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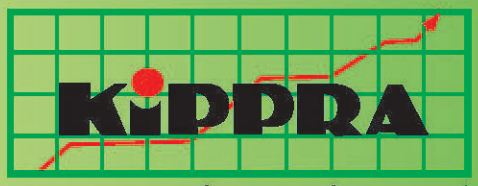

The KENYA INSTITUTE for PUBLIC
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An Assessment of the Economic Impact of the Kenya-USA Free Trade Area

Kenneth K. Malot, John Karanja and Shadrack Mwatu

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Abstract

Kenya has been accessing the United States export market through the African Growth Opportunity Act (AGOA) Framework since 2000. The framework provides access to over 6,700 tariff lines, which is an improvement over the previously used General Systems of Preferences (GSP) and the Most Favoured Nation (MFN) programmes. However, AGOA is set to expire in 2025, and there is uncertainty about its renewal. In such a scenario, Kenya can still access the US market through the Generalized System of Preferences (GSP) and the MFN basis or negotiate a Free Trade Agreement (FTA) with the United States. This paper provides an analysis of two options: when Kenya concludes an FTA with the US, and option two on the effects of Kenya's exports to the United States when AGOA is not renewed, and there is no FTA in place. The study uses the WITS-SMART model and highly disaggregated data at the 6-HS level to provide insights at the tariff line. On the first option with Kenya concluding an FTA with the US, the findings show that elimination of tariffs could result in tariff revenue losses of approximately US$ 8.4 million at 80 per cent, US$ 13.3 million at 90 per cent, and US$ 28.4 million at 100 per cent. However, it is evident that if 80 per cent and 90 per cent of tariff lines are liberalized, it could create trade worth approximately US$ 8.4 million and US$ 13.1 million, respectively. Moreover, complete tariff elimination would result in trade creation worth US$ 24.4 million and further trade diversion of US$ 17.7 million. Considering the second option when Kenya does not have an FTA and the AGOA is not renewed, there will be a significant reduction in the number of products eligible for duty-free access to the US market. In this scenario, Kenya could export to the US but the market access will shrink from 909 product lines offered under AGOA to about 120 and 11 product lines offered by GSP and MFN, respectively. The study recommends that policy makers need to take targeted measures to address any potential negative impacts on specific products that could result from a possible FTA. This could be done by implementing a phased approach to tariff reduction, allowing for incremental adjustments to minimize immediate revenue losses and provide industries with time to adapt. To maximize the economic gains of an FTA, the study recommends focusing on sectors with high trade creation potential. In the absence of FTA and with no extension of AGOA, Kenya may need to diversify her export basket beyond textiles, apparel, horticultural goods, and processed foods and explore new agricultural and non-agricultural products with high export potential to cushion against market disruption post-AGOA. Prioritizing value-addition in these sectors could enhance product quality, increase competitiveness, and offset any tariff-related challenges if AGOA is not renewed and there is no FTA.

Abbreviations and Acronyms

AGOA	African Growth and Opportunity Act
CET	Common External Tariff
DFQF	Duty-Free Quota-Free
EAC	East African Community
EPAs	Economic Partnership Agreements
EU	European Union
GATT	General Agreement on Tariff and Trade
GSP	Generalized System of Preferences
LDCs	Least Developed Countries
MFN	Most Favoured Nation
NTBs	Non-Tariff Barriers
PEM	Partial Equilibrium Method
SMART	Software for Market Analysis and Restrictions on Trade
SPS	Sanitary and Phytosanitary Standards
SSA	Sub-Saharan Africa
TBT	Technical Barriers to Trade
WITS	World Integrated Trade Solutions
WTO	World Trade Organization

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1. Introduction

Since the Doha Round in the 1990s, member countries of the World Trade Organization (WTO) have shifted their focus towards concluding bilateral Free Trade Agreements (FTAs) instead of relying solely on the multilateral trading and negotiating systems of GATT/WTO. The United States has been a major player in negotiating FTAs due to its strong economic power in the world. To date, the US has signed Free Trade Agreements with 20 countries across the globe, with Morocco being the only African country among them. Since its independence in 1963, Kenya has strengthened its relationship with the US, resulting in improved socio-economic cooperation, particularly in defence, security, and other trade-related aspects. For instance, in 2019, the US was ranked as the second leading export destination for Kenyan products after Uganda, with goods worth Ksh 51.9 billion being exported (KNBS, 2020).

In 2020, Kenya and the US began bilateral trade negotiations. Kenya has been accessing the US market primarily under the Africa Growth Opportunity Act (AGOA) framework, launched in 2000. AGOA allows for non-reciprocal trade between Kenya and the US, meaning that Kenyan products can access the US market without tariffs or quotas. However, US products entering Kenya are subject to the duty set by the East Africa Community Common External Tariff (EAC-CET). The AGOA framework includes approximately 6,400 product lines eligible for duty-free access to Sub-Saharan African (SSA) countries.

Despite AGOA offering a duty-free market access for over 6,400 product lines to SSA, Kenya has managed to access the US market with about 15 per cent of the product lines. This is due to several challenges that Kenyan producers face in the AGOA framework, which include: (i) most of the Kenyan export products are composed of agricultural commodities, which are heavily affected by unreliable rainfall, poor animal/crop husbandry, small fragmented land holdings characterized by subsistence farming, leaving little for exports, and limited investments level in value addition; (ii) inadequate knowledge by Kenyan producers on the US market requirements in terms of standards and SPS requirements; (iii) inadequate financial and technological resources in product development to meet the required standards and training of the business community on the standards on appropriate standards and issues of standards; (iv) supply-side constraints characterized by low production capabilities, which makes it difficult to meet the huge US market demand; (v) inadequate skills for dealing with logistics that involve fresh produce earmarked for the US; (vi) low uptake of the e-commerce among Kenyan producers, and thus failing to take advantage of the US market that is technology-driven; (vii) and high cost of doing business and inadequate knowledge of products within the AGOA framework. Despite the challenges in accessing most of the product lines provided under AGOA, preferential market access for Kenyan products to the US is very critical.

While Kenya has been using the US market under the African Growth and Opportunity Act (AGOA) since its inception in 2000, AGOA is set to expire in 2025, and there is uncertainty about its renewal. In such a scenario, Kenya could still access the US market under the Generalized System of Preferences (GSP),

which offers around 4,600 tariff lines on the MFN basis. However, duty-free market access will be reduced as 279 tariff lines, including textiles and apparels currently eligible under AGOA, are not eligible under GSP. Textiles and apparels make up 67 per cent of Kenyan exports. Other products such as coffee, tea, and macadamia will still be duty-free even after AGOA expires, while the rest will be traded under Most Favoured Nation (MFN) status.

Negotiating a free trade agreement with the United States is crucial for Kenya, especially after the African Growth and Opportunity Act (AGOA) expires. Such an agreement would grant Kenya's products market access to the US by eliminating tariffs, promoting investments, addressing barriers at borders, promoting economic integration, establishing common rules of origin, and ensuring broader acceptance of product standards. The Kenya-US FTA would result in enhanced trading opportunities between the two countries, benefitting consumers by offering cheaper imports when there are no competing domestic producers. Additionally, the FTA would enhance consumer welfare by sourcing imports from the more efficient US firms.

In the unlikely scenario that the AGOA framework is not extended, Kenya could still access the US market through the GSP and MFN schemes. Therefore, the study aims to achieve two objectives: (i) to evaluate the possible implications of the Kenya-US Free Trade Agreement (FTA) on revenue, welfare, trade creation or diversion after AGOA; and (ii) to examine Kenya's exports to the United States when AGOA is not extended, with no FTA in place, and consequently, trade can only be under the GSP or MFN. This will provide policy makers with viable alternatives in case of a lapse in the African Growth and Opportunity Act (AGOA) in 2025.

2. Overview of Kenya-US trade

2.1 USA Tariff Lines per Preference Programme

The United States has a complex system of tariff lines and preference programmes, with over 10,700 separate tariff lines, of which about 4,300 lines are permanently duty-free. The GSP programme, enacted in 1976, is a significant component of the United States preference programmes, providing duty-free entry for over 3,500 products based on 8-digit US Harmonized Tariff Schedule (HTS) tariff lines. The GSP programme is designed to promote economic growth and development in beneficiary countries by reducing or eliminating tariffs on certain products.

The GSP programme covers a wide range of products, including industrial and agricultural goods, and is open to all countries that meet the eligibility criteria, which include providing the United States with equitable and reasonable market access, protecting intellectual property rights, and eliminating trade-distorting subsidies. Table 2.1 below shows US tariff lines per programme. Under GSP schemes, the largest category is non-GSP[1], which accounts for about 55.82 per cent of the total product lines. GSP A+ and GSP A account for 13.19 and 21.79 per cent of the total tariff lines, respectively.

AGOA apparel accounts for 5.60 per cent of the total product lines, while AGOA textiles represent 8.63 per cent. The D-AGOA[2] classification has the highest number of product lines, with 46.22 per cent of the total. These categories under AGOA provide duty-free access for apparel and textile products from eligible countries to the United States, subject to specific wearing apparel provisions and rules of origin (RoO). For example, textiles (Chapters 50-60 and 63) are eligible under AGOA only if produced and exported by a 'lesser developed' AGOA beneficiary country. Wearing apparel (Chapters 61, 62) also benefit from duty-free status under various rules of origin categories, each with unique classifications. Countries are also eligible for MFN[3] (with varying degrees of duty-free access rates) may also qualify for preferential duty rates under various special trade agreements, including AGOA. The MFN-Free and MFN-non-free categories represent 38.43 per cent and 61.57 per cent of the total product lines, respectively.

1 This category includes products that are not eligible for preferential treatment under the Generalized System of Preferences (GSP) or the African Growth and Opportunity Act (AGOA).
2 Classification denotes AGOA eligibility in the US tariff code (i.e. duty-free preferences)
3 Most Favored Nation (MFN) tariffs, which are the normal non-discriminatory tariffs charged on imports, excluding preferential tariffs under free trade agreements and other schedules.

Table 2.1: US tariff lines per programme

Broad trade preference category	Specific programme category	No. of product lines per programme	% share per programme
AGOA	AGOA Apparel	641	5.60
	AGOA Textiles	988	8.63
	D-AGOA [4]	5,289	46.22
GSP	GSP A 5	2,494	21.79
	GSP A* [6]	1,072	9.37
	GSP A+ [7]	1,509	13.19
	Non-GSP	6,388	55.82
MFN	MFN-Free	4,397	38.43
	MFN-non-free	7,046	61.57

Data Source: AGOA Info (2024)

2.2 Exports Performance to the US under the AGOA, MFN and GSP Initiative

The AGOA framework has played a crucial role in enhancing African countries' exports to the United States. Kenya, among others, has significantly benefited from this programme. The AGOA framework led to increased investments in technology, machinery, and labour to meet the USA market import demands, resulting in job creation and enhanced efficiency as Kenya strived to meet the required USA quality standards. Consequently, the country experienced a rise in competitiveness and productivity. However, with the impending expiry of AGOA in 2025 (although African governments are advocating for an extension), Kenya faces the risk of a decline in export competitiveness, production, investment, and employment, particularly in sectors heavily reliant on AGOA, such as textiles, apparels, and light industries (which accounted for 68% of all AGOA exports in 2022). Consequently, these changes could have a negative ripple effect on the country's productivity.

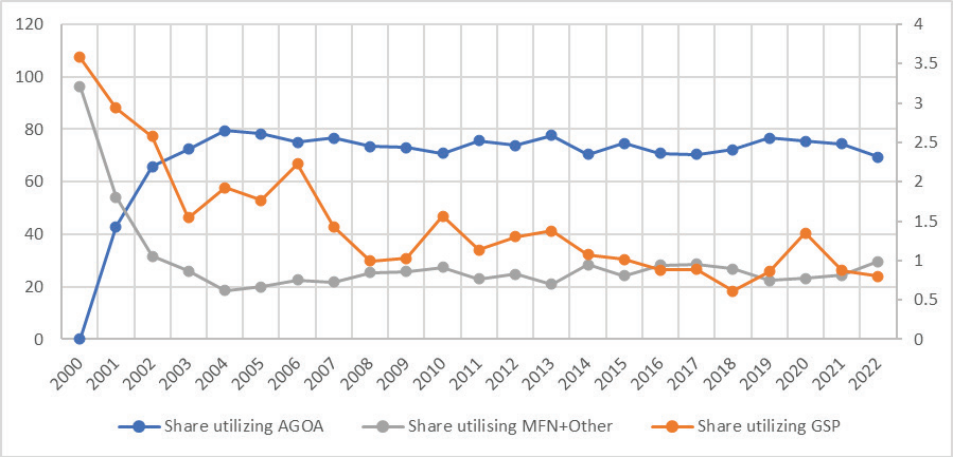
Figure 2.1 shows the trends in Kenya's total export performance to the USA over the years, highlighting the utilization rates of various trade preference programmes, such as AGOA and the GSP, and the share of exports under the

[4] D-AGOA-D (This include all other duty free products including textiles and apparel references, which do not use 'D')
[5] Eligible for all GSP countries
[6] Indicates that the product is not eligible for certain GSP beneficiaries specified in General Note 4 to the HTSUS. (not eligible for certain GSP beneficiaries per General Note 4 of the tariff schedule)
[7] Indicates products eligible for least developed beneficiary developing countries only.

MFN+ other programmes. Specifically, AGOA-related duty-free sales to the USA saw a significant surge, increasing from 43 per cent in 2001 to 69 per cent by 2022 (Figure 2.1). In contrast, trade under the GSP programme decreased from 3.5 per cent in 2000 to 0.8 per cent in 2022 during the same period. Furthermore, the utilization of MFN status experienced a notable decline, decreasing from 96 per cent in 2000 to approximately 29 per cent in 2022. Kenya's exports to the USA have generally shown an upward trend during the review period, with the AGOA utilization rate experiencing a significant 98 per cent increase between 2000 and 2004, albeit with fluctuations in preceding years.

AGOA is the primary preference utilized, with a notable portion of exports directed to the US under this programme, while GSP utilization remains comparatively lower, influenced by Kenya's elevation to a middle-lower-income economy, resulting in the loss of preferential market access for certain tariff lines, including textiles and apparels and some agricultural commodities. Despite the overall increase in utilization rates of AGOA, a small percentage of exports get to the US under MFN and GSP preference. This analysis underscores the importance of AGOA trade preference programmes for Kenya's exports to the USA. The potential non-renewal of AGOA could have adverse effects on the country's productivity through a ripple effect in some sectors of the economy. To address these risks, Kenya must secure an enhanced trade framework akin to AGOA with the US in the absence of an extension to ensure continued market access in 2025. As such, the viable trading framework for Kenya in the absence of AGOA is a more enhanced trade framework such as an FTA. By exploring an FTA, Kenya can sustain and improve its trade performance and productivity among participating firms post the current AGOA framework.

Figure 2.1: Kenya exports performance to the US by programme (2000-2022)



Data source: AGOA Info (2024)

3. Literature Review

3.1 Theoretical Literature

There have been various theories that have been used to explore why countries choose to participate in Free Trade Agreements (FTAs). According to the standard trade agreement theory by Johnson (1954), countries would try to take advantage of their global market power by imposing taxes on trade, which would lead to a trade war that affects all the countries involved. The theory posits that the purpose of international trade agreements is to prevent such a trade war from happening. Viner (1950) seminal work shows that FTA agreements do not improve member countries' welfare. In particular, the removal of tariffs may result to diversion of trade, effectively distorting import supplies in favour of countries within the FTA. However, Kemp and Wan (1976) opine that with adjustment of tariffs and external trade held constant, trade creation will increase and thus FTA or custom unions formations will result to welfare enhancement.

From a regional front, several theories have elucidated that FTAs will increase as more countries enter trading blocs. One such model is the domino theory of regionalism, that is framed in a monopolistic competition framework. According to Baldwin (1995), the effects of trade diversion and increased economic size with a trade agreement shall persuade countries to join an FTA. The author posits that the larger the benefits derived from joining an FTA will result to a domino-like chain response resulting to more FTA's being formed. Building on a Nash equilibrium in a cooperative game, Mayer (1981) underscores that the economic size of a country determines the negotiating power it holds in an FTA, and the willingness to cooperate. A large country such as the US will enter in an FTA when the welfare incentives are high to their economy or for strategic reasons.

3.2 Empirical Literature

The effectiveness of an FTA has been examined with mixed outcomes across countries and regions. Baier and Bergstrand (2007) examine whether FTA's increase member countries' international trade volumes in a gravity framework with data for the period 1960-2000. They find that, on average, FTAs increase twofold between trading countries after 10 years. Relatedly, Baier et al. (2019) examine the varying effects of FTA with a sample of 70 countries for the period 1986-2006. Using a panel econometric approach in a two-stage framework, they establish the existence of variations in both ex-ante and ex-post FTA arrangements. Importantly, they find presence of asymmetric effects in FTAs for each country to influence another country's terms of trade. The findings also offer evidence of heterogeneous predicted direction-specific effects for future FTAs between pairs of countries. Spies and Marques (2009) examine the effects of European FTAs in a gravity model with data for the period 1991-2003. Their analytical framework considers imports from 204 countries to 15 European Union (EU) member countries. They find evidence of increased intra-trade due to FTA among member countries.

Anderson and Yotov (2016) examine the terms of trade effects of FTAs that were implemented for bilateral trade for the period 1990-2002. Using a gravity model, they find that in several countries, revenue from the manufacturing sector increases by 5 per cent while others lose about 0.3 per cent of revenue. Further, they find that globally, efficacy of the manufacturing sector improves by 0.9 per cent while distance reduces the benefits of FTAs. Ornelas (2005) investigates the effect of FTAs on the world trading system in an oligopoly model that captures the political economy of forming FTAs. The findings show that FTAs are beneficial in a multilateral set-up and FTAs will only be implemented for welfare enhancement. In the same vein, the effect of bilateral trade agreements on free trade has been examined.

Riezman (1999) investigates whether bilateral trade agreements impede the occurrence of free trade in a general equilibrium model. They find that bilateral trade agreements lead to free trade when there is a large trading block accompanied by smaller ones. However, when trading blocks are similar in size, then bilateral trading agreements will pave way for trading blocks to monopolize the world trade and thus result in less free trade. On the other hand, studies on negotiating free trade have been explored. Aghion et al. (2007) examine the negotiating mechanisms for free trade among countries and show how the structure of coalition externalities determine an FTA within an international trade model. They find that free trade is not attained when political economy interests override welfare improvements among negotiating partners. They also find that the leading country prefers sequential bargaining in presence of negative coalition externalities as the leading country benefits more by first forming an FTA with a country that enjoys higher coalition externalities before expanding to other countries. From a political economy of trade perspective, Owen (2017) examines the effect of offshoring and trade liberalization by using US political debates and votes data with data for the period 2001-2006. The findings show that politicians assess their constituent's behaviour in that when their constituents are vulnerable to offshoring, they become reluctant to endorse an FTA. Indeed, the results reveal that legislators are unwilling to even discuss the cost of job transfer to another country in an FTA in the legislative assembly as it may result in losing an election.

Several studies have been undertaken focusing on the US FTAs across the world over time. Clausing (2001) examines trade patterns between the US-Canada Free Trade Agreement, with focus on variation on the level of trade liberalization in the FTA using commodity data for the period 1989-1994. They find that the US-Canada FTA resulted to increased trade creation and reduced the effect of trade diversion. Jallab et al. (2007) examine the impact of the US-Morocco FTA on welfare, economic growth and sectoral performance using different simulations. They find that trade liberalization will influence welfare and growth for Morocco and may impact trade relations with other countries. Importantly, the findings reveal that the US-Morocco FTA will result to trade diversion and negatively affect trade relations between Morocco and the EU member countries such as France. The authors recommend a gradual and asymmetric implementation of the FTA as it may result to enhanced diversification of exports.

A study by Congress Research Services on the US-Jordan FTA (2001) concluded that the agreement might not have an immediate and significant impact on the amount of trade in goods and services between the two countries. However, the study also revealed that the FTA could significantly boost foreign direct investment (FDI) in Jordan, not only from the United States but also from other countries around the world. Carbajal (2014) investigates the effect of change in trade policy on financial reporting of domestic firms through the interaction between foreign and local firms. Using 208 firms in a cross-sectional framework, the findings show that the FTA results to improved accounting quality of Chilean firms due to interaction with US firms. According to a study conducted by Derick et al. (2023), the North American free trade agreement has a significant impact on public health in the United States. The study found that reducing trade barriers in international trade leads to an increase in imports and a decrease in commodity prices in the importing country. The research also revealed that trade liberalization can enhance competitiveness, resulting in higher productivity, lower prices, and reduced markups.

4. Methodology

4.1 Option one: Negotiating a Kenya-US FTA

One of the options post-AGOA is Kenya negotiating a Free Trade Agreement (FTA) with the United States. If the country decides to pursue an FTA with the US, it is important to evaluate its possible implications on revenue, welfare, trade creation, or diversion. To understand the effects of the FTA, the study uses the WITS-SMART simulations approach that combines data from the UNCTAD-TRANS database and UNCOMTRADE data at the 6 HS code. The simulations use data built into the SMART system, and the analysis is conducted using data from 2021 as the base year for both Kenya and the US. SMART requires users to set the elasticity parameters to determine the sensitivity of demand and supply to specific tariff duty reforms. For this study, the default SMART elasticity was used for the three scenarios: The first scenario - liberalizing 80 per cent of the tariff lines for products imported from the US; second scenario - phase liberalizing 90 per cent of the tariff lines for products imported from the US; and the third scenario - liberalizing of tariffs by 100 per cent for all the products imported from the US.

4.2 The SMART Model

This study used the Partial Equilibrium simulation model, WITS-SMART, to estimate the possible impact of the Kenya United States Free Trade Area. SMART is a World Bank WITS platform that allows for simulation of a single market Partial Equilibrium between two countries with one considered as a large economy and the other a small economy. In addition, the model contains an inherent analytical framework that offers an elaborate trade analysis that involves many tariff changes in an FTA. As such, Bayale et al. (2020) notes that the model allows for the utilization of a static Partial Equilibrium framework, thus providing an avenue to examine trade effects performed for an individual country. Therefore, the SMART model provides a framework to measure the trade effects on revenue and welfare resulting from the tariff reforms between two countries. The existing literature has shown that Partial Equilibrium has been used extensively to compute the static effects of the tariff reforms. Partial Equilibrium is preferred in this study due to its simplicity in the data requirements for conducting analysis. For instance, the import data from the US to Kenya for a particular year disaggregated by the source and classification of the products under the HS 6 code were considered. Importantly, unlike the General Equilibrium model, the Partial Equilibrium model allows for simulation at highly disaggregated data level, which is important in identifying the sensitive products at the highest level of disaggregation.

However, the model has some limitations. Despite the positive attributes above, the Partial Equilibrium model is static and does not follow the changes in the prices by the other economic agents, including the producers, consumers, and the firms as in the case of the Computable General Equilibrium model. In addition, the Partial Equilibrium model does not take into account the trading partners economic changes and the possible changes in exports demand.

4.3 Model Specification

The WITS-SMART model can be described in a series of equations and identities used to derive the simulation basis. The study borrows from the Partial Equilibrium model developed by Panagariya (1998) and Milner et al. (2010). The derivation of the model begins with export and import supply functions simplification and the equilibrium position. The importer country J's import demand function for the ith product by the exporter K can be expressed as follows:[8]

$$M_{ij}=f(Y_j\, P_{ij}\, P_{kj}) \quad (1)$$

The K^{th} exporting country export supply function for commodity I is written as follows:

$$X_{ijk}=f(P_{ikj}) \quad (2)$$

The PEM identity can be related to equation 1 and 2 as follows:

$$M_{ij}=X_{ijk} \quad (3)$$

With the assumption of a free trade area situation, the domestic price of the i^{th} commodity in the importer *j's* market will equate the k^{th} export price of the exporting country, including the transportation and insurance cost. The changes in the prices will thus equate the *ad valorem* incidence of any tariff and non-tariff applied to the commodity as shown:

$$P_{ijk}=P_{ijk}\,(1+t_{ijk}) \quad (4)$$

From the above equation, the export

$$R_{ijk}=X_{ikj}\, P_{ikj} \quad (5)$$

Revenue effect

The difference between the initial tariff and initial value of import and the new product tariff gives the revenue effect. The revenue changes are equal to the sum of the changes in the imports and the prices. To estimate the impact on tariff revenue, post-implementation of the US-FTA, we use a linear approximation of the changes in tariff revenue, which is expressed in Equation 6 as follows:

$$\frac{dR_{ijk}}{R_{ijk}}=\left(\frac{dt_{ijk}}{1+t_{ijk}}\right).E_m\left(\frac{1+E_x}{E_x+E_m}\right) \quad (6)$$

[8] M- Imports; X- Exports; P- Price; W- Welfare; R- revenue; Y- National income ad valorem terms; TC- trade creation; TD- trade diversion; i- Subscript denoting commodity j-Subscript denoting domestic/ importing country data; k-Subscript denoting foreign/exporting country data - (In certain expressions the subscript *K* is used to denote data for an - alternative foreign/exporting country); Mn - imports from non-preference-receiving countries; t- tariff rate distortion; V- output in the importing country; Em- Elasticity of import demand with respect to domestic price; E - Elasticity of export supply with respect to export price; Es- elasticity of substitution with respect to relative prices of the same product from different sources of supply.

Welfare effect

Welfare effects are derived from the benefits the consumers from the importing country derive as a result of the lower prices due to tariff elimination, or removal of *ad valorem* incidence of non-tariff distortions. Cline (1978) asserts that for any pre-existing level of imports, a reduction in prices denies the government the revenue formally collected, meaning no net gain for the country. The increase in imports presents a net welfare gain to the consumers obtained by subtracting the valuation of the domestic consumers extra imports and the cost of export prices at the supply side, excluding the tariffs. The expression is illustrated as follows:

$$W_{ijk}=0.5(\Delta t_{ijk}.\Delta M_{ijk} \quad (7)$$

Where W and 0.5 measures the consumer welfare and average difference of tariff before and after trade liberalization.

Trade creation effects

Increase in demand by the exporter country *j* for commodity *i* from the exporting country *k* results to the trade creation effect. Reduction of the tariffs makes imports to be cheaper, and in return increases the demand for the imports, leading to trade creation. Differentiating equation 4 above yields the trade creation equation:

$$TC_{ijk} = M_{ijk}E_x\frac{\partial t_{ikj}}{\left(1+t_{ijk}\right).\left(1+{E_m}/{E_x}\right)} \quad (8)$$

Equation 8 above implies that export supply elasticity with respect to the price of the world is not finite then the right-hand side denominator of equation 11 above becomes unity and can be neglected.

Trade diversion effects

With the assumption that the US is a more efficient supplier than the ROW with tariff elimination for goods imported from the US under the FTA framework, goods from the US will become more attractive than those from the ROW. More goods will be sourced from the US even though other countries produce similar goods efficiently, leading to trade diversion.

In the SMART model, trade diversion is calculated using substitution elasticity and is expressed as follows:

$$TD_{ijk} = \frac{M_{ijk}}{\Sigma_k M_{ijk}}.\frac{\Sigma_k M_{ijk}\Sigma_k M_{ijk}E_s\frac{\partial P_{ikj}/P_{ikj}}{P_{ikj}P_{ikj}}}{\Sigma_k M_{ijk}+\Sigma_k M_{ijk}+\Sigma_k M_{ijk}.E_s.\frac{\partial P_{ikj}/P_{ikj}}{P_{ikj}P_{ikj}}} \quad (9)$$

Net trade performance effect

Net trade performance effect is simply the aggregation of the trade creation (TC) and trade diversion (TD) effects, which takes the following form:

$$TE=\sum TC_{ijk}\sum TD_{ijk} \quad (10)$$

Option two: Kenya's exports to the US without AGOA or FTA

If the Kenya-USA Free Trade Agreement (FTA) is not concluded and the African Growth and Opportunity Act (AGOA) framework is not extended, Kenya will have to rely on the Generalized System of Preferences (GSP) scheme and the Most Favoured Nation (MFN) programme to access the US market. To understand the effects of this, the study provides an analysis of the share of exports under GSP and MFN from the year 2000 to 2022 as illustrated in section 5.3.

To achieve this, a combination of scenario and trend analysis was employed to examine the potential impact on the share of Kenyan exports under the GSP and MFN programmes, in comparison to the historical performance under the AGOA framework. The analysis involved making comparisons between the number of products eligible for duty-free access under GSP and MFN, and the more extensive product coverage provided by AGOA. Further, the analysis was enhanced by incorporating data on specific product categories (agriculture and non-agriculture) to understand how the reliance on GSP and MFN might affect the different sectors of the economy.

5. Results and Discussions

5.1 Option one: Implication of concluding a Kenya- US FTA

This section presents the Partial Equilibrium (PE) results covering the effects of eliminating tariffs between Kenya and the United States of America following the ongoing negotiations on a Free Trade Agreement.[9] The simulations are based on the 2021 import data extracted from COMTRADE and UNCTAD TRANS database using the World Integrated Trade Solutions (WITS-SMART Model[10]). The simulations used the highly disaggregated data 6-digit HS to project on the effects of tariff elimination on trade effects and welfare effects. The simulations assumed the prescribed new duty rate as provided for by the WITS Global Tariff cuts and Trade simulator developed.[11] The products were differentiated, and this allowed for the assessment of the changes at various economic levels. The elasticities incorporated in the simulation were for import demand and infinite export supply (the price taker assumption) informed by literature[12].

5.2 Simulation results

To enrich the study and better inform policy regarding the Kenya-US FTA option, simulations are undertaken following three scenarios: (i) in the first second and third scenarios, liberalization is undertaken at 80 per cent, 90 per cent and 100 per cent of the tariff lines for all products imported from the US.

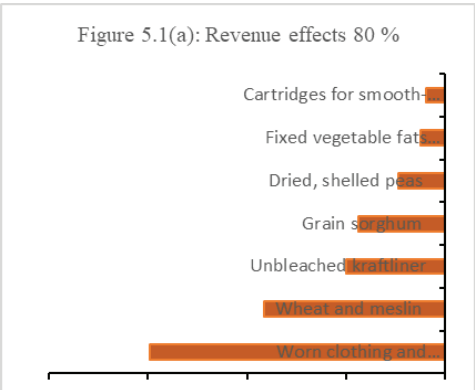
5.2.1 Revenue effects

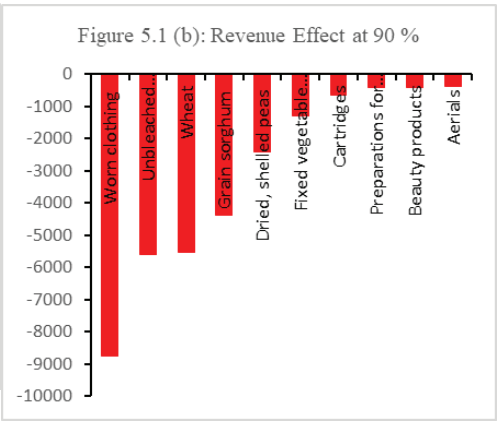
The elimination of tariffs on the US-Kenya FTA will result to a reduction in revenue income in Kenya. However, the effect will be heterogeneous among the products. Figures 5.1 (a), (b) and (c) show revenue effects of Kenyan exports to the US for trade liberalization at 80 per cent, 90 per cent and 100 per cent. The analysis projects that Kenya will face a revenue loss if a free trade agreement (FTA) is established with the United States, leading to a reduction or elimination of tariffs on goods traded between the two countries. Specifically, if tariffs are reduced by 80 per cent and 90 per cent, Kenya is estimated to lose US$ 8.4 million and US$ 13.3 million, respectively. The revenue loss is projected to increase significantly to US$ 28.4 million if tariffs are completely eliminated. These projections highlight the potential financial impact of an FTA on Kenya's revenue, which should be carefully considered during negotiations.

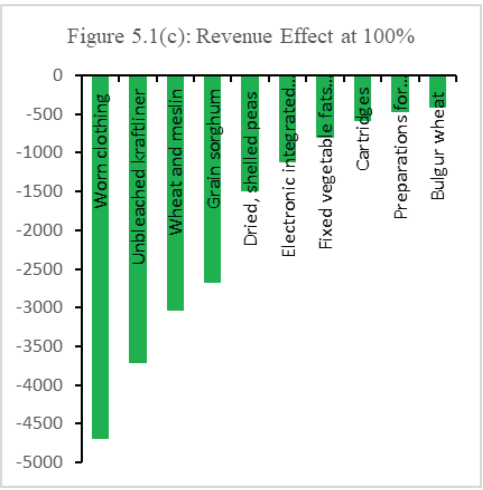
[9] PE models give the magnitude of the direct effects of trade policy change without considering the sectoral market interactions, such as inter-industry effects and some macroeconomic adjustments.
[10] The simulation approach was developed by Prof. Joseph Francoise. For detailed information about the model, refer to Laird and Yeats (1986) and WTO and UN (2011).
[11] For more information, refer to UNCTAD simulation model methodology by Sam Laird and Alexander Yeats.
[12] The assumption of price taker is usually realistic for the case of small economies, which export to large/global markets and whether the production costs are unlikely to affect the prices in some particular sectors.

At the product level, we find that worn clothing results to the highest revenue loss of US dollars 1,492 at 80 per cent tariff reduction. The results from the simulation estimate that the revenue will fall by approximately US$ 13.3 million, with 90 per cent tariff elimination and US$ 28.4 million with complete tariff elimination. Further, the analysis shows that worn cloth, uncoated kraft paper, and wheat exhibit the highest revenue loss of US dollars 4,676 million (5,827), 3,699 million (3,720) and 3,033 million (3,689), respectively, at 100 per cent (90%) tariff reduction (see Appendix Table A1.3 and A1.4).

Figure 5.1: Revenue effects at 80 per cent, 90 per cent, and 100 per cent liberalization levels







Source: ITC and Authors calculations

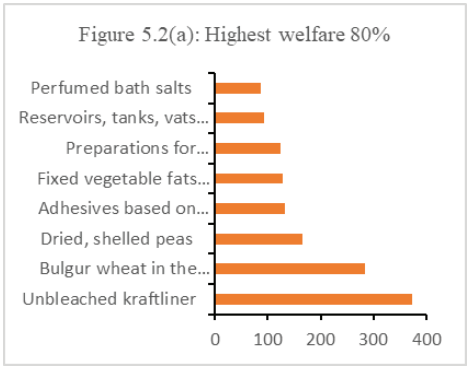
On the other hand, under the same tariff reduction of both 90 per cent and 100 per cent, several products do not result to revenue loss, for example, corn (maize) and tractors (including motor vehicles for transport of goods). In terms of the import sources, majority of the wheat and meslin (4.25%), dried shelled peas (1.8%), grain sorghum (2.3%), unbleached craft liner (1.2%) and worn clothing (1.6%) are sourced from the US market. The EAC market contributes to a small extent, with unbleached Kraftliners accounting for about 2.8 per cent of the total imports in 2019.

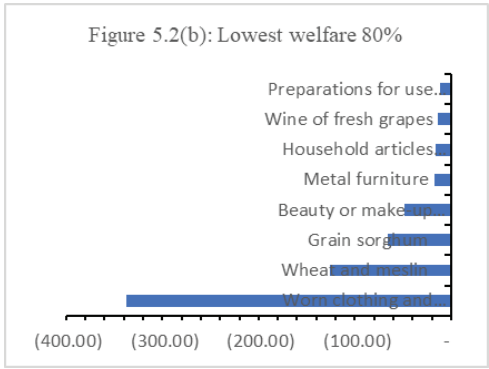
5.2.2 Welfare effects

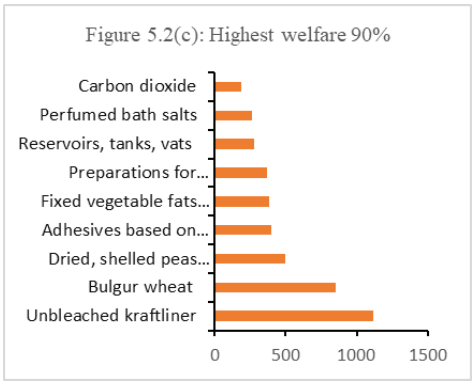
Figures 5.2(a) and 5.2(b) show the effect of 80 per cent liberalization of trade between Kenya and USA. The analysis shown in Figure 5.2(a) reveals that unbleached kraftliner and bulgur wheat have the highest welfare effects at 80 per cent. On the other hand, from Figure 5.2(b), we find that worn cloth and wheat and meslin exhibit the lowest welfare at the same percentage rate. At 100 per cent (90%) liberalization as shown in Figures 5.2(c), 5.2(d), 5.2(e) and 5.2(f), the empirical simulation results show that uncoated kraft paper, bulgur wheat and dried shelled peas offer the highest welfare effect of US dollars 1861.5 million (1117), 1415 million (848), and 829.3 million (496), respectively (for details see Appendix Table A1.1 and A1.2). On the other hand, worn clothing, other sorghum grain and other hard wheat have a lower household welfare effect of US dollars 786.8 million (561), 360 million (207) and 296.8 million (211), respectively, under the same tariff reduction. Moreover, we also establish that several products do not enhance welfare, for example vegetable seeds, parts of aeroplane and diagnostic and laboratory reagents.

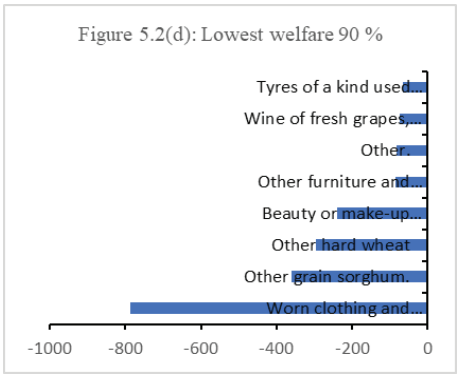
From the simulation analysis, unbleached kraft liner has the highest welfare gain to the consumers. Majority of the imports (US$ 17 million) are from EAC while US contributed about US$ 6.5 million in 2019. Exports are minimal, with EAC accounting for US$ 0.26 million and nothing was exported to the US. Some of the other products that increase the consumer welfare gains include bulgar wheat, dried shelled peas, adhesives and fixed vegetable fats. The US is a major exporter of dried shelled peas, amounting to 10 million, while the EAC accounts for US$ 4.8 million. In terms of exports of the shelled peas, most of the products are exported to EAC and the African continent, accounting for US$ 3.92 million and US$ 5.1 million, respectively.

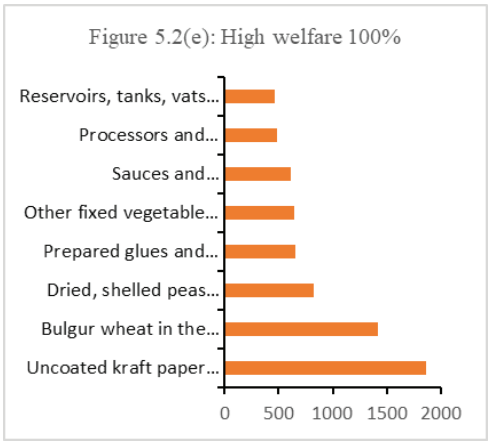
Figure 5.2: Welfare effects at 80 per cent, 90 per cent, and 100 per cent liberalization levels

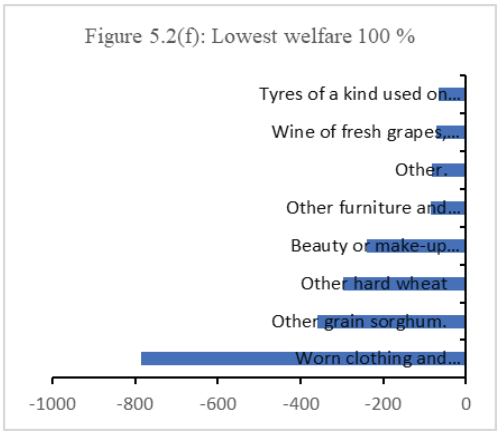












Source: ITC and Authors simulations

5.2.3 Trade creation and Trade diversion effects

Trade creation and trade diversion simulation results are presented in Figure 5.3(a) – 5.3(f) for tariff reductions at 80 per cent, 90 per cent, and 100 per cent, respectively, and the results are presented in turns. At 80 per cent tariff reduction, from Figure 5.3(a) and 5.3(b), we find that worn cloth (mitumba), and wheat and meslin exhibit the highest trade creation. Similarly, at 90 per cent, unbleached krafterliner, bulgur wheat and dried shelled peas of US dollars 2,355 million, 850 million and 695 million, respectively. In addition, worn clothing (mitumba)

Figure 5.3: Trade creation and trade diversion at 80 per cent, 90 per cent, and 100 per cent liberalization levels

Source: ITC and authors simulations

Notes: TC: Trade Creation, TD: Trade Diversion, ITC: International Trade Centre

wheat and meslin, and grain sorghum exhibit the lowest trade creation of US dollar 1,850 million, 1,500 million and 602 million, respectively. From the results, we find that uncoated kraft paper, bulgur wheat and dried shelled peas enhance the highest trade creation effect of US dollars 3926.5 million, 1417.9 million, and 1159.7 million, respectively (for details see Table A1.1 and A1.2) at a 100 per cent tariff reduction. On the other hand, worn clothing (mitumba), other sorghum gran and other hard wheat have a lower household trade creation effect of US dollars 2590.4 million, 1004.3 million and 2101 million, respectively, under the same tariff reduction.

Additionally, we find that, at 80 per cent, worn cloth (mitumba) and wheat and meslin have the highest trade diversion. At a 90 per cent tariff reduction, unbleached kraftliner, dried shell peas and prepared sauces (e.g. soya sauce) exhibit the highest trade diversion of US$ 1,238 million, 199 million and 163 million, respectively. We also find that cast tubing (pipe fittings), nickel accumulators and narrow woven fibres have the lowest welfare effect of US$ 17 million, 25 million and 28 million, respectively. Further, uncoated kraft paper, dried shelled peas and mustard flour offer the largest trade diversion of US$ 2,065 million, 330 million and 273 million, respectively, at a 100 per cent tariff reduction. On the other hand, we find that worn clothing, other hard wheat and other grain sorghum manifest the lowest trade diversion of US$ 3377 million, 2397.9 million and 1,364 million, respectively, at 100 per cent tariff reduction.

In terms of the export and import values as a share of the total exports, majority of the unbleached kraft liner (2.8%) imports are sourced from EAC while 1.2 per cent originate from the US. The EAC, on the other hand, contributes about 0.02 per cent of Kenya's total exports of the unbleached kraft liner while nothing is exported to the US. Other products such as dried shelled peas (0.3%), fixed vegetables fats (0.16%), preparations of sources (0.9%) and adhesives (0.05%) are majorly exported to the EAC market with in small proportions, with only 0.3 per cent of fixed vegetables exported to the US (Refer to Table A9 in the Annex for the detailed data).

5.2.4 Net trade performance effect

The results from a trade performance analysis suggest that the total export volume from the US to Kenya will increase by 4.5 per cent at 80 per cent, 9.2 per cent at 90 percent tariff elimination and 17 per cent with complete elimination of tariffs. The increase in import volumes is as a result of elimination of tariffs on some products that attracted duty before. The products that are expected to increase the value of imports post tariff elimination include unbleached craft liners, bulgur wheat, wheat and meslin and grain sorghum. The price effect is zero because of the assumption that supply elasticity is infinite.

5.3 Option Two: Implication on Kenya's Exports to the US in the Absence of AGOA or FTA Framework

Kenya's exports to the US have greatly benefited from the AGOA, with over 70 per cent of Kenya's exports to the US enjoying duty-free status under this programme. Prior to AGOA's implementation in 2000, Kenya accessed the US market through the MFN and GSP schemes, which were greatly facilitated by its Least Developed Country (LDC) status. However, the future of Kenya's exports to the US appears uncertain as AGOA is scheduled to expire in 2025. Additionally, Kenya no longer holds the LDC designation under the GSP, a status it enjoyed before AGOA's enactment, meaning a shrink in the duty-free market access for Kenya exports to the US if AGOA lapses without renewal.

In the absence of the Kenya-USA-FTA, when there is no extension of the AGOA framework, Kenya will have to rely on the GSP scheme and the MFN programme to access the US market. This situation places Kenya at a higher risk of losing its current share of the US market because the country will no longer enjoy the same level of duty-free access to the US market it had before AGOA came into place in the year 2000, since it is no longer classified as a Least Developed Country (LDC).

Table 5.1: Effect of Kenyan exports to US without AGOA or FTA

Description	AGOA	Without AGOA		
		GSP	MFN-Free	MFN-non-free
Total number of product lines available	6,971	3,555	221	6,738
Number of product lines utilized	909	120	11	256
Average CIF value of the utilized lines	487,008	32,566	159,071	327,937

Data source: USITC (2024)

Table 5.1 highlights the potential consequences for Kenyan exports to the US if the AGOA expires and is not renewed. Under the alternative scenario of Kenya relying solely on the GSP programme, there would be a significant reduction in the number of products eligible for duty-free access to the US market. Currently, AGOA offers duty-free access for approximately 6,900 Kenyan product lines, with a current utilization of 15.6 per cent. The GSP programme only allows duty-free exports for 3,555 product lines, with Kenya currently using only about 120 (or 3.4%). While AGOA facilitated Kenyan exports worth US$ 487 million in 2022, under the GSP programme, exports reached only US$ 32 million with 120 product line used out of the 3,555 potential product lines. The potential value of Kenyan exports under the GSP programme is estimated to be US$ 120 million, a significant difference from the level achieved under AGOA. MFN-Free offers potentially 221 total product lines, out of which Kenya utilized 11 product lines based on 2022

exports that are accessible for duty-free exports to the US. The export value under this scenario in 2022 was US$ 159 million, which in total is lower compared to the total exports facilitated by AGOA. The MFN-non-free has the highest number of total product lines available at 6,738, with about 256 (3.8%) product lines currently being utilized by Kenya. This amounts to a total export value of US$ 327,937, which would be subject to duty and were not subjected to duty under AGOA, suggesting that a considerable portion of Kenyan exports may face tariffs or non-preferential treatment. This scenario could significantly impact the market access and competitiveness of Kenyan exports in the US market.

5.3.1 Effect on agriculture exports to the US without AGOA or FTA framework in place

Kenya's agricultural exports to the US play a crucial role in the country's economy, with a diverse range of products being exported. Under the African Growth and Opportunity Act (AGOA), Kenya has benefited from duty-free and quota-free access for various agricultural products. The main agricultural exports from Kenya to the US under AGOA include macadamia and cashew nuts, coffee, tea, cut flowers, vegetables, wheat, palm oil, and sugar. AGOA has been instrumental in enhancing market access for designated Sub-Saharan African countries such as Kenya by providing preferential treatment for agricultural products. However, it is important to note that not all products exported by Kenya under AGOA are necessarily excluded from the Generalized System of Preferences (GSP) schemes.

Table 5.2: Effect of Kenyan agriculture exports to US without AGOA or FTA

Description	AGOA	Without AGOA		
		GSP	MFN-Free	MFN-non-free
Total number of product lines available	1,316	642	-	1,316
Number of product lines utilized	225	44	-	69
Average CIF value of the utilized lines	73,642	17,702	-	73,642

Data source: USITC (2024)

Table 5.2 shows the Kenyan agricultural exports to the US if AGOA expires. Compared to AGOA's roughly 1,316 duty-free product lines in 2022, both GSP and MFN options offer significantly less market access. Under the GSP programme, which could serve as an alternative in the absence of AGOA, there are 642 total product lines available out of 1,316 lines for agricultural exports, which is 48.8 per cent lower than what was provided for by AGOA. Out of the available lines under GSP, Kenya could potentially utilize 44 of these product lines, which are eligible

for duty-free access. The projected export value under the GSP programme is estimated to be US$17,702. However, this figure is considerably lower than the benefits Kenyan exporters have enjoyed under the AGOA, which amounted to US$ 73 million in 2022.

Under MFN-free, there are currently no Kenyan agricultural product lines eligible for duty-free access. This represents a complete loss of the duty-free benefit enjoyed under AGOA of about 1,316 lines. For MFN-non-free, there are a total of 1,316 product lines, accounting for 61 per cent of the MFN lines under agriculture. Out of these, 69 product lines, representing 5.2 per cent of the total lines, will be subjected to pay duty, which was not the case before, a significant departure from the duty-free treatment enjoyed under the AGOA framework. The total export value of agricultural products to the USA that will attract duty with the expiry of AGOA amounts to US$ 73,642. This indicates that a substantial portion of Kenyan agricultural exports may now face tariffs or non-preferential treatment, potentially impacting their market access and competitiveness in the US. Losing AGOA would potentially restrict market access for Kenyan agricultural products. The lack of duty-free access under both GSP and MFN would make them less competitive against products from countries with preferential trade agreements with the US.

5.3.2 Effect on agriculture exports at specific product levels

The analysis also considered the significant effects at the product-specific categories. Table A1.10 in the Appendix shows the top agricultural exports by Kenya to the United States at the 8 HS tariff level. Agricultural exports accounted for approximately 22 per cent of Kenya's total exports to the US in 2022. The top export commodities in 2022 included coffee, macadamia nuts, extracts, essences, and concentrates of tea or mate, and unrooted cuttings and slips benefited from the AGOA framework. However, majority of agriculture products exported by Kenya are not eligible under the GSP schemes, since the country is not in the category of LDC (Least Developed Country). For example, macadamia, which is a leading export commodity for Kenya, would be negatively impacted with the lapse of AGOA. Macadamia is not included in the GSP and MFN-free schemes. As a result, it will attract a duty of 1.3 cents per kilogramme under the MFN non-free scheme. Consequently, macadamia would likely lose its competitiveness in the current market access in the US market if the preferential treatment under these schemes is not maintained.

Only 15 per cent of the top agricultural commodities are eligible to access the US market under the GSP scheme. These commodities include preparations based on extracts, essences, or concentrates, or coffee, subject to general note 15 (outside quota); and live birds, excluding poultry, birds of prey, or psittaciforme birds. Even without AGOA, these export products can still access the US market through the GSP schemes. Coffee and tea, for example, enjoy MFN-free tariff rates. Therefore, in the event of AGOA expiration, coffee and tea would remain unaffected as long

as it is entirely sourced within the country's borders and adheres to regulatory requirements.

Further, cutflowers benefit from AGOA eligibility, providing them with preferential access to the US market. However, they are not covered by the GSP and MFN-free schemes. In the absence of AGOA, cutflowers would be subject to a duty of 6.8 per cent, potentially diminishing their competitiveness compared to other market players. If AGOA were to lapse in 2025, Kenya could potentially lose market access for certain products that are eligible under AGOA, but not covered by the GSP schemes as shown in Appendix Table A1.10.

5.3.3 Effect on non-agriculture exports to the US without AGOA or FTA framework in place

Kenya's non-agricultural exports to the United States under the AGOA, GSP, and MFN regimes entail a variety of products. In 2022, Kenya's exports of non-agricultural commodities accounted for about 78 per cent of the total export. The top non-agricultural exports from Kenya to the US include textile and apparel, petroleum products, auto parts, and footwear, among others. Under AGOA, Kenya has been able to export textile and apparel duty-free to the US, with certification being a prerequisite for eligibility.

The potential lapse of AGOA could affect Kenyan non-agricultural exports to the US market. The limited product coverage and duty-free access under GSP, combined with the lack of utilization of MFN-Free lines, show that non-agricultural exports may face increased costs that reduce their competitiveness. The large number of product lines (5422) under MFN-Non-Free, with a significant export value, highlights the vulnerability of non-agricultural exports to tariffs and non-preferential treatment in the absence of AGOA.

Table 5.3: Effect of Kenyan non-agriculture exports to the US without AGOA or FTA

Description	AGOA	Without AGOA		
		GSP	MFN-Free	MFN-non-free
Total number of product lines available	5,654	2,914	221	5,422
Number of product lines utilized	684	76	11	187
Average CIF value of the utilized lines (US$)	413,366	14,864	159,071	254,295

Data source: ISITC, 2024

Table 5.3 show the potential for non-agricultural exports to the US if the AGOA expires. Compared to AGOA's about 5,654 duty-free product lines in 2022, both

GSP and MFN options offer less access value of US$ 14 million and 159 million, respectively. Under the GSP programme, which could serve as an alternative in the absence of AGOA, there are 2,914 duty free product lines available for non-agricultural exports. In comparison, AGOA provided duty-free market access for 5,654 non-agricultural commodities. However, in 2022, Kenya could potentially utilize only 76 (2.6%) of the GSPs product lines, which qualify for duty-free access. The export value in 2022 for GSP non-agricultural exports was about US$ 14 million, a significant difference from US$ 413 million facilitated by AGOA, representing US$ 195 per product line.

The MFN-free option has only 221 total product lines, with 11 product lines accessible for duty-free export to the US in the non-agriculture sector. Under the MFN-non-free programme, a total of 5,422 product lines are eligible. However, a significant number of product lines, specifically 187 out of the 684 product lines currently utilized under the AGOA in the non-agricultural sector, would be subject to duty payments. These product lines, which previously enjoyed duty-free access under AGOA, would now incur duties, potentially affecting their competitiveness in the US market.

The total export value of non-agricultural products, representing 3.44 per cent of the product lines exported to the US, is estimated to be US$ 254 million. This amount accounts for approximately 61.5 per cent of the total US$ 413 million provided for by the AGOA. This indicates that a significant portion of non-agricultural exports may be subject to tariffs or non-preferential treatment, highlighting the potential challenges for these exports in the absence of preferential trade agreements such as AGOA.

5.3.4 Effect on non-agriculture exports at specific product levels

The analysis also considered the significant effects at the product specific categories for non-agriculture commodities. Appendix Table A1.11 presents Kenya's export of non-agricultural commodities under the AGOA, MFN tariff rates, and the GSP for the specified periods. Kenya exports various non-agricultural products to the United States, each subject to different trade arrangements and tariff rates. Notably, majority of the products in the textile and apparel industries benefit from preferential treatment under AGOA, while others are subject to MFN tariffs. Additionally, some products are not eligible for preferential treatment under any scheme. For example, products such as men's or boys' trousers, bib and brace overalls, breeches, and shorts of synthetic fibres, and women's or girls' trousers, bib and brace overalls, breeches, and shorts of synthetic fibres, are eligible for AGOA and have an MFN tariff rate of 14.9 per cent. Other products such as medium oils and preparations of petroleum or bituminous minerals, and jerseys, pullovers, cardigans, waistcoats, and similar articles of cotton, knitted or crocheted, have an MFN tariff rate of 7 per cent and 16.5 per cent, respectively.

Some products, such as men's or boys' shirts, not knitted or crocheted, of cotton, certified hand-loomed and folklore products, and men's or boys' shirts, knitted or crocheted, of man-made fibres, are eligible for AGOA but will attract an MFN

tariff rate of 8.7 per cent and 32 per cent, respectively, if AGOA lapses. Other products such as nails, tacks, drawing pins, corrugated nails, staples, and similar articles of iron or steel, and men's or boys' underpants and briefs of cotton, knitted or crocheted, have an MFN tariff rate of zero. In addition, some products, such as essential oils, whether or not terpeneless, including concretes and absolutes, and T-shirts, singlets, tanktops, and similar garments of textile materials (except cotton, man-made fibres, or long sleeve wool garments), containing 70 per cent or more weight of silk, are eligible under AGOA and have an MFN tariff rate of free. Although majority of the exports in the textile and apparel access the US market under the AGOA framework and are not included in the GSP schemes, the key driver for the apparel exports is the favourable rules of origin, which allows for cumulation of the raw materials from other member states. The MFN rates could potentially be high for some of the textile and apparel products with absence of AGOA. For instance, products such titanium ores and concentrates are not covered under AGOA and are subjected to MFN tariff rates. On the other hand, items such as men's trousers and shirts made of cotton or synthetic fibres benefit from AGOA eligibility, allowing duty-free access to the US market.

6. Conclusion and Recommendations

6.1 Conclusion

The study examines two trade options for Kenya and the United States. The first option involves finalizing a Free Trade Agreement (FTA) with the United States, while the second option involves Kenya's exports to the US in the absence of AGOA or FTA framework.

The study concludes that if tariffs are eliminated under the US-Kenya Free Trade Agreement, it would have varying revenue effects. Specifically, with 80 per cent and 90 per cent tariff reduction, Kenya is projected to experience a revenue loss of US$ 8.4 million and 13.3 million, respectively, increasing to US$ 28.4 million with 100 per cent tariff elimination. The impact of this tariff reduction varies across different products, resulting in differing effects. The impact of trade creation and trade diversion was analyzed at different tariff reduction levels. At a 90 per cent tariff reduction, unbleached kraftliner, bulgur wheat, and dried shelled peas had the highest trade creation effects, while worn clothing, wheat and meslin, and grain sorghum showed the lowest trade creation effects. When the tariff reduction was at 100 per cent, uncoated kraft paper, bulgur wheat, and dried shelled peas were identified as the key contributors to trade creation, with worn clothing, other sorghum grain, and other hard wheat showing lower trade creation effects.

On the other hand, worn clothing and wheat and meslin exhibited the highest trade diversion at an 80 per cent tariff reduction, while unbleached kraftliner, dried shelled peas, and prepared sauces led in trade diversion at 90 per cent. At 100 per cent tariff reduction, worn clothing, other hard wheat, and other grain sorghum showed the lowest trade diversion effects. The study also revealed distinct welfare impacts at different levels of trade liberalization. At 80 per cent liberalization, unbleached kraftliner and bulgur wheat had the highest welfare impacts, while worn clothing and wheat and meslin had the lowest welfare outcomes. Further analysis at 100 per cent and 90 per cent liberalization identified uncoated kraft paper, bulgur wheat, and dried shelled peas as key contributors to household welfare, while worn clothing, other sorghum grain, and other hard wheat showed lower welfare effects.

Considering the second scenario where there is no FTA between Kenya and the United States and no extension for the AGOA framework, Kenya would have to rely on alternative trade arrangements, such as the GSP or MFN programmes, to access the US market for both agricultural and non-agricultural commodities. These trade preference programmes could facilitate significant trade between Kenya and the US. Notably, not all Kenyan products exported under AGOA are excluded from the GSP schemes. Kenya will still access the US market but with fewer duty-free products. However, key exports such as textiles, apparel, horticultural products, processed foods, and handicrafts may face tariffs without AGOA or FTA. If AGOA expires, it could significantly impact Kenya's agricultural sector, affecting export volumes and market access. This highlights the need for Kenya to strategically navigate these changes to maintain its US market access and competitiveness.

6.2 Recommendations

The study shows that the US is a key market for Kenya and based on the findings, the following recommendations are made with regard to option one if Kenya concludes an FTA with the US and option two if Kenya fails to conclude an FTA and there is no extension of AGOA.

Option One: Kenya Concludes an FTA with the US

1. Kenyan policy makers to implement targeted measures to mitigate the negative revenue impacts on specific products. This should be done through a phased approach to tariff reduction, allowing for incremental revenue adjustments, to be considered to minimize the immediate revenue loss impact and provide industries with time to adapt to the changes.
2. Strengthen trade relations and potentially expand trade opportunities, specifically with the products that have positive welfare effects. For products with lower welfare effects, such as worn cloth (mitumba), other sorghum grain, and other hard wheat, careful consideration could be given to safeguarding domestic interests and exploring measures to mitigate potential adverse effects on consumer welfare.
3. Enhance the strategic planning in tariff reduction negotiations between Kenya and the US. For products such as unbleached kraftliner, bulgur wheat, and dried shelled peas, which exhibit the highest trade creation effects, policy makers could prioritize and explore opportunities for increased trade by strengthening export capabilities in these sectors, This can lead to significant economic gains for Kenya. Conversely, for products with lower trade creation effects, such as worn clothing (mitumba), other sorghum grain, and other hard wheat, policy makers could carefully assess the potential impact on trade dynamics and consider targeted measures to stimulate growth in these sectors.
4. Develop targeted trade promotion strategies, address existing barriers, and closely monitor market dynamics, which is crucial in ensuring a smooth and mutually beneficial transition. Policy makers could prioritize adaptive measures, considering the anticipated rise in total export volume from the US to Kenya, and work towards fostering a conducive trade environment that aligns with Kenya's economic objectives and consumer welfare.

Option Two: When there is no FTA with no Extension of AGOA

1. Kenya could focus on diversifying its export basket beyond products such as textiles, apparel, horticultural goods, and processed foods that might face tariffs without AGOA benefits. Exploring new agricultural and non-agricultural products with high export potential could help cushion against market disruptions.
2. Kenya could conduct thorough market research to identify emerging trends and demands in the US market to guide Kenya in aligning its export strategies to meet the evolving consumer preferences effectively.

3. Kenya could prioritize value addition processes within the agriculture and non-agriculture sectors to enhance product quality, increase competitiveness, and potentially offset any tariff-related challenges post-AGOA expiration.
4. Kenya could push for strengthened trade partnerships by engaging in bilateral trade arrangements with the United States to explore the possibility of an enhanced trade arrangement that benefits both countries. This should aim to maintain or even expand market access for Kenyan agricultural and non-agricultural products while addressing any potential tariff-related challenges post-AGOA expiration.

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Appendix

Table A1.1: Welfare effect products								
Reporter	Partner	Product C	Product name	Trade Value	Trade Crea	Trade Dive	Trade Tota	Welfare
Higher Welfare Effect (Trade Creation)								
404	840	480411	Uncoated kraft paper and paperb	12,734.11	3,926.50	2,065.01	5,991.52	1,861.49
404	840	190430	Bulgur wheat in the form of worke	1,609.57	1,417.89	2.86	1,420.75	1,415.04
404	840	71310	Dried, shelled peas "Pisum sativun	5,626.82	1,159.69	330.39	1,490.08	829.30
404	840	350691	Prepared glues and other prepare	191.11	711.53	50.75	762.29	660.78
404	840	151590	Other fixed vegetable fats and oils	3,109.18	700.72	53.62	754.34	647.10
404	840	210390	Sauces and preparations therefor;	1,592.92	889.75	273.37	1,163.12	616.39
404	840	854231	Processors and controllers,whethe	10,982.58	594.82	104.76	699.58	490.06
404	840	730900	Reservoirs, tanks, vats and similar	1,265.44	718.34	255.24	973.58	463.09
404	840	330730	Pre-shave, shaving or after-shave	845.63	470.07	36.08	506.15	434.00
404	840	281121	Other inorganic acids and other in	52.19	313.94	1.55	315.49	312.38
404	840	570320	Carpets and other textile floor cov	113.13	284.30	27.31	311.61	256.98
404	840	854370	Other machines and apparatus.	171.21	271.81	22.08	293.89	249.72
404	840	392520	Doors, windows and their frames	668.96	309.52	72.03	381.55	237.48
404	840	930630	Bombs, grenades, torpedoes, mine	2,216.28	312.17	97.59	409.76	214.58
404	840	480431	Uncoated kraft paper and paperb	237.47	250.28	62.99	313.27	187.28
Lowest Welfare Effect (or Trade creation)								
404	840	630900	Worn clothing and other worn arti	9,987.41	2,590.37	3,377.18	5,967.55	- 786.80
404	840	100790	Other grain sorghum.	9,652.11	1,004.25	1,364.30	2,368.55	- 360.05
404	840	100199	Other hard wheat	6,268.20	2,101.02	2,397.91	4,498.93	- 296.89
404	840	330499	Beauty or make-up preparations a	1,217.87	58.48	298.69	357.17	- 240.21
404	840	940320	Other furniture and parts thereof.	393.14	14.77	100.49	115.26	- 85.72
404	840	392490	Other.	478.54	32.58	113.85	146.43	- 81.27
404	840	220421	Wine of fresh grapes, including fo	324.00	22.18	95.12	117.30	- 72.95
404	840	401120	Tyres of a kind used on buses and	739.45	91.76	158.83	250.59	- 67.07
404	840	380891	Other	1,220.81	132.35	196.62	328.98	- 64.27
404	840	210690	Food preparations not elsewhere	1,331.36	98.28	158.75	257.04	- 60.47
404	840	330590	Preparations for use on the hair. -	485.77	78.05	136.35	214.40	- 58.30
404	840	852990	Parts suitable for use solely or prir	330.19	34.99	83.63	118.62	- 48.64
404	840	480255	Uncoated paper and paperboard,	1,220.45	114.57	162.38	276.95	- 47.81
404	840	841410	Men's or boys' suits, ensembles, ja	435.42	11.86	53.33	65.19	- 41.46
No Welfare Effect								
404	840	390410	Polymers of vinyl chloride or of ot	26,458.08	0	0	0	0
404	840	300490	Medicaments (excluding goods of	9,380.46	0	0	0	0
404	840	382200	Diagnostic or laboratory reagents	8,187.52	0	0	0	0
404	840	847150	Automatic data processing machir	7,529.28	0	0	0	0
404	840	851762	Machines for the reception conve	5,974.05	0	0	0	0
404	840	390120	Polymers of ethylene, in primary f	4,623.58	0	0	0	0
404	840	852560	Transmission apparatus incorpora	3,786.64	0	0	0	0
404	840	860900	Containers (including containers f	3,200.44	0	0	0	0
404	840	880330	Parts of goods of heading 88.01 or	3,034.90	0	0	0	0
404	840	120991	Seeds, fruit and spores, of a kind u	2,127.04	0	0	0	0
404	840	842920	Self-propelled bulldozers, angledo	2,054.11	0	0	0	0
404	840	842951	Self-propelled bulldozers, angledo	1,927.26	0	0	0	0
404	840	902610	Instruments and apparatus for me	1,885.69	0	0	0	0
404	840	847130	Automatic data processing machir	1,638.75	0	0	0	0
404	840	843780	Machines for cleaning, sorting or g	1,510.36	0	0	0	0
404	840	250700	Kaolin and other kaolinic clays, wh	1,415.19	0	0	0	0

Table A1.2: Welfare effect at 90 percent								
Reporter	Partner	Product Cc	Product Named	Trade Value	Trade Crea	Trade Dive	Trade Tota	Welfare
Highest Welfare Effect								
404	840	480411	Unbleached kraftliner, uncoated, in rolls	12,734.11	2,355.90	1,238.05	3,593.95	1,117.86
404	840	190430	Bulgur wheat in the form of worked grai	1,609.57	850.74	1.75	852.48	848.99
404	840	71310	Dried, shelled peas Pisum sativum", whe	5,626.82	695.81	199.19	895.01	496.62
404	840	350691	Adhesives based on polymers of heading	191.11	426.92	30.39	457.31	396.53
404	840	151590	Fixed vegetable fats and oils and their fra	3,109.18	420.43	32.72	453.15	387.71
404	840	210390	Preparations for sauces and prepared sa	1,592.92	533.85	163.91	697.76	369.94
404	840	730900	Reservoirs, tanks, vats and similar contai	1,265.44	431.00	153.59	584.59	277.41
404	840	330730	Perfumed bath salts and other bath and	845.63	282.04	21.89	303.93	260.16
404	840	281121	Carbon dioxide	52.19	188.36	0.94	189.30	187.42
404	840	570320	Carpets and other floor coverings, of nyl	113.13	170.58	16.32	186.90	154.25
404	840	392520	Doors, windows and their frames and th	668.96	185.71	43.44	229.15	142.27
404	840	930630	Cartridges for smooth-barrelled shotgun	2,216.28	187.30	59.09	246.39	128.21
404	840	480431	Unbleached kraft paper and paperboard	237.47	150.17	37.72	187.89	112.44
404	840	392620	Articles of apparel and clothing accessor	270.45	113.85	14.54	128.38	99.31
404	840	930520	Parts and accessories of short guns or rif	253.09	93.27	-	93.27	93.27
Lowest Welfare Effect								
404	840	630900	Worn clothing and clothing accessories,	9,987.41	1,850.27	2,412.23	4,262.50	- 561.97
404	840	100199	Wheat and meslin (excl. seed for sowing	6,268.20	1,500.73	1,711.93	3,212.65	- 211.20
404	840	100790	Grain sorghum (excl. for sowing)	9,652.11	602.55	809.80	1,412.35	- 207.25
404	840	330499	Beauty or make-up preparations and pre	1,217.87	35.09	179.37	214.46	- 144.28
404	840	940320	Metal furniture (excluding for offices, se	393.14	8.86	60.28	69.14	- 51.42
404	840	392490	Household articles and toilet articles, of	478.54	19.55	68.41	87.96	- 48.86
404	840	220421	Wine of fresh grapes, incl. fortified wine	324.00	13.31	56.96	70.27	- 43.66
404	840	330590	Preparations for use on the hair (excl. sh	485.77	46.83	81.65	128.48	- 34.82
404	840	852990	Parts suitable for use solely or principally	330.19	20.99	49.92	70.92	- 28.93
404	840	401120	New pneumatic tyres, of rubber, of a kin	739.45	39.33	68.00	107.33	- 28.68
404	840	640590	Footwear with outer soles of rubber or p	449.10	34.09	56.18	90.27	- 22.08
404	840	850730	Nickel-cadmium accumulators (excl. spe	167.24	6.79	25.91	32.70	- 19.12
404	840	850760	Lithium-ion accumulators	601.75	39.94	57.06	97.00	- 17.12
404	840	580632	Narrow woven fabrics of man-made fibr	171.40	11.35	28.19	39.54	- 16.84
404	840	730719	Cast tube or pipe fittings of iron or steel	101.53	0.92	17.75	18.67	- 16.83
No Welfare Effect								
404	840	120991	Vegetable seeds, for sowing	2,127.04	0	0	0	0
404	840	210690	Food preparations, n.e.s.	1,331.36	0	0	0	0
404	840	250700	Kaolin and other kaolinic clays, whether	1,415.19	0	0	0	0
404	840	300490	Medicaments consisting of mixed or unn	9,380.46	0	0	0	0
404	840	382200	Diagnostic or laboratory reagents on a b	8,187.52	0	0	0	0
404	840	390120	Polyethylene with a specific gravity of >=	4,623.58	0	0	0	0
404	840	390410	Poly"vinyl chloride", in primary forms, no	26,458.08	0	0	0	0
404	840	847130	Data-processing machines, automatic, pe	1,638.75	0	0	0	0
404	840	847150	Processing units for automatic data-proc	7,529.28	0	0	0	0
404	840	851762	Machines for the reception, conversion a	5,974.05	0	0	0	0
404	840	852560	Transmission apparatus for radio-broad	3,786.64	0	0	0	0
404	840	854231	Electronic integrated circuits as processo	10,982.58	0	0	0	0
404	840	860900	Containers, incl. containers for the trans	3,200.44	0	0	0	0
404	840	880330	Parts of aeroplanes or helicopters, n.e.s.	3,034.90	0	0	0	0
404	840	902610	Instruments and apparatus for measurin	1,885.69	0	0	0	0

Table A1.3: Kenya imports from US in 2019 in Kenyan Shillings

Tariff	Product lines HS 8 Code	% share of product/ tariff lines	Value of imports in 2018	Value of imports in 2019	% share of import values in 2019	Revenue loss
0%	770	32.71	32,760,751,455	39,743,041,877	63.64	-
10%	572	24.30	6,308,778,298	6,997,380,719	11.21	699,738,072
25%	801	34.03	7,973,019,327	10,199,971,590	16.33	2,549,992,898
35%	202	8.58	4,276,014,820	5,583,064,878	8.94	1,954,072,707
50%	8	0.34	962,270	3,818,531	0.01	1,909,266
60%	1	0.04	248,028	6,716	0.00	4,030
Total	**2,354**	**100**	**51,319,774,198**	**62,447,284,311**	**100**	**5,205,716,972**

Source: Kenya Revenue Authority

Table A1.4: The top 10 products imported from the US in 2019 attracting a duty of 0 per cent

HS_CODE	SHORT_DESC	CIF VALUE
84071000	Spark-ignition reciprocating or rotary internal combustion piston engines. - Aircraft engines	4,845,181,326
27111300	Petroleum gases and other gaseous hydrocarbons - Butanes	3,110,568,838
39041000	Polymers of vinyl chloride or of other halogenated olefins, in primary forms. Poly(vinyl chloride), not mixed with any other substances	2,426,801,101
30049000	Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packin	2,333,209,696
88023000	Other aircraft (for example, helicopters, aeroplanes); spacecraft (including satellites) and suborbital and spacecraft launch vehicles. Aeroplanes and other aircraft, of an unladen weight exceeding 2,000 kg but not exceeding 15,000 kg	2,261,320,060
38220000	Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents whether or not on a backing, other than those of heading 30.02 or 30.06; certified reference materials. Diagnostic or laboratory reagents on a backing.	2,177,757,238
10079000	Other grain sorghum	818,485,205
88052900	Aircraft launching gear; deck-arrestor or similar gear; ground flying trainers; parts of the foregoing articles. Other	760,133,197
30022000	Human blood; animal blood prepared for therapeutic, prophy-lactic or diagnostic uses; antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes; vaccines, toxins, cultures of mic	514,300,581

Source: Kenya Revenue Authority

Table A1.5: The top products imported from the US in 2019 attracting a duty of 10 per cent

HS_CODE	SHORT_DESC	CIF VALUE
84159000	Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated. Parts	1,402,516,181
85371000	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 85.35 or 85.36, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, and nu	642,679,830
84091000	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08. For aircraft engines	417,077,098
87089900	Parts and accessories of the motor vehicles of headings 87.01 to 87.05. Other	364,865,446
84099900	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08. Other	308,401,351
48042900	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 48.02 or 48.03. Other	297,815,748
48025500	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and non-perforated punch-cards and punch tape paper, in rolls or rectangular (including square) sheets, of any size, other than paper of heading 48.01 or 48.03	256,398,348
83024900	Base metal mountings, fittings and similar articles suitable for furniture, doors, staircases, windows, blinds, coachwork, saddlery, trunks, chests, caskets or the like; base metal hat-racks, hat-pegs, brackets and similar fixtures; castors with mountings	210,454,921
84213990	Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases. Other filtering or purifying machinery and apparatus for gases	160,321,151

Source: Kenya Revenue Authority

Table A1.6: The top 10 products imported from the US in 2019 attracting a duty of 25 per cent

HS_CODE	**SHORT_DESC**	**CIF VALUE**
85076000	Lithium-ion accumulators	1,715,514,204
93019000	Military weapons, other than revolvers, pistols and the arms of heading 93.07. Other	1,496,776,150
7131000	Dried leguminous vegetables, shelled, whether or not skinned or split. Peas (Pisum sativum)	927,920,331
48041100	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 48.02 or 48.03. Unbleached	514,001,008

84148090	Other Aircraft spares and accessories: Spare parts; Travellers personal Effects: Returning residents	221,611,782
15079000	Soya-bean oil and its fractions, whether or not refined, but not chemically modified. Other	133,208,660
65069100	Other headgear, whether or not lined or trimmed. Of rubber or of plastics	112,061,529
10079000	Other grain sorghum	96,475,790
83100000	Sign-plates, nameplates, address-plates and similar plates, numbers, letters and other symbols, of base metal, excluding those of heading 94.05. Sign-plates, nameplates, address-plates and similar plates, numbers, letters and other symbols, of base meta	81,639,343

Source: Kenya Revenue Authority

Table A1.7: The top 10 products imported from the US in 2019 attracting a duty of 35 per cent

HS_CODE	SHORT_DESC	CIF VALUE
10019990	Other wheat and meslin	1,930,936,582
10019910	Other hard wheat	1,197,557,110
63090010	Worn items of clothing	753,304,082
15079000	Soya-bean oil and its fractions, whether or not refined, but not chemically modified. Other	671,956,548
63090020	Worn items of footwear	224,412,971
48041100	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 48.02 or 48.03. Unbleached	91,303,204
61130000	Garments, made up of knitted or crocheted fabrics of heading 59.03, 59.06 or 59.07. Garments, made up of knitted or crocheted fabrics of heading 59.03, 59.06 or 59.07.	64,521,021
94036000	Other furniture and parts thereof. - Other wooden furniture	54,500,214
85065000	Primary cells and primary batteries. Lithium	48,405,974

Source: Kenya Revenue Authority

Table A1.8: The top 10 products imported from the US in 2018 attracting a duty of 50 per cent

HS_CODE	SHORT_DESC	CIF VALUE
10059000	Maize (corn). Other	2,972,609
63023100/63022100/		
63025100/63029100	Bed linen, table linen, toilet linen and kitchen linen. Of cotton	446,175
11010000	Wheat or meslin flour. Wheat or meslin flour	236,503
11022000	Cereal flours other than of wheat or meslin. - Maize (corn) flour	160,475
62114310	Track suits, ski suits and swimwear; other garments. Khanga, Kikoi and Kitenge	2,769

Table A1.9: The top 10 products imported from the US in 2018 attracting a duty of 60 per cent

HS_CODE	SHORT_DESC	CIF VALUE
04021000	Milk and cream concentrated or containing added sugar or other sweetening matter. - In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5 per cent	6,716

Table A1.10: Top agriculture exports to US under the AGOA, GSP and MFN regimes

Code	Products	AGOA	MFN tariff Rate	GSP					
Y/N	Export values in $ million								
					2005	2010	2015	2020	2022
'08026200	Macadamia nuts in shell, fresh or dried.	Yes	5 cents/ kg	No	0.0	0.0	30.8	29.9	54.0
'21012000	Extracts, essences and concentrates, of tea or mate, and preparations with a basis of these	Yes	8.5%	No	0.6	0.1	0.1	6.3	8.5
'06021000	Unrooted cuttings and slips	Yes	4.8%	No	0.2	1.4	1.3	3.1	5.6
'20094900	Pineapple juice, unfermented, Brix value > 20 at 20°C, whether or not containing added sugar ...	Yes	1 cents/ liter	No	0.1	0.8	2.3	3.2	1.3
'15159080	Fixed vegetable fats and oils and their fractions, whether or not refined, but not chemically ...	Yes	3.2%	No	0.3	0.3	1.4	2.1	1.3
'01064900	Los insectos vivos (abejas excl.) (descripción detallada no disponible)				0.0	0.0	0.0	0.3	0.9
'06031100	Fresh cut roses and buds, of a kind suitable for bouquets or for ornamental purposes	Yes	6.8%	No	0.0	0.7	3.7	1.0	0.7
'21011232	Preparations with a basis of extracts, essences or concentrates or with a basis of coffee, subject to general note 15 (outside quota)	Yes	10%	Yes	0.0	0.0	0.0	0.0	0.4
'15159081	Fixed vegetable fats and oils and their fractions nesoi, whether or not refined, not chemically modified	Yes	3.2%	No	0.3	0.2	1.3	2.1	1.3
'09109900	Spices (excl. pepper of the genus Piper, fruit of the genus Capsicum or of the genus Pimenta, ...	Yes	1.9%	No	0.0	0.0	0.1	0.3	0.3

'15089000	Peanut (groundnut) oil, other than crude, and its fractions, whether or not refined, but not chemically modified	Yes	7.5 cents/ kg	No	0.0	0.0	0.0	0.0	0.1
'06031900	Fresh cut flowers and buds, of a kind suitable for bouquets or for ornamental purposes (excl. ...	Yes	6.4%	No	0.0	0.0	0.2	0.1	0.1
'12099900	Seeds, fruits and spores, for sowing (excl. leguminous vegetables and sweetcorn, coffee, tea, ...	Yes	0.83 cents/ kg	No	0.0	0.0	0.1	0.1	0.1
'12099180	Vegetable seeds, for sowing	Yes	1.5 cents/ kg	No	0.0	0.0	0.1	0.2	0.1
'15171000	Margarine (excl. liquid)	Yes	12.3						
cents/kg	No	0.0	0.0	0.0	0.1	0.1			
'01063901	Live birds, other than poultry, birds of prey or psittaciforme birds	Yes	1.8%	Yes	0.0	0.0	0.1	0.0	0.1

Source: Authors construct based on USITC dataweb, 2023

Table A1.11: Top non-agricultural exports to US under the AGOA, GSP and MFN regimes

Code	Product	AGOA	MFN tariff Rate	GSP					
Y/N	Export values in $ million								
					2005	2010	2015	2020	2022
'62034217	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excl. knitted ...	Yes	Free	No	20.8	13.2	49.6	41.8	55.7
'62034300	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibers.	Yes	14.9%	No	-	4.6	4.9	19.7	51.1
'62046360	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres ...	Yes	14.9%	No	-	0.2	22.5	56.7	41.7
'27101921	Medium oils and preparations, of petroleum or bituminous minerals, n.e.s: Medium oils and preparations: ...	Yes	7%	No	-	-	3.2	9.3	32.4
'61102000	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	Yes	16.5%	No	1.7	17.4	0.4	6.8	27.3
'61103030	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, nesoi	Yes	32%	No	0.1	5.8	3.7	24.1	26.0
'62052010	Men's or boys' shirts, not knitted or crocheted, of cotton, certified hand-loomed and folklore products	Yes	8.7%	No	3.5	0.5	3.8	14.5	18.6
'61052000	Men's or boys' shirts, knitted or crocheted, of manmade fibers, nesoi	Yes	32%	No	0.1	0.4	0.6	17.2	16.2
'73170000	Nails, tacks, drawing pins, corrugated nails, staples and similar articles of iron or steel, ...	Yes	Free	No	-	-	-	-	13.5
'61071100	Men's or boys' underpants and briefs of cotton, knitted or crocheted	Yes	7.4%	No	0.1	1.4	0.0	5.9	12.5
'62114310	Women's or girls' track suits or other garments nesoi, not knitted or crocheted, of man-made fibers, o/than rec perf outwear	Yes	16%	No	-	-	4.1	7.6	11.9

'61099040	T-shirts, singlets tanktops & sim garments, of text mat (except cotton, mmf or long sleeve wool garments), cont 70% or more wt of silk, k/c	Yes	2.6%	No	0.8	5.3	25.1	1.9	11.2
'61091000	T-shirts, singlets and other vests of cotton, knitted or crocheted	Yes	16.5%	No	2.9	1.6	0.7	13.6	10.3
'61034320	Men's and boys' bib and brace overalls of synthetic fibers, knitted or crocheted	Yes	14.9%	No	0.5	1.2	2.8	7.1	10.1
'61046310	Women's or girls' bib and brace overalls, knitted or crocheted, of synthetic fibers	Yes	14.9%	No	0.4	2.7	5.2	6.1	7.9
'61083200	Women's or girls' nightdresses and pajamas, knitted or crocheted, of man-made fibers	Yes	16%	No	-	-	-	-	6.2
'62113390	Men's or boys' track suits or other garments nesoi, not knitted or crocheted, of man-made fibers, o/than rec perf outwear	Yes	16%	No	-	-	0.1	0.2	4.5

Source: Authors construct based on USITC dataweb, 2023

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