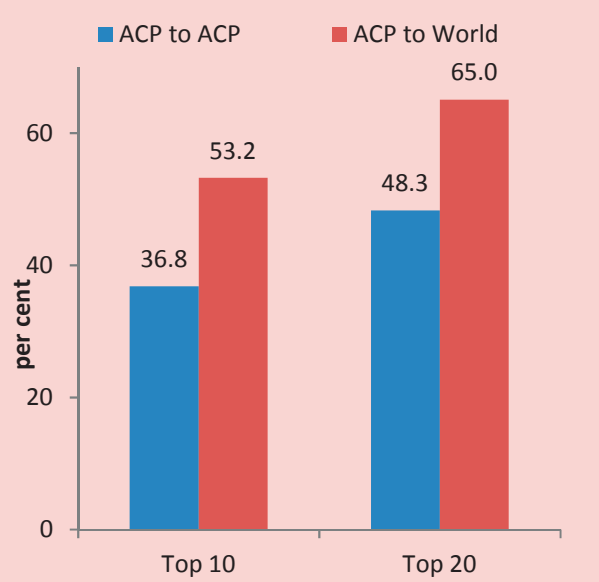
Merchandise exports can be classified as primary products, resource-based manufactures, low technology manufactures, medium technology manufactures and high technology manufactures following a research conducted by Sanjaya Lall ("*The Technological Structure and Performance of Developing Country Manufactured Exports, 1985-1998",* QEH Working Paper Series – QEHWPS44, June 2000).

Intra-ACP trade is more diversified

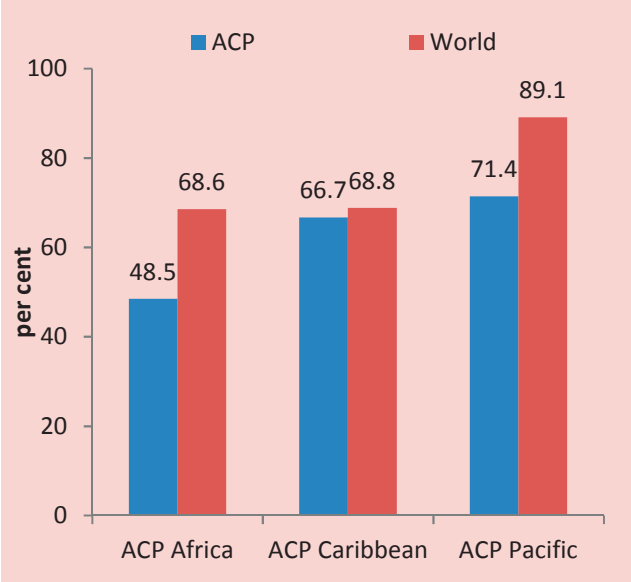
Export product concentration varies considerably by both destination and ACP region. Intra-ACP exports tend to be less concentrated than extra-ACP exports. Top 20 products, for example, account for about 48.3 per cent in intra-ACP trade, much smaller than 65 per cent of the total exports (Figure 14a). Similarly intra-ACP exports are more diversified than extra-ACP exports for each region, though the difference is less for Caribbean countries. The concentration tends to be much smaller in African and Caribbean members while it shoots up in Pacific member States (Figure 14b).

Figure 14
Product concentration of exports

14a: Share of Top 10 and Top 20 Products in ACP Countries' Exports by Destination (2016), per cent



14b: Share of Top 20 Products in Exports by ACP Regions and by Destination (2016), per cent



Source: UNCTAD calculations based on UNCTADStat.
Note: In computing the statistics three digit SITC is used.

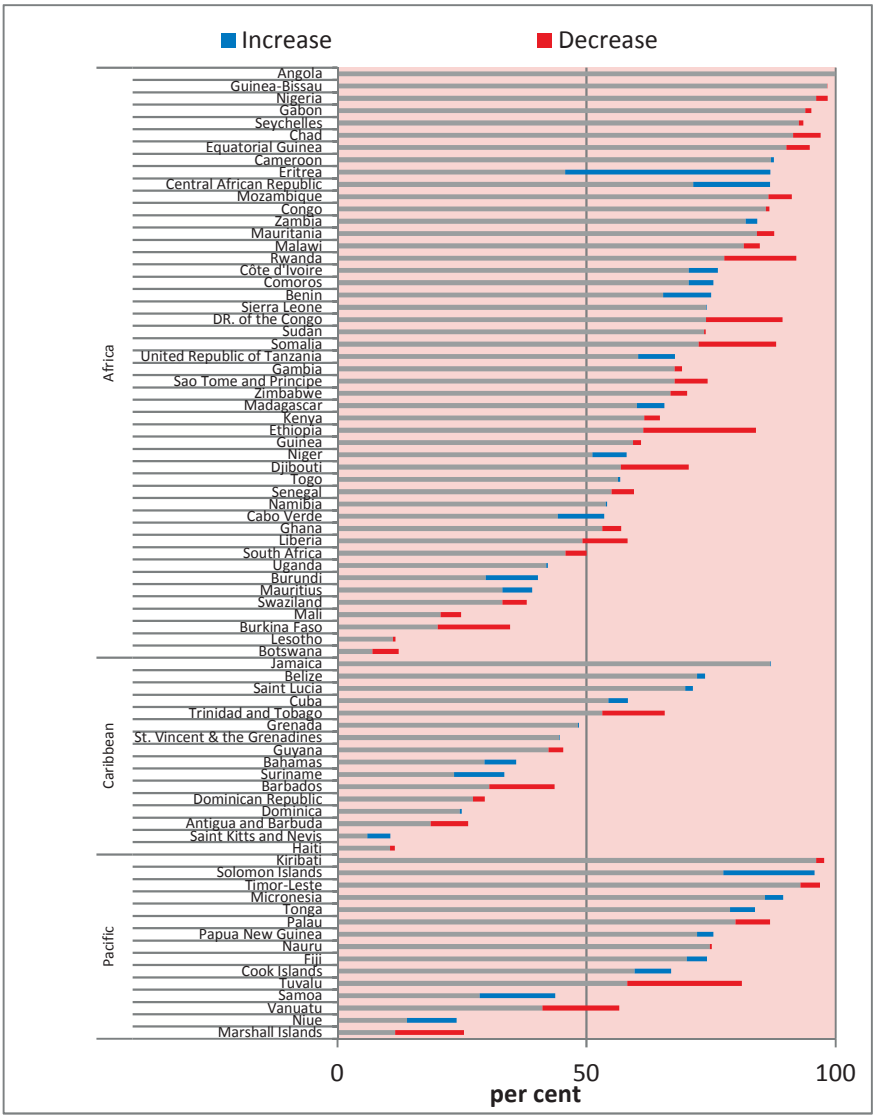
Share of the main products in an export basket of a country is a method often used to measure the degree of concentration and dependence of countries on exports of few products. Merchandise trade by trading partner and three digit product level (SITC Revision 3 commodity classification) is used to compute the statistics. There are 255 product items in this classification.

Top 10 products of ACP countries mainly include natural resources. For African economies petroleum products, gold and other commodities, cocoa, fruits and nuts as well as motor vehicles for transport of persons make the list. For Caribbean states gold, aluminum, petroleum products, natural gas, tobacco, alcohols, apparel and sugar stand out. In addition to commodities such as gold, natural gas and petroleum products, some agricultural goods such as vegetables, fish and coffee top the exports of the Pacific member States.

Dependence on agriculture and resources is high

Most of the ACP countries are highly dependent in commodity exports. Commodity dependence is more evident in raw material exporting countries of Africa along with some economies in the Pacific (Figure 15). A fall in commodity prices reduced the dependence index for some countries including ACP economies. Nevertheless, the fall is temporary and a misleading sign of export product diversification. In order to improve export diversification, economies could aim to create domestic productive capacities in non-commodity based industries.

Figure 15
Agricultural and natural resources dependence index (2016) and its change from 2013



Source: UNCTAD calculations based on UNCTADStat.

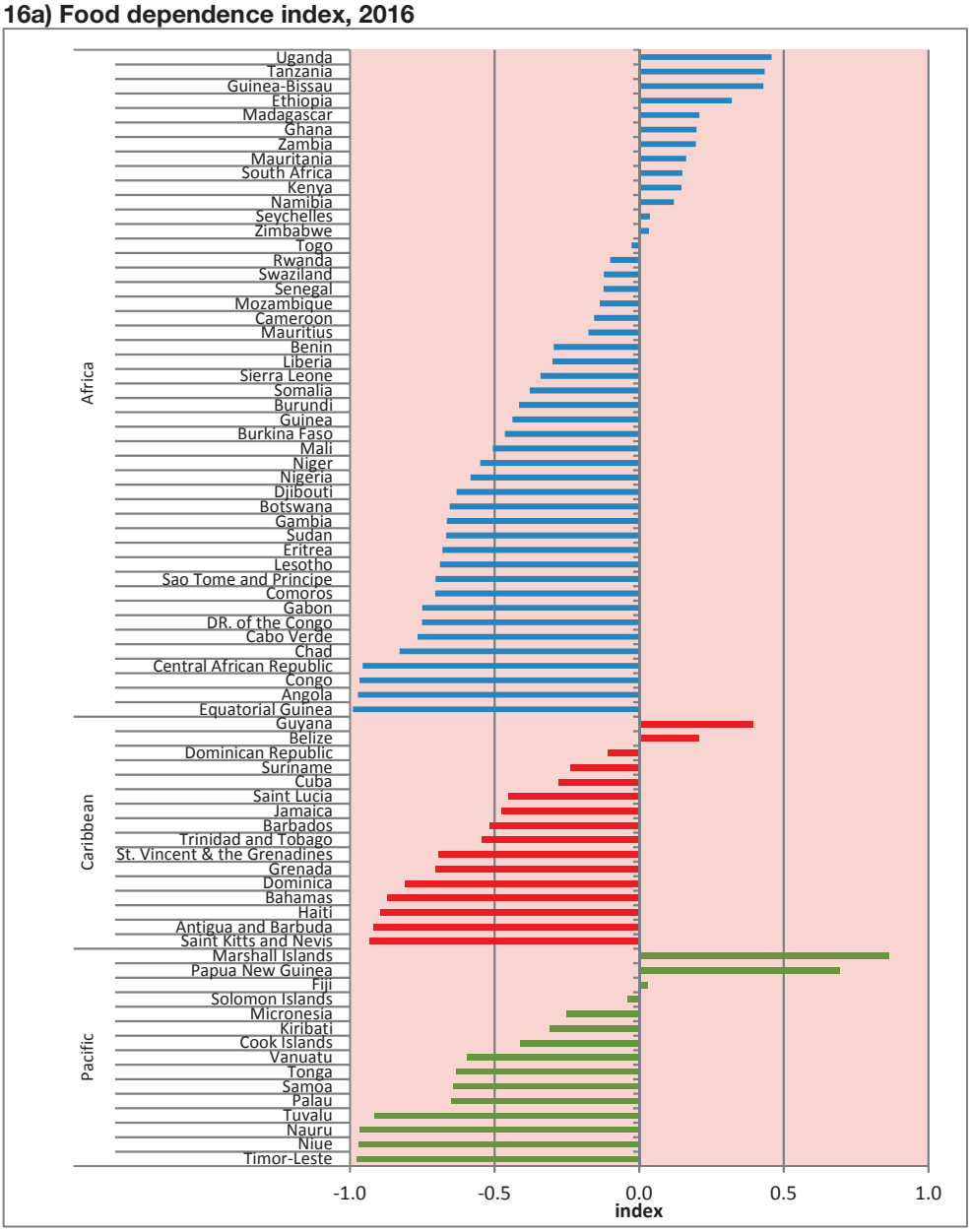
The commodity dependence index is computed as the share of the value of exports in primary products consisting of agricultural goods and natural resources over the total value of exports. It varies from 0 to 100. High dependence implies more exposure to shocks in the prices of natural resources and agricultural commodities. Primary goods include SITC 0, 1, 2, 3, 4 and 68.

Most ACP countries are the net-food importers

Most of the ACP countries are net food importers with the exception of some countries in East, West and South Africa, and Pacific (Figure 16a). Many of these food dependent economies have to rely on imports of food products in international trade. Similarly many ACP countries in Africa, Caribbean and Pacific, except some countries in Northern and Central Africa, are net energy importers (Figure 16b). Interestingly, while many net food exporters are net energy importers, net energy exporters are also net food importers.

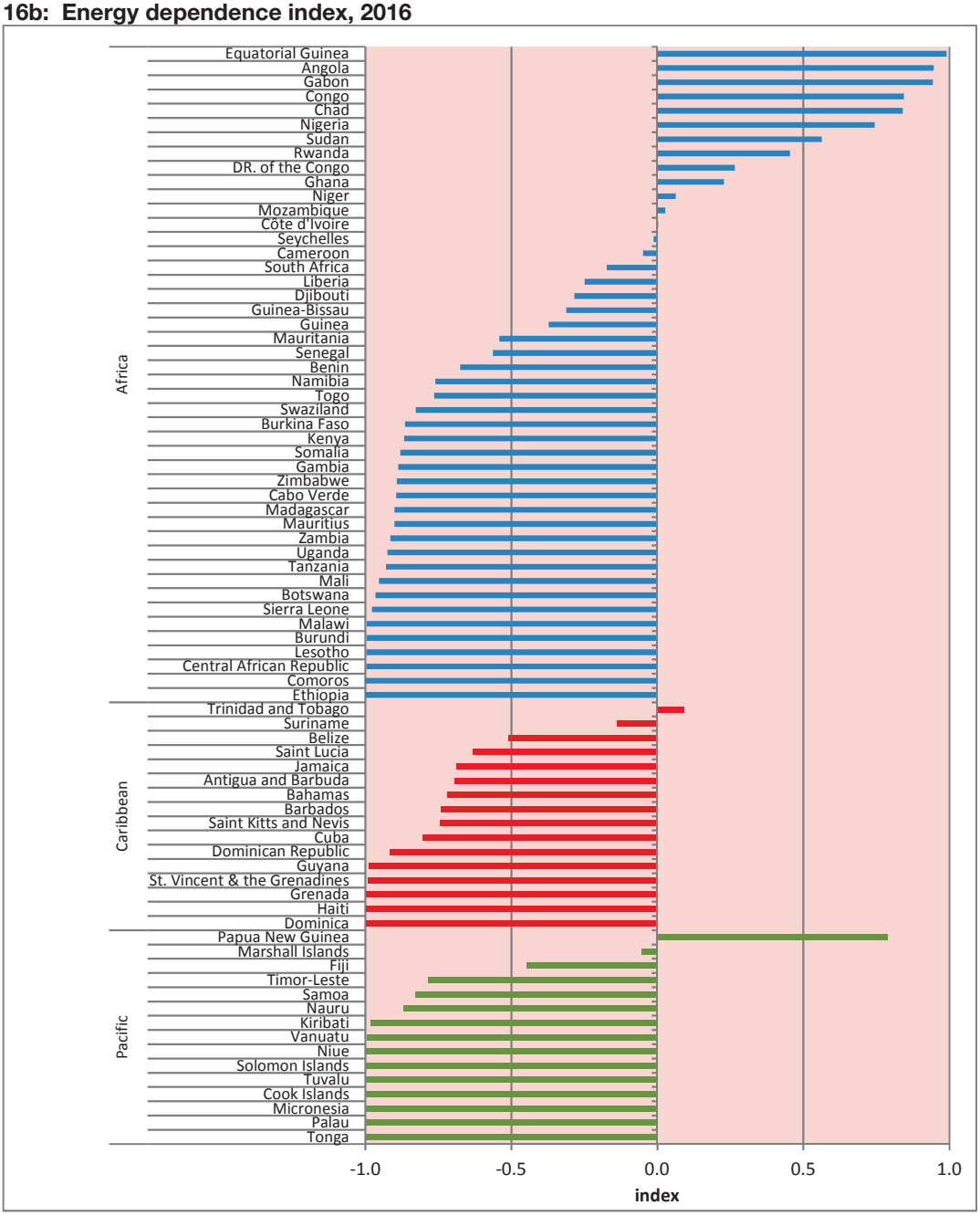
Figure 16
Food and energy dependence of countries

16a) Food dependence index, 2016



Source: UNCTAD calculations based on UNCTADStat.

16b: Energy dependence index, 2016



Source: UNCTAD calculations based on UNCTADStat.

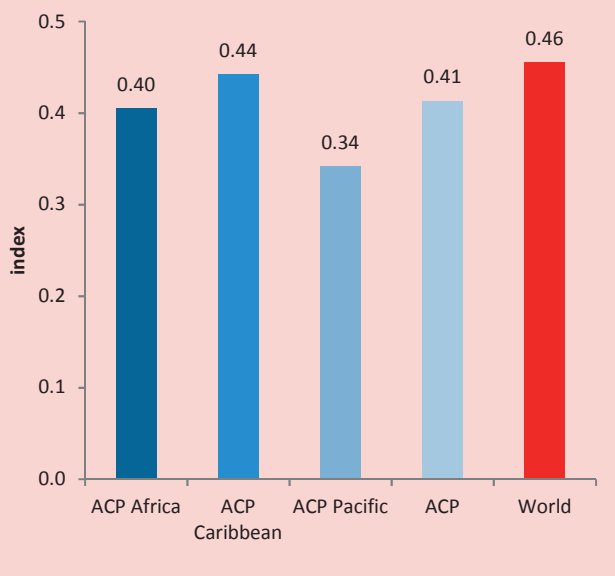
Food dependence is computed as a country's exports of all food products minus its imports of food products. This is then normalized by dividing it by its food trade (imports plus exports). The index varies between -1 and 1, with positive values meaning that the country exports more food products than it imports. The main component of the energy dependence index is computed as a country's exports of fuel products minus its imports. This is then normalized by dividing it by its trade in fuel products (imports plus exports). The index varies between -1 and 1, with positive values meaning that the country exports more energy products than it imports. Food products include STIC 0, 1, 22 and 4 categories. Fuel products include SITC 3 category.

Potential to increase intra-ACP trade with currently traded products is limited

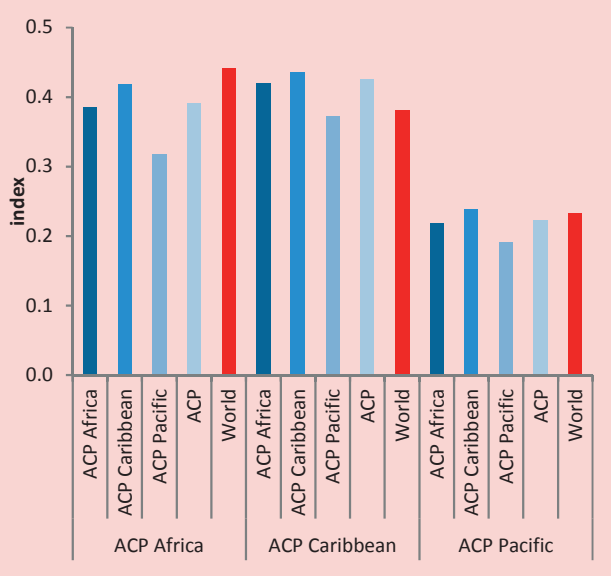
Trade complementarity index can be used to assess the trade potential among a group of countries. Low figures indicate low match between the export supply and import demand among the countries in question. ACP scores low in trade complementarity in intra-ACP trade (0.41) compared with ACP exports to the world (0.46) (Figure 17a). The complementarity is much smaller for ACP exports to ACP Pacific markets (0.34) but somewhat higher for exports to ACP Caribbean. Disaggregated by the source, trade complementarity shows high variation between the regions as well (Figure 17b). For ACP Pacific countries the index falls as low as 0.22 mainly due to high product concentration of their exports. Low match may indicate weak potential effects of trade liberalization, such as reducing tariffs and transportation costs, in boosting regional trade in the short to medium runs.

Figure 17
Trade complementarity index for ACP

17a: Trade complementarity index of ACP with ACP Regions and World, (2016), index



17b: Trade complementarity index of ACP Regions with ACP Regions and World, (2016), index



Source: UNCTAD calculations based on UNCTADStat.

The merchandise trade complementarity index measures the extent to which the export profile of country (or country group) j matches the import profile of country (or country group) k. The index values range from 0 to 1 with 0 indicating no correspondence between country j's export structure and country k's import structure and 1 indicating a perfect match in their export/import pattern. Two countries with a high index may gain from trade expansion following a preferential trade agreement. However, a high complementarity index may not imply a gain from increased trade, if the two partners are at distant locations or with high transportation and transaction costs. A high complementarity index may also be misleading if the size difference of two economies is large (i.e., a match in percentage terms does not imply a match in levels). Three digit SITC is used in computing the statistics.

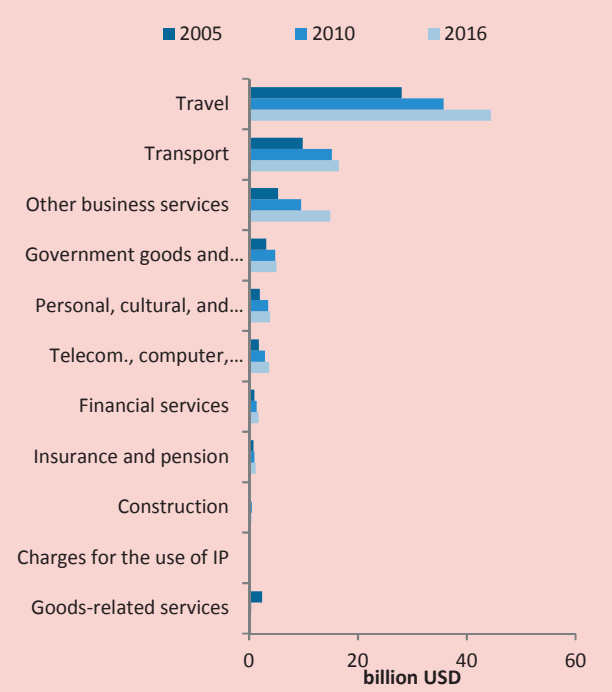
3. SERVICES TRADE AND INVESTMENT FLOWS

Services trade is growing slowly but steadily

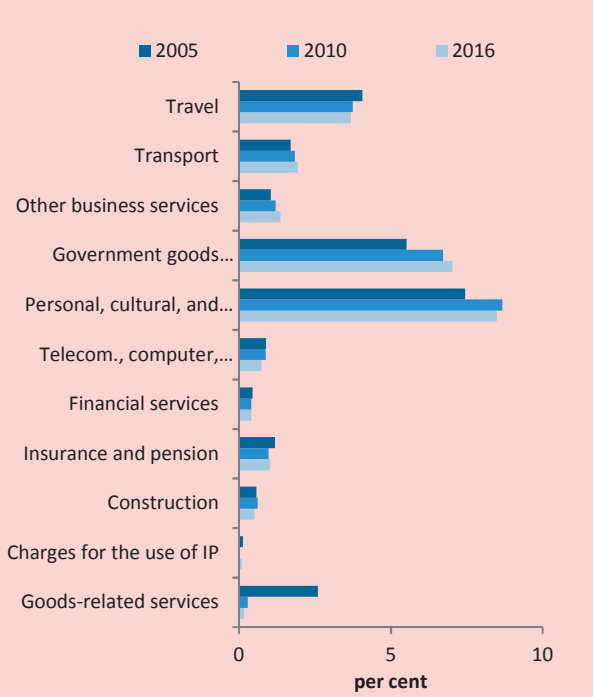
Travel and transport are the two main services export items of ACP countries with $44.5 billion and $16.5 billion respectively in 2016 (Figure 18a). In contrast to merchandise goods, trade in services created stability in export revenues of the member States by remaining robust during the 2011-2016 period. While trade in goods declined by 9.5 per cent annually during that period, trade in services achieved 1.6 per cent annual growth rate in ACP countries. Interestingly, however, ACP countries' services exports accounts for only 1.9 per cent of the world total (Figure 18b). This figure is 3.7 per cent in travel and 1.9 per cent in transport sectors. Only in personal, cultural and recreational (8.5 per cent) ACP countries are an important supplier in the world market.

Figure 18
ACP Countries' services exports

18a: ACP Services Exports by Category (2005, 2010 and 2016) (billion USD)



18b: Market Share of ACP Services Exports in World Total by Category (2005, 2010 and 2016) per cent



Source: UNCTAD calculations based on UNCTADStat.

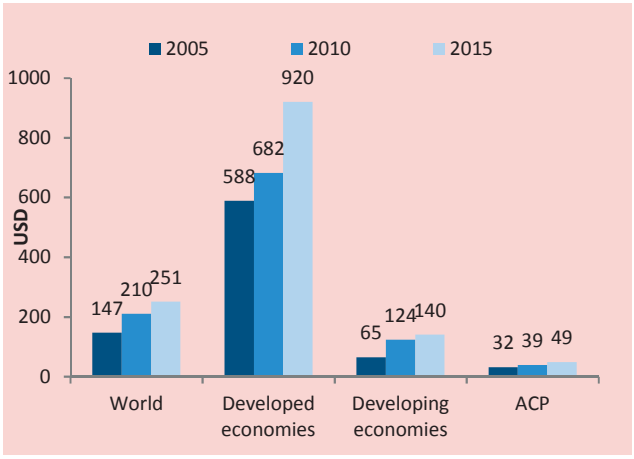
Travel and transport are the largest sectors in ACP's services exports in 2016 (Figure 18a). These two are followed by other business and government goods and services n.i.e. ACP's services exports has increased gradually from 2005 to 2016 in almost all sectors and the sector has in general shown resilience to the global downfall in world trade. The share of ACP countries in world services trade is very small, about 1.9 per cent, and it declined compared to both 2005 and 2010 (Figure 18b). Personal, cultural, and recreational services consist of (a) services and associated fees related to the production of motion pictures, radio and television programmes and musical recordings and (b) services associated with museums, libraries, archives and other cultural, sporting and recreational activities. Government goods and services n.i.e. mainly includes goods and services supplied or received by enclaves such as embassies.

Investment inflows lower than developing country average but important for economies

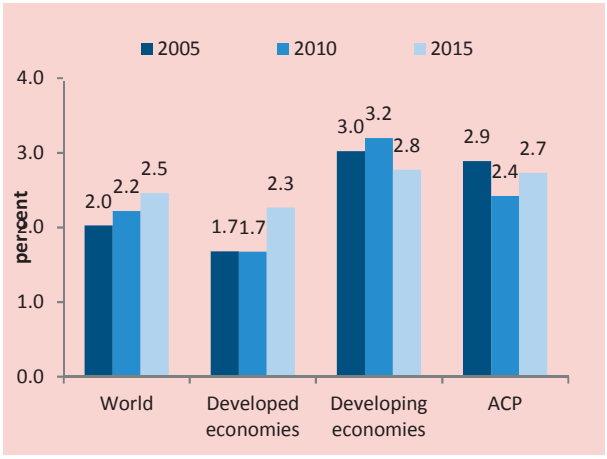
FDI inflows can help countries to build domestic productive capacities. In contrast to world trade, global flows of foreign direct investment rose by about 40 per cent, to $1.8 trillion in 2015, the highest level since the global economic and financial crisis began in 2008 (UNCTAD, WIR 2016). In 2015 countries in the world received $251 per capita in the form of FDI (Figure 19a). There is an investment gap between developed and developing countries. The latter is receiving about 7 times more in direct investment per capita than the former group of countries. In per capita terms ACP countries are receiving much less, $49. Though in absolute terms they are small, FDIs still account for a significant share of national incomes in the ACP region (Figure 19b).

Figure 19
FDI Flows

19a: FDI inflows per capita, by region, in USD (2005, 2010 and 2015)



19b: Share of FDI inflows in GDP, by region (2005, 2010 and 2015)



FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. The investor´s purpose is to gain an effective voice in the management of the enterprise. The forms of investment by the direct investor which are classified as FDI are equity capital, the reinvestment of earnings and the provision of long-term and short-term intra-company loans (between parent and affiliate enterprises).[6]

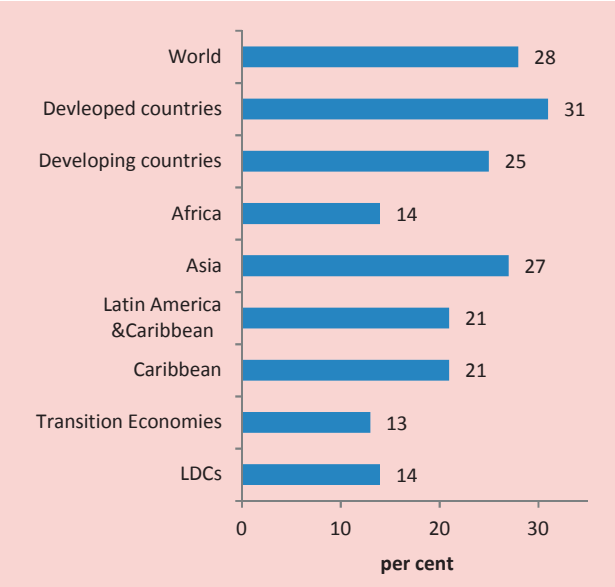
[6] http://unctad.org/en/Pages/DIAE/Foreign-Direct-Investment-(FDI).aspx

Global value chains: Participation is "average" but not always in the desired place in the chain

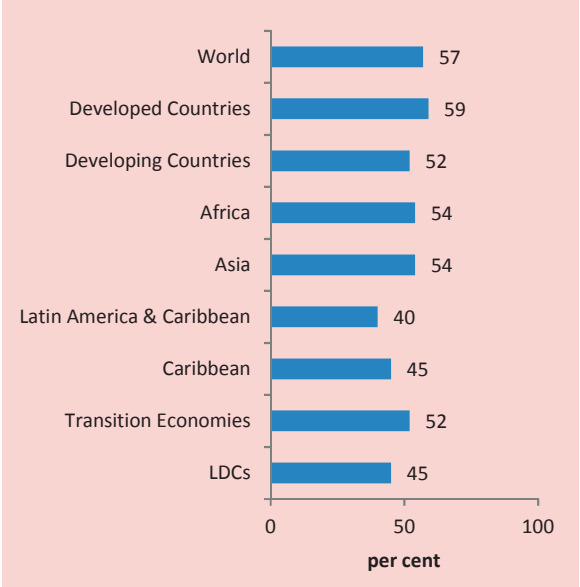
The share of foreign inputs in exports of a country can be used as an indicator to measure a country's participation in global value chains (GVCs). African countries' exports include on average 14 per cent foreign inputs, about half of the world average in 2010 (Figure 20a). This figure is 21 per cent in the Caribbean countries. When other countries' use of inputs from African countries are also taken into account, Africa's GVC participation rate (the foreign value added used in a country's exports (upstream) plus the value added supplied to other countries' exports (downstream), divided by total exports) becomes at par with the world average (Figure 20b). However, as many African countries are mostly commodity-exporting countries, their production activities are mostly located at the upstream segment of the GVCs such that their exports are further processed and exported by other countries. In the Latin American and Caribbean region, on the other hand, the participation rate is the lowest of all regions with 40 per cent. Regional GVCs are very weak in both Africa and Latin America and Caribbean regions since only 6 per cent of the trade within the former region and 11 per cent of trade within the latter region are happening due to GVCs (Figure 20c). Among the top 25 developing countries, there are only four African countries (South Africa, Tunisia, Egypt and Morocco) among which only one is from sub-Saharan Africa (Figure 20d).

Figure 20
Global value chains

20a: Share of foreign value added in exports by region, 2010

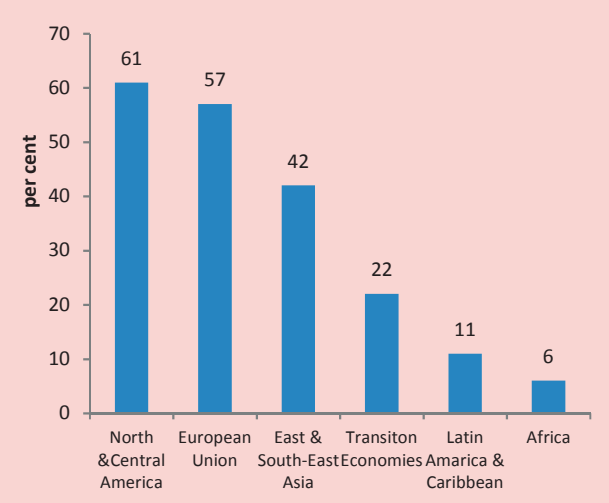


20b: Global Value Chain Participation Rate 2010

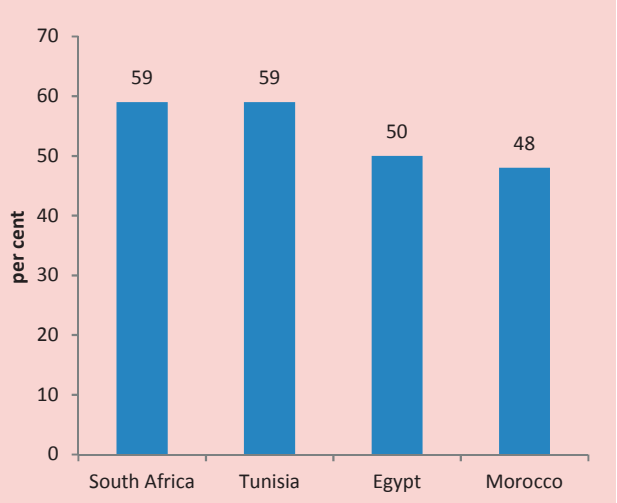


Source: Reproduced from World Investment Report 2013.
Detailed data for ACP Pacific are not available

20c: Share of intra-regional GVC flows in total GVC participation, selected regions, 2010, per cent



20d: Global Value Chain participation rate, top countries in Africa, 2010



Source: Reproduced from World Investment Report 2013.
Note: Figure 9d excludes predominantly oil-exporting countries.

In the contemporary world economy production processes often involve cross-border value chains which may involve two or more countries that form regional or global production networks. These networks are called global value chains (GVCs) and may comprise activities across various sectors and industries from extractive industries and manufacturing to services.

The share of imported inputs (raw and semi-processed) in domestic production and exports can be used to measure a country's participation rate in GVCs. GVC participation rate indicates the share of a country's exports that is part of a multi-stage trade process; it is the foreign value added used in a country's exports (upstream perspective) plus the value added supplied to other countries' exports (downstream perspective), divided by total exports.

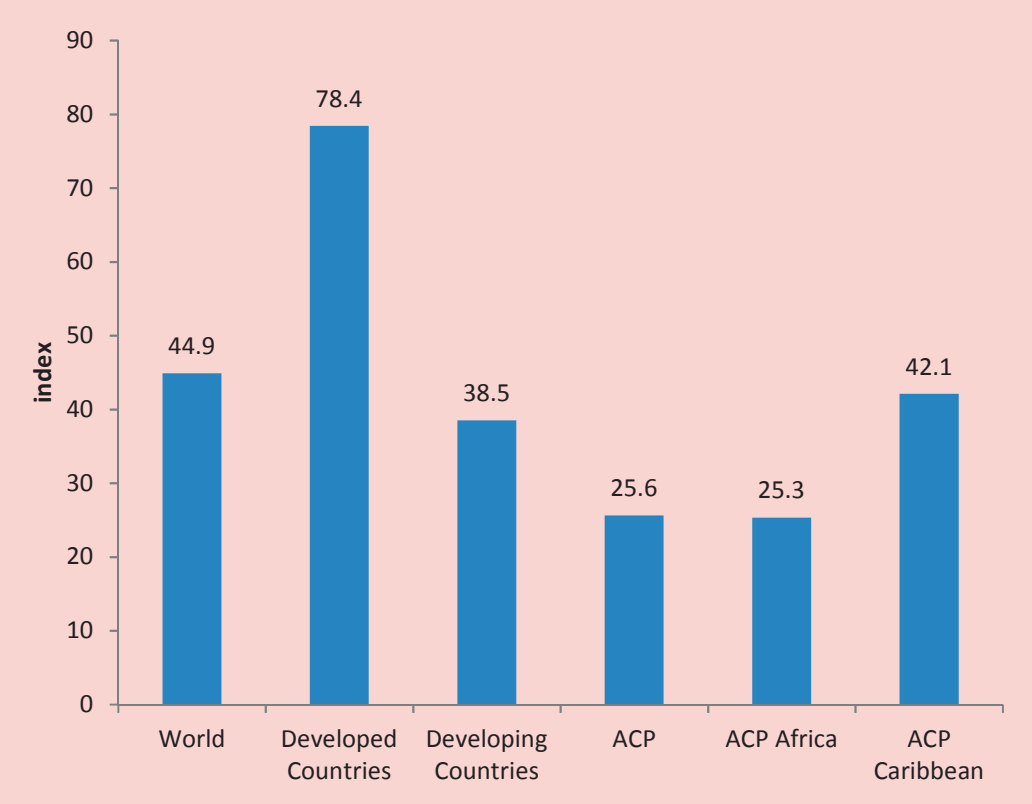
The UNCTAD-EORA GVC Database is part of UNCTAD's FDI-TNCs-GVC Information System and, among other things, focuses on the distribution of value added, on income and employment resulting from trade, and on how global investment drives patterns of value-added trade. The database covers 187 countries, including nearly all developing economies. It provides statistics on a broad range of industries of relevance to developing countries.

4. TRADE FACILITATION

e-Commerce: The need to catch up

UNCTAD Business to Consumer (B2C) E-commerce Index measures the readiness of countries to engage in online commerce. ACP countries score of 25.6 in e-commerce index in 2016 is much smaller than the world as well as the DCs' average (Figure 21). The scores of ACP regions also vary significantly, while ACP Caribbean achieves a high 42.1 index value, ACP Africa scores 25.3.

Figure 21
UNCTAD E-Commerce index



Source: UNCTAD (2016) "UNCTAD B2C E-Commerce Index 2016", UNCTAD Technical Notes on ICT for Development, No:7 for index values. UNCTADStat for population figures. UNCTAD calculations. Detailed data for ACP Pacific is not available.

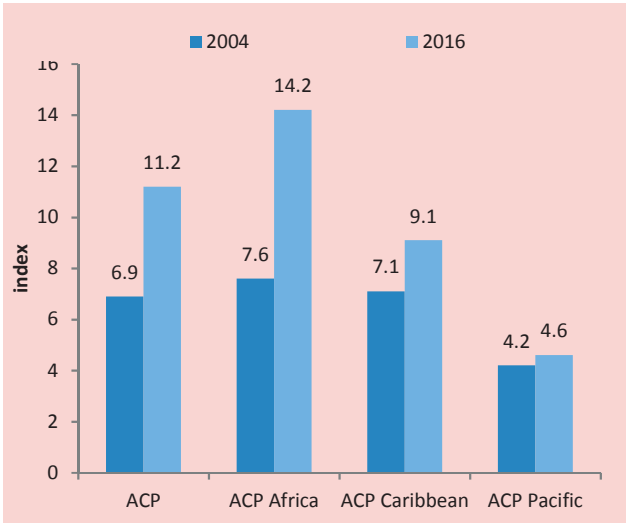
UNCTAD B2C E-commerce Index is a composite indicator computed by UNCTAD. It measures the readiness of countries to engage in online commerce and includes four indicators: Internet use penetration, secure servers per 1 million inhabitants, credit card penetration and a postal reliability score. In 2016, six out of 10 top economies on the list are European countries, three from Asia-Pacific region and one from North America. Population figures are used to calculate the weights. Due to data limitations the sample includes 137 countries of which 33 are ACP, 37 are developed and 85 are developing countries. Out of 33 ACP countries, 30 are from Africa and three from the Caribbean. ACP Pacific is not computed due to lack of data.

Maritime connectivity: Increasing fast but gap with world average remains

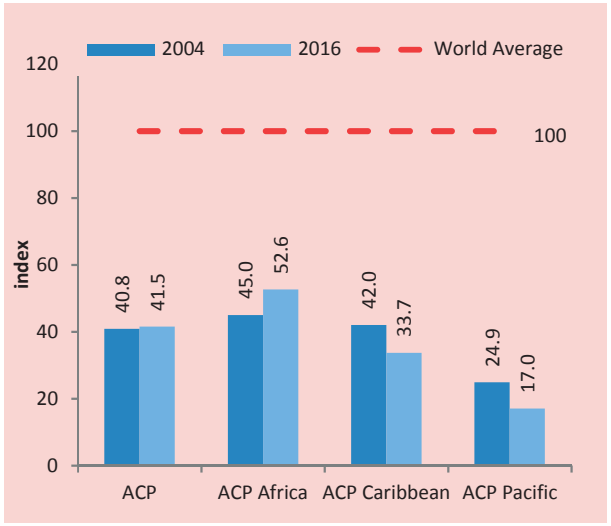
Countries' access to world markets depends largely on their transport connectivity, especially regular shipping services for the import and export of manufactured goods. ACP countries' overall connectivity index is much smaller compared to the world average (Figure 22a and 22b). From 2004 to 2016 the index increased by 62 per cent in ACP countries, slightly higher than the increase in the world average (59 per cent). Among the ACP regions, the Pacific scored the lowest connectivity index.

Figure 22
Liner shipping connectivity index, 2004 and 2016

22a: Liner shipping connectivity index in ACP and ACP regions (2004 and 2016), index



22b: Liner shipping connectivity index of ACP regions relative to the World average (2004 and 2016), index



Source: UNCTAD calculations based on UNCTADStat.

The liner shipping connectivity index measures a country's integration level into global liner shipping networks. The current version is generated from five components: (a) the number of ships; (b) the total container-carrying capacity of those ships; (c) the maximum vessel size; (d) the number of services; and (e) the number of companies that deploy container ships on services from and to a country's ports.

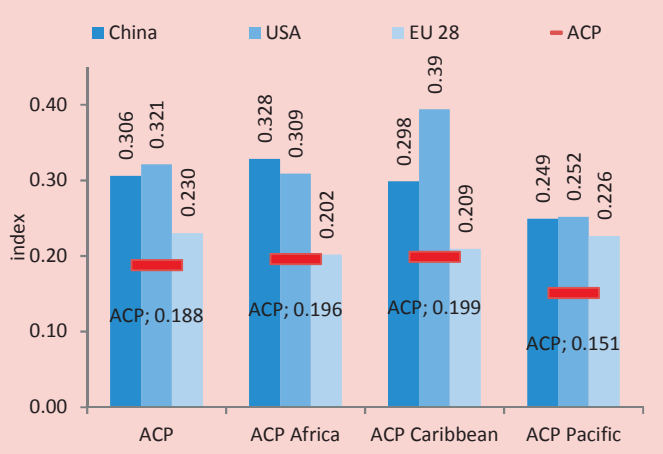
The index is computed as follows: For each of the five components, a country's value is divided by the maximum value of that component in 2004, and for each country, the average of the five components is calculated. This average is then divided by the maximum average for 2004 and multiplied by 100. In this way, the index generates the value 100 for the country with the highest average index of the five components in 2004. The China 2004 value equals 100. Simple averages are used. In the computation of ACP Pacific, ACP Caribbean, ACP African, total ACP and world averages, statistics for 10, 16, 33, 59 and 156 countries are used respectively.

ACP countries are better connected within their own region and to China and the United States than to other ACP regions

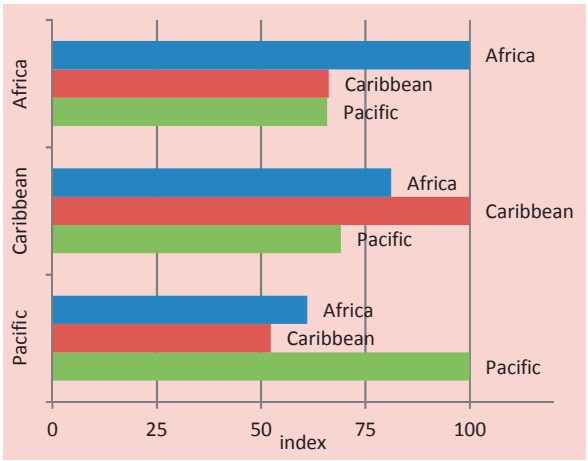
While liner shipping connectivity index measures a country's integration into global shipping networks, bilateral connectivity index measures connectivity between country pairs. These indexes can be used to compute connectivity among regions of ACP and compare them with other benchmark countries. Connectivity of ACP countries with each other, on average, are weaker than their connectivity with China, the United States and the European Union (Figure 23a). In general all ACP regions are better connected to China and the United States than to ACP group. ACP regions are better connected internally than with the other ACP regions (Figure 23b). On average a country in a region has a higher connectivity index with another country in the same region than a country in another region. Overall, ACP Pacific scores low in connectivity with other regions than ACP Africa and the Caribbean.

Figure 23
Liner shipping connectivity index among regions

23a: Bilateral liner shipping connectivity within ACP and between ACP and selected countries (2016), index



23b: Bilateral liner shipping connectivity between ACP regions (2016), index, own region=100



Source: UNCTAD calculations based on UNCTADStat.

The liner shipping bilateral connectivity index is an extension of UNCTAD's country-level Liner Shipping Connectivity Index and based on a proper bilateral transformation. The index is meant to reflect specifically the liner shipping connectivity between pairs of countries. It includes five components which include (a) the number of trans-shipments required to get between countries; (b) the number of direct connections common to both countries; (c) the geometric means of the number of direct connections between the countries; (d) the level of competition on services that connects countries; (e) the size of the largest ships on the weakest route connecting the countries. The data are derived from Containerisation International Online and Lloyd's List Intelligence. All components are normalized and the index is computed by taking the simple average of the five normalized components. The index can only take values between 0 (minimum) and 1 (maximum) and higher values indicate stronger connectivity. Statistics for 33 ACP African, 16 ACP Caribbean and 11 ACP Pacific countries were used in the computations. Figures are simple averages of individual country statistics.

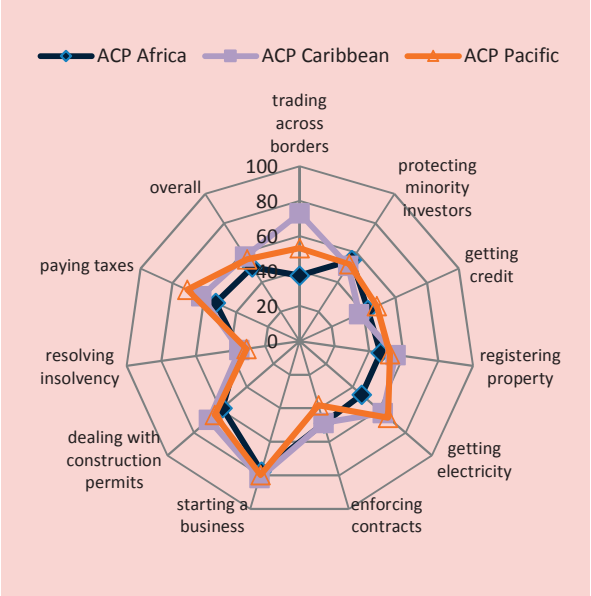
Doing business: Strong in starting a business but weak in trading

ACP countries' performance in business environment varies considerably across different indicators. Starting a business is relatively easy in ACP but challenges exist in other key determinants of doing business such as enforcing contracts, trading across borders, resolving insolvency and accessing finance (Figure 24a). Overall, Caribbean countries of ACP perform better than others. Each region's score by indicator, however, can vary considerably. While ACP Caribbean performs reasonably well in trading across borders, registering property, paying taxes and getting electricity, African ACP countries perform relatively poorly in those indicators (Figure 24b).

Figure 24
Doing business indicators

24a: ACP Countries and World Average by various categories, 2016

24b: ACP Regions, 2016



Source: UNCTAD calculations based on World Bank Doing Business Indicators 2016.

The Doing Business project is conducted by the World Bank and provides measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level. The 2016 report covers 11 indicator sets and 190 economies. In order to compute the ACP averages 2015 GDP figures are used as weights (UNCTADStat). World average is, however, taken as the simple average. Each indicator measures the performance of a country compared with the best performing country (set to 100). Indicator varies between 0 and 100 where higher figures indicate better performance.

5. TARIFFS AND NON-TARIFF MEASURES

Intra-ACP trade benefits from preferences …

Average tariff rates from time to time vary significantly among ACP regions (Table 7). In general, agricultural products face higher tariff rates than industrial products. Intra-regional trade also tends to face lower tariff rates than interregional trade. (Interim) EPAs do not yet seem to lower the tariffs ACPs apply on imports from EU countries.

Table 7
Simple average tariff rates by product group, 2016 (per cent)

Agriculture			***Exporter***			
Importer	***World***	***EU***	***ACP***	***ACP Africa***	***ACP Caribbean***	***ACP Pacific***
ACP	14.3	16.0	6.4	6.1	5.2	14.9
ACP Africa	13.3	15.6	6.1	5.9	19.6	11.6
ACP Caribbean	15.5	16.5	4.5	22.5	3.3	27.7
ACP Pacific	19.9	33.8	17.1	34.8	65.7	14.8

Industry			***Exporter***			
Importer	***World***	***EU***	***ACP***	***ACP Africa***	***ACP Caribbean***	***ACP Pacific***
ACP	9.5	9.1	4.7	4.8	3.7	6.4
ACP Africa	9.5	9.2	4.8	4.7	13.2	9.6
ACP Caribbean	10.4	8.6	3.8	11.5	2.7	12.8
ACP Pacific	7.9	8.1	5.9	4.7	5.3	6.0

All			***Exporter***			
Importer	***World***	***EU***	***ACP***	***ACP Africa***	***ACP Caribbean***	***ACP Pacific***
ACP	10.0	9.8	4.9	4.9	4.0	7.8
ACP Africa	9.8	9.8	4.9	4.8	14.0	9.6
ACP Caribbean	10.9	9.4	3.9	12.3	2.8	14.8
ACP Pacific	9.6	12.1	7.7	8.7	34.7	7.4

Source: UNCTAD calculations based on UNCTAD TRAINS database.

Table 7 is a matrix of the simple average levels of tariffs imposed on trade flows between regions as well as imports from the EU in 2016. Differences in the rates exhibited in the table arise from different patterns of both market access and country coverage. The effect of regional trade agreements is reflected in the relatively lower degree of restrictiveness on intra-regional compared with inter-regional trade. Figures include AVEs of specific tariffs.

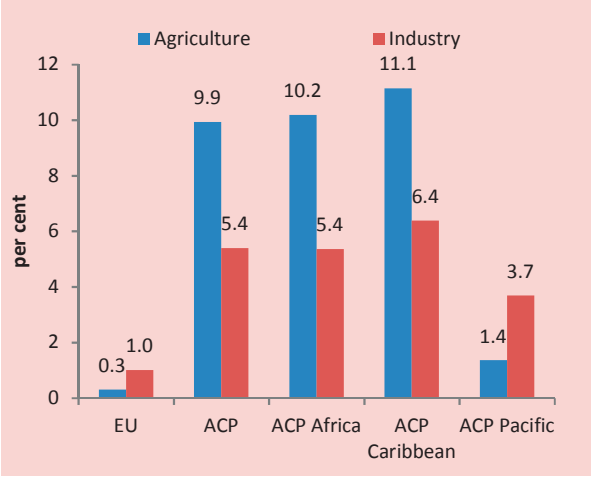
Due to data limitations figures in this table should be interpreted with caution. Tariff data for only 4 to 7 (depending on the product group and importing region) countries out of 15 Pacific ACP member states is available. Similarly, data for 4 to 7 countries from Caribbean ACP countries are available in the database. Due to these data limitations tariff figures from few countries can bias and alter the average figures for the ACP regions.

… but preferences could be widened

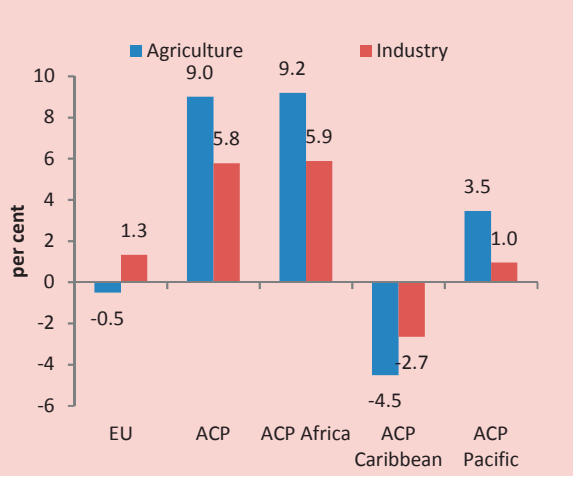
In general preferential access is slightly stronger in agricultural products than industrial goods (Figure 25a). ACP regions tend to grant positive trade preference (lower tariff rates than MFN rate) to intra-regional trade as well as imports from other ACP regions in industrial products. In agriculture, however, while the preference persists intra-regionally, it often erodes or disappears for imports from other ACP regions. For example, while ACP Africa grants on average 5.9 per cent trade preference to its members in industrial goods imports, they give either negative or close to zero preference (on average) to countries in ACP Caribbean and Pacific countries (Figure 25b). Similar negative preferences in agriculture exist in ACP Caribbean and Pacific regions as well (Figure 25c-d). Imports from EU countries receive trade preference, though smaller than ACP countries obtain, in industrial products. This preference, however, disappears in agricultural products. The relatively low level of intra-ACP trade despite the existence of trade preferences indicates that the effect of further tariff cuts on boosting intra-regional trade will be relatively small in the absence of other trade policies such as improving trade facilitation and strengthening domestic productive capacities.

Figure 25
Trade preferences

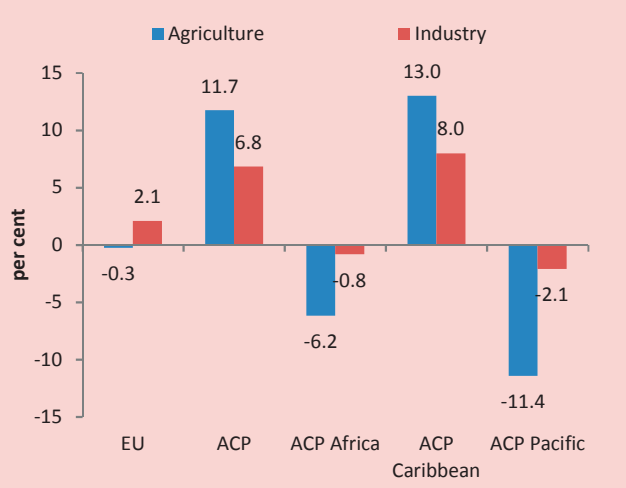
25a: ACP, 2016, per cent



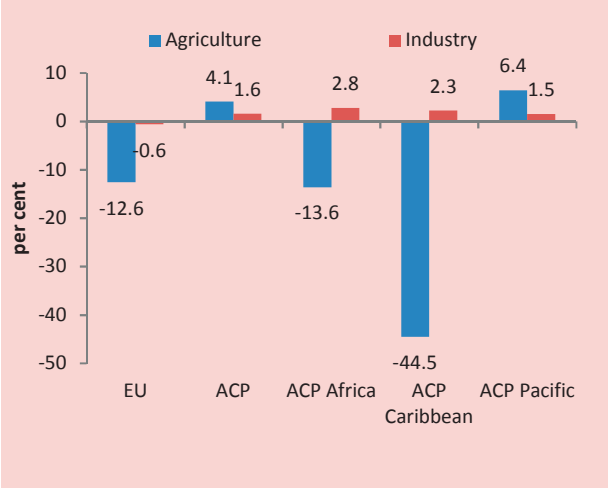
25b: ACP Africa, 2016, per cent



25c: ACP Caribbean, 2016, per cent



25d: ACP Pacific, 2016, per cent



Source: UNCTAD secretariat calculations based on TRAINS database.

Figures 25a-d show the trade preferences on trade flows between ACP regions and imports from the EU in 2016. They are computed by the importing region's simple average MFN tariffs imposed on imports from the world minus simple average preferential tariffs imposed on imports from a region. The figure can be positive or negative, depending on the advantage or disadvantage a region has in terms of preferences with respect to the world average. Positive figures indicate trade preference (effectively applied rate is lower than the MFN rate). The figure is exactly zero when there is no discrimination. Figures include AVEs of specific tariffs.

Due to data limitations, the figures in this table should be interpreted with caution. Tariff data for only 4 to 7 (depending on the product group and importing region) countries out of 15 Pacific ACP member states is available. Similarly, data for 4 to 7 countries from Caribbean ACP countries are available in the database. Due to these data limitations tariff figures from few countries can bias and alter the average figures for the ACP regions.

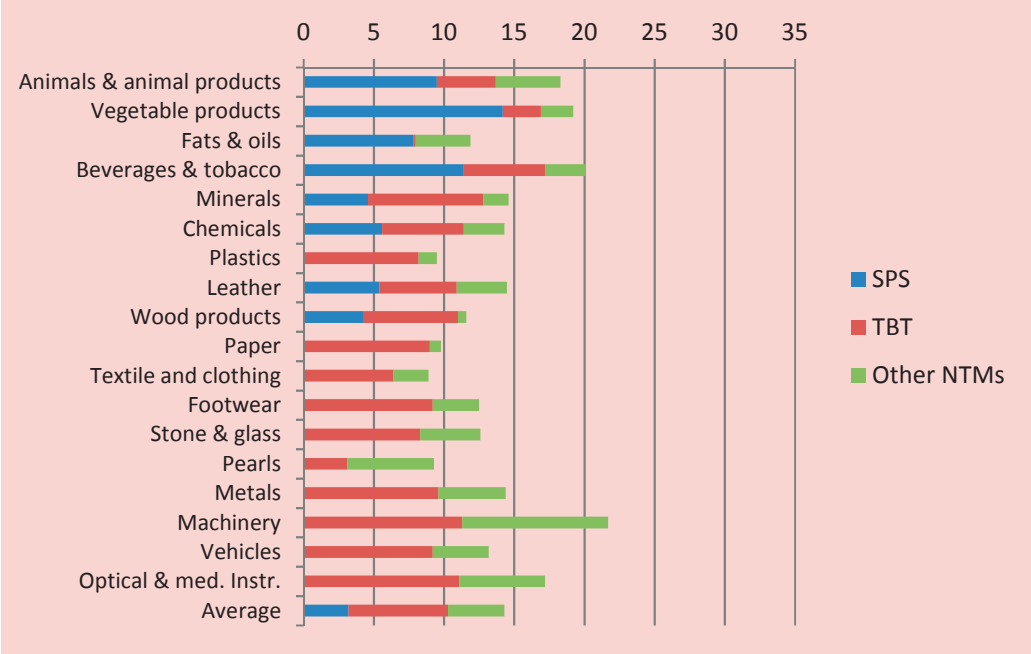
Non-tariff measures are more important than tariffs

Non-tariff measures (NTMs) tend to raise unit values of traded products by 15 to 30 per cent in food and agricultural sectors, and by five to 20 per cent in manufacturing sectors. While specific estimates for ACP states are not available, figures 26a-26c show average Ad-Valorem Equivalents (AVEs) for 20 sectors in Africa, Asia and Latin America, respectively.

Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) are the most important measures for the vast majority of sectors. Across all regions, SPS measures are the most costly type of NTM in agro-food sectors. Generally and as expected, SPS measures tend to be more constraining for food products while TBT are more obstructive in manufacturing sectors. These measures, however, also fulfil crucial public policy objective like the protection of human, animal and plant health, and the environment. Therefore, despite their restrictiveness, they cannot be eliminated and need to be addressed through regulatory convergence, regulatory transparency, improvements of quality infrastructure and capacity building.

Figure 26
Non-Tariff Measures

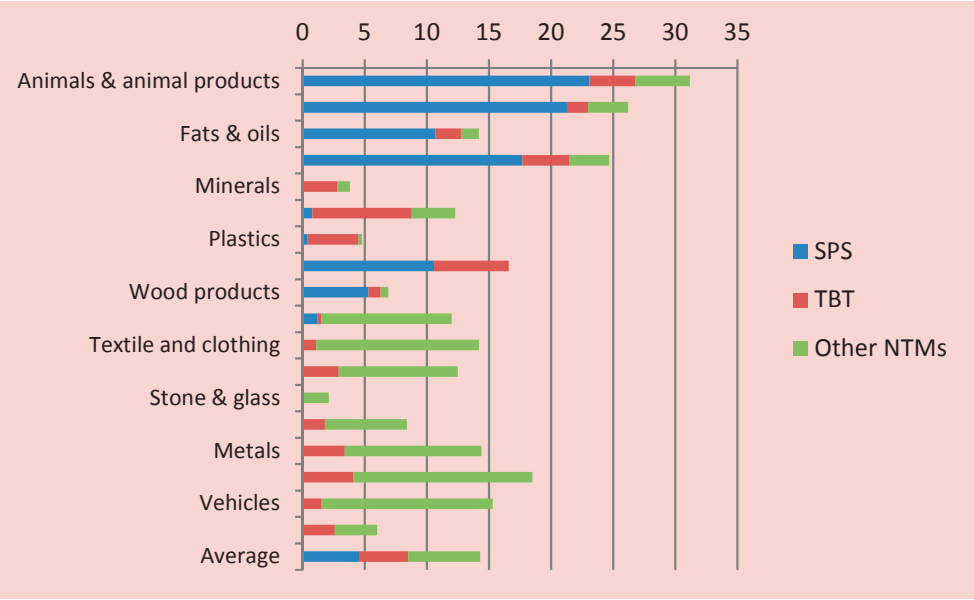
26a: Average AVEs by sector in Africa



Source: UNCTAD (2015): Cadot et al., Deep Regional Integration and NTMs.

AVEs convert the effect of NTMs on trade into a figure that is comparable to a tariff, i.e. that equals the amount payable if it was taxed on the basis of its value.

26b: Average AVEs by sector in Asia



Source: UNCTAD (2015): Cadot et al., Deep Regional Integration and NTMs.

26c: Average AVEs by sector in Latin America

Source: UNCTAD (2015): Cadot et al., Deep Regional Integration and NTMs.

AVEs for TBT measures are high in Africa compared with other regions, particularly in the vehicle and machinery industries as well as in the textile and footwear industries. Across sectors in Africa and Latin America, non-technical NTMs, such as quotas, non-automatic licenses and price controls, also raise prices significantly. In Asia, such trade barriers are only common in manufacturing sectors.

AVEs are taken from Cadot et al. (2015) who estimates the AVE impact of different types of NTMs on traded products. AVEs measure the trade restrictiveness of a non-tariff measure and convert it as if it was a tariff in per cent of the value of the good traded.

6. EXCHANGE RATES AND COMPETITIVENESS

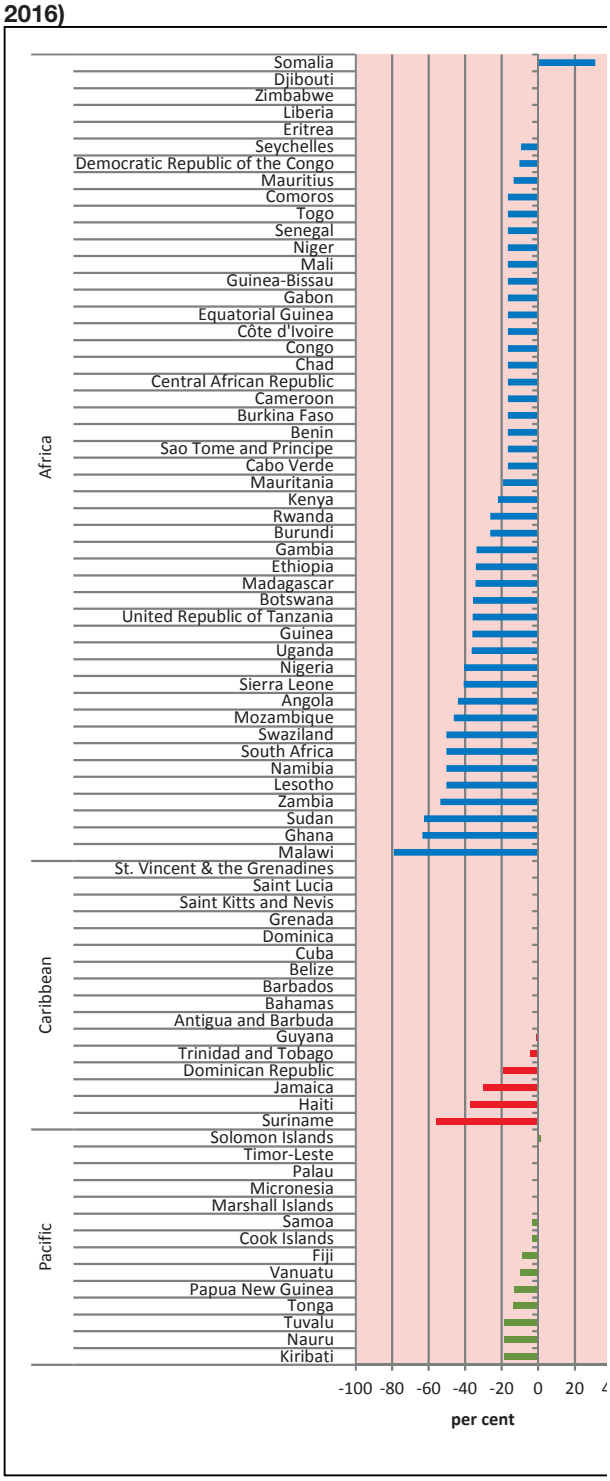
Significant exchange rate movement

Competitiveness of a country can be affected and determined by various factors including exchange rate changes, labour productivity and terms of trade developments. The first and the last one mainly affect the price of exports relative to domestic and/or imported products. Depreciation of domestic currency lowers the foreign currency price of exported products while terms of trade improvement show an increase in the international market price of the exported products relative to imported products. They both strengthen competiveness of domestic products in international markets. Labor productivity, however, can be used to compare how effectively a country produces a product vis-à-vis its competitors. High labour productivity can be the basis of a country's comparative advantage in traded products. Movements in the nominal exchange rates versus the dollar can play a substantial role in determining the competitiveness of countries. Currencies of most ACP countries depreciated against the dollar, some significantly, since 2010 which decreased the US dollar price of their export products (Figure 27a). The trend continued in 2016 as the dollar remained strong that year, with most currencies further depreciating (Figure 27b). Depreciation was stronger in African countries while it was relatively milder in Caribbean and Pacific regions.

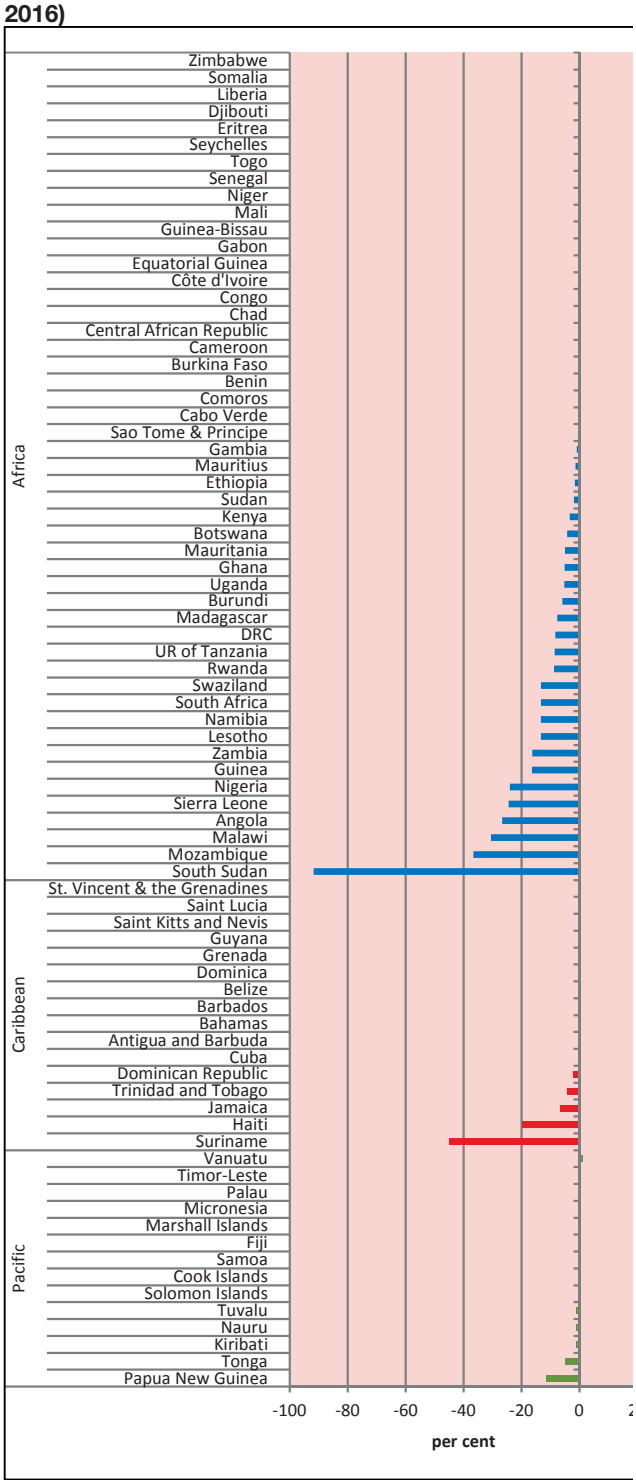
As international trade transactions are generally conducted in dollars, appreciation and depreciations against the dollar can play a substantial role in the competitiveness of countries. Figures 27a and 27b portray the percentage change in nominal exchange rates of currencies against the dollar between 2010 and 2016, and between 2015 and 2016, respectively (annual average).

Figure 27
Exchange rates changes vs US dollar

27a: Exchange rates changes vs US dollar (2010-2016)



27b: Exchange rates changes vs US dollar (2015-2016)



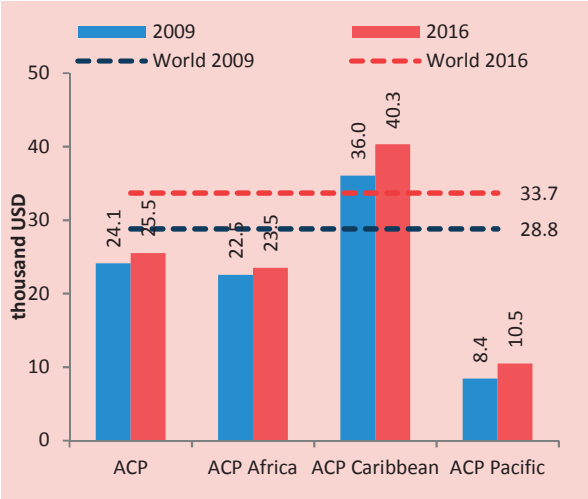
Source: UNCTAD calculations based on UNCTADStat.

Labour productivity grows but slower than world average

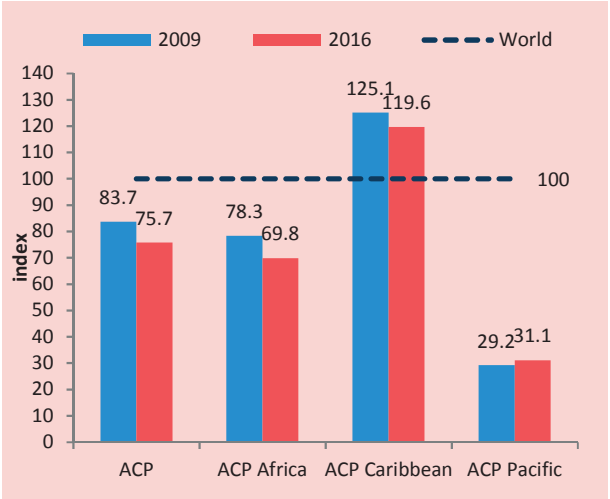
Labour productivity (output per worker) can be a basis for comparative advantage especially in manufactured goods. With the exception of the Caribbean region the labour productivity in ACP is about 24 per cent below the world average in 2016 (Figure 28a). The productivity gap widens in the Pacific region to about 69 per cent. Since 2009 labour productivity has increased from 24.1 thousand USD to 25.5 thousand USD in ACP countries but the increase remained below the world average and the productivity gap has widened considerably over the last 7 years (Figure 28b).

Figure 28
Labour Productivity

28a: ACP Countries and World Average by various categories, 2016



28b: ACP Regions , 2016, world average=100



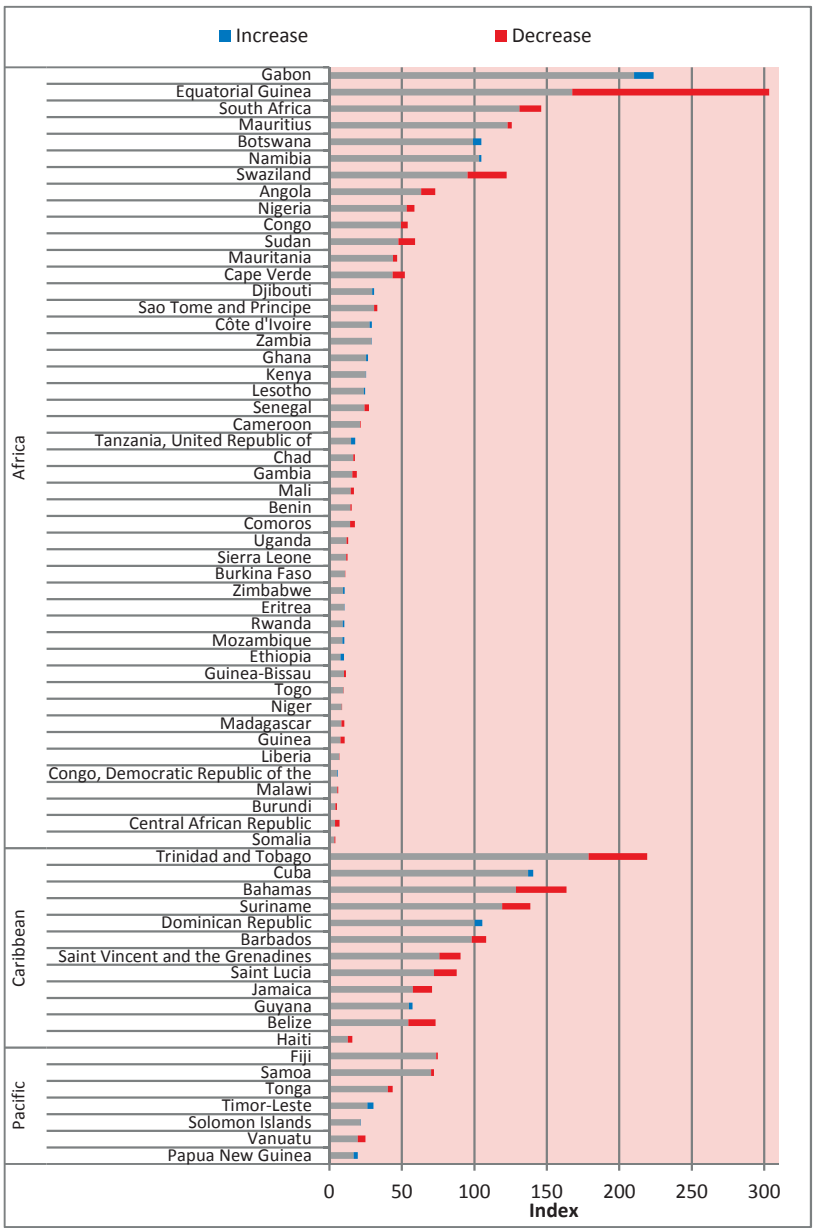
Source: UNCTAD calculations based on ILOSTAT and UNCTADStat.

This measure of labour productivity is calculated by the ILO using data on GDP (in constant 2011 international dollars in PPP) derived from the World Development Indicators database of the World Bank. To compute labour productivity as GDP per worker, ILO estimates for total employment numbers are used. The figures for ACP and ACP regions are weighted averages. 2009 GDP figures from UNCTADStat are used to compute the country weights. In computing the averages, available statistics for 66, 47, 12 and 7 countries are used for ACP, ACP Africa, ACP Caribbean and ACP Pacific regions. Labour productivity indicators are ILO estimates of output per worker (GDP constant 2011 international dollars in PPP).

Labour productivity varies among ACP countries

Labour productivity varies substantially among ACP members (Figure 29). While it is about 2.2 times the world average in Gabon, it is less than 5 per cent of the world average in Burundi and Somalia in 2016. A decline in relative productivity of ACP countries is very visible in most of the African and Caribbean members. The change is less visible in Pacific ACP countries.

Figure 29
Labour Productivity by Country



Source: UNCTAD calculations based on ILOSTAT.

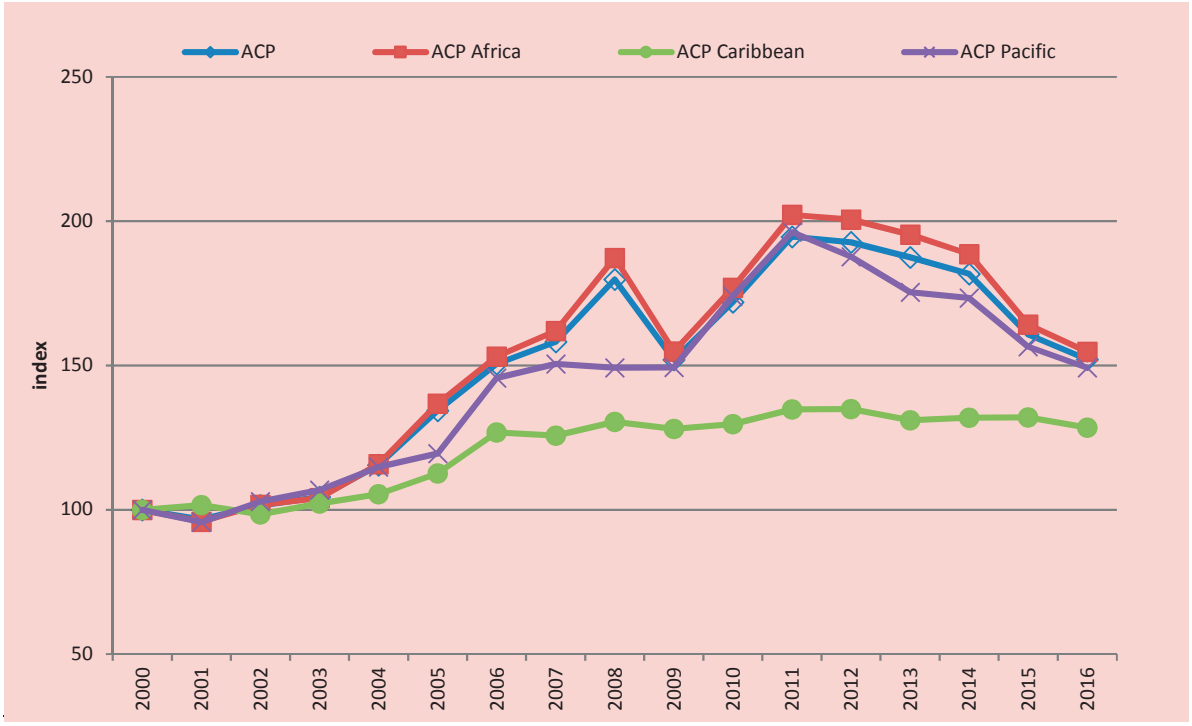
Note: To compute labour productivity as GDP per worker, ILO estimates for total employment are used. World average equals 100.

Terms of trade move with commodity prices

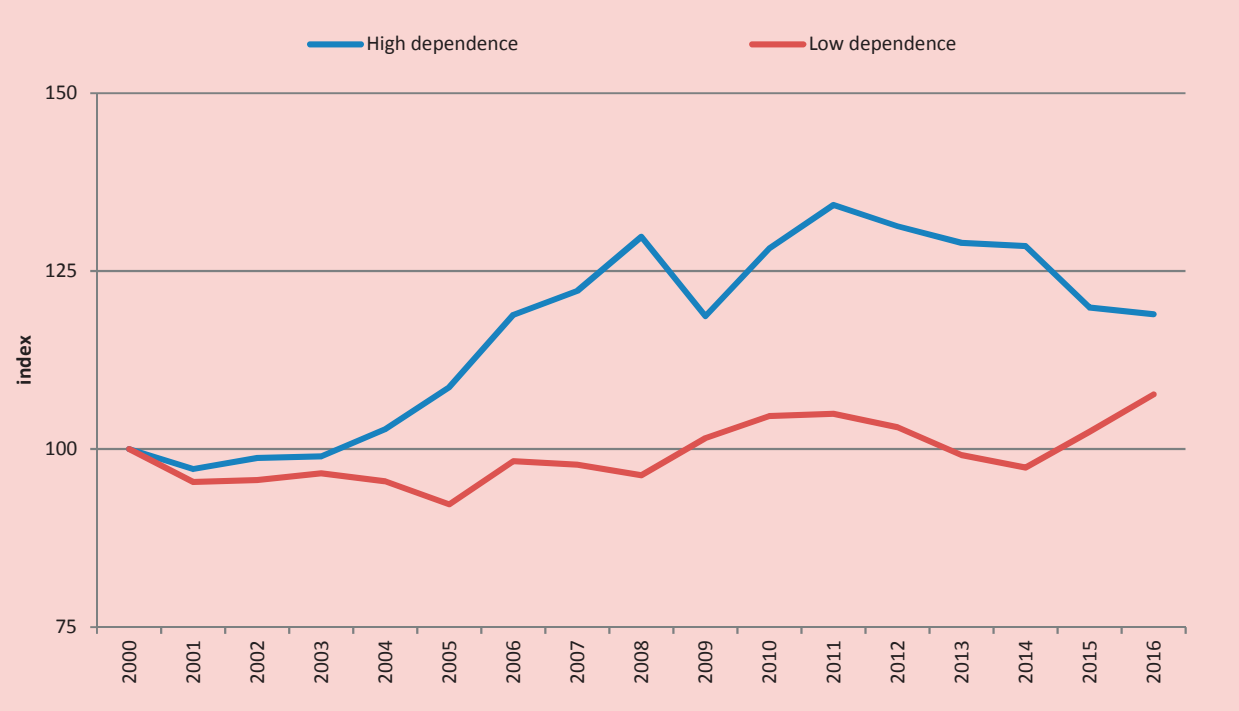
Terms of trade (export over import price index) statistics is a measure of price advantage (or disadvantage) that exported products have in international trade. While a rise in terms of trade (TOT) shows improvement in the relative price of exports, a fall indicates TOT deterioration. Many ACP countries enjoyed TOT improvement since 2000 until the global recession mainly due to a rise in commodity prices along with the commodity price bubble (Figure 30a). After a short-lived recovery of TOT right after the crisis, the TOT of ACP countries have been deteriorating since 2011. When ACP countries are grouped into high and low primary good dependent economy groups, divergence in TOT movements among ACP countries becomes visible (Figure 30b). While TOT fluctuations in high dependent economies are affected from commodity price movements, the low dependent economies showed small variations during the last 16 years.

Figure 30
Terms of Trade

30a: TOT by ACP Regions (2000-2016), 2000=100



30b: TOT by Primary Good Dependence (2000-2016), 2000=100



Source: UNCTAD calculations based on UNCTADStat.

The "net barter" terms of trade, is defined as the ratio of the export unit value index to the import unit value index. High dependence group includes 50 countries that have a 50 per cent or more share of primary commodities in exports. Low dependence group includes 25 countries with less than a 50 per cent share of primary commodities in exports.

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Printed at United Nations, Geneva – 1805165 **(E)** – March 2018 – 385 – **UNCTAD/DITC/TAB/2017/4**