



# Ghana's Competitive Potential in the AfCFTA

A COUNTRY COMPETITIVENESS & OPPORTUNITY ASSESSMENT REPORT

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## Disclaimer

Views expressed in this research report are entirely the authors' and do not, in any way, reflect the position of the BUSAC Fund and its Development Partners.

# List of Abbreviations

**1D1F** = One District One Factory

**AfCFTA** = Africa Continental Free Trade Area (Agreement)

**AfDB** = African Development Bank

**Afreximbank** = Africa Export Import Bank

**AGI** = Association of Ghana Industries

**BIAT** = Boosting Intra Africa Trade

**BOG** = Bank of Ghana

**BUSAC Fund** = Business Sector Advocacy Challenge Fund

**ECOWAS** = Economic Community of West African States

**ETCs** = Export Trading Companies

**ETLS** = External Tariff Liberalization Scheme

**FAGE** = Federation of Ghanaian Exporters

**GDP** = Gross Domestic Product

**GEPA** = Ghana Export Promotion Authority

**GEXIM** = Ghana Export Import Bank of Ghana

**GIFF** = Ghana Institute of Freight Forwarders

**GoG** = Government of Ghana

**GNCCI** = Ghana National Chamber of Commerce and Industry

**ITC** = International Trade Center

**LSCI** = Linear Shipping Connectivity Index

**MOTI** = Ministry of Trade & Industry

**MSMEs** = Micro, Small and Medium Scale Enterprises

**OEC** = Observatory of Economic Complexity

**PEF** = Private Enterprise Federation

**REC** = Regional Economic Community

**RCA** = Revealed Comparative Advantage

**Tralac** = Trade Law Center

**UEMOA** = West African Economic and Monetary Union

**UNCTAD** = United Nations Conference on Trade and Development

**UNECA** = United Nations Economic Commission for Africa

**USD** = United States Dollars

**WEF** = World Economic Forum

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# EXECUTIVE SUMMARY

## Introduction

The objective of this study is to provide a broad understanding of Ghana's trade competitiveness in the continental market, map out markets with the greatest potential within the African Continental Free Trade Area (AfCFTA) for Ghana's key industries and products, and make recommendations for boosting the country's performance in the AfCFTA.

With an emphasis on value-added goods only, the analysis focused on seven product groups that were selected in consultation with industry players and government, namely: *Agro-processed goods, Plastics, Pharmaceuticals, Mineral Oils, Textiles, Metal Manufactures and Cosmetics*. For each of the above product sectors, Ghana's competitiveness is analyzed in two main segments: (a) competitiveness in the African export market (External Competitiveness), and (b) competitiveness in the domestic market (Domestic Competitiveness).

## Findings

### External Competitiveness

- **Export Value Ranking:** Ghana's intra-Africa exports value ranking (out of 54 countries) in the seven products studied is generally impressive. Ghana ranks in the top ten African countries in four products (plastics, mineral oils, pharmaceuticals, manufactures of metals); ranks in the top fifteen countries in two products (agro-processed goods, and cosmetics) and places in the top twenty countries in one product (textiles).
- **Technological Sophistication Ranking:** In terms of technological sophistication of products exported, Ghana's ranking is not as impressive. Excluding primary products, Ghana ranks in the top ten exporters in only one category (low-skill technology products). Ghana however exports more medium-technology goods than low-skill technology goods – which is promising for the country's ability to move up the value chain.
- **Comparative Advantage:** The analysis shows that Ghana has weak comparative advantage in most of the seven products. On the pure basis of productivity differential between Ghana and its trading competitors, Ghana has Revealed Comparative Advantage (RCA) in only two of the seven product groups analyzed (plastics and mineral oils) – despite ranking in the top ten in four products. Ghana's ability to rank highly in certain African exports despite lacking Revealed Comparative Advantage in these products may imply that Ghana could rank even higher in these product categories if the appropriate mix of productivity boosting policies and business practices can be implemented to improve the country's comparative advantage in these product groups.
- **Trade Balance:** Recent data shows that Ghana enjoys a trade surplus with the rest of the continent to the tune of US\$1.3billion as of 2018; largely attributed to trade in gold and crude oil.
- **The findings show that overwhelming majority of Ghana's highest potential export markets are within West Africa.** That is easy to explain – a combination of proximity advantages and ECOWAS protocol incentives. Burkina Faso emerges as the number one market with the highest potential for Ghana across most products, along with neighboring Togo, Cote D'Ivoire and Nigeria. This has some downside consequences as Ghana currently suffers a phenomenon of

<sup>1</sup> Revealed Comparative Advantage (RCA) is a way of measuring a country's competitive strength in the trade of a product, based largely on relative differences in productivity between the country and its trading competitors in the production of that product.



'ECOWAS market over-concentration', and will need to utilize AfCFTA to diversify away from ECOWAS into other sub-regional markets. This is necessary as these ECOWAS markets will become exposed to heightened competition from non-ECOWAS states as a result of AfCFTA. The good thing however is that Ghana currently exports to about 33 African markets – which offers a large export footprint to build on for market diversification and market deepening.

- **Outside of ECOWAS, North African markets present more export potential for Ghana than East African or Southern African markets, when it comes to value-added goods.** The estimated potential for value-added goods in Eastern, Southern and North Africa are however very low – although AfCFTA is expected to naturally improve Ghana's potential in these markets.
- **Export potential utilization analysis reveals that Ghana currently underutilizes significant share of its export potential in certain key markets.** For example, in Togo, 50% of Ghana's US\$111.4 million export potential is unutilized; in Cote D'Ivoire 41% of Ghana's US\$72.2 million potential is unutilized; in Nigeria over 38% of US\$136.8 million is unutilized, and in Egypt 60% of US\$36.4 million export potential is unutilized. Combining the top ten markets for each of the seven products studied, there is at least US\$261 million in aggregate export potential that Ghana is failing to utilize. About 65% (or US\$169.6 million) of this US\$261 million untapped potential is concentrated in processed foods and animal feed; followed by cosmetics with US\$31 million untapped potential (12%) and chemicals/lubricants with US\$28.7 million untapped potential (11%). Ghana's overall untapped export potential in value-added goods (all markets and all products) in intra-Africa trade is estimated at US\$586million.
- **There is a need to learn lessons from countries where Ghana is achieving high market potential utilization rates** such as Burkina Faso (82%), Niger (84%) and Senegal (72%). Clearly, judging from low utilization rates in proximate markets like Togo, geographic distance cannot be the main reason; and Ghana's success in Burkina Faso and Niger shows there is no French language barrier to the ability of Ghanaian exporters to utilize export potential. Instead, the problem is likely due to transport logistics, lack of market awareness about existing opportunities in key markets and other supply chain weaknesses. Refer to chapter 4 for product-by-product analysis of market potential in key markets.
- Egypt, Morocco and South Africa pose the most competitive threat to Ghana in external markets where Ghana has the largest estimated export potential; these three competitors are usually exporting more into these markets than Ghana.

## **Domestic Competitiveness**

- Across all products, Ghana is the 11th largest potential market for exports from other African countries. The Ghanaian market is estimated to have an overall potential of US\$1.4billion for intra-Africa exports. Current estimates show that US\$1.1billion of the US\$1.4billion (78.6%) is being utilized by other African countries.
- Across all product groups, the ten countries with the greatest potential to export into the Ghanaian market are: South Africa, Cote d'Ivoire, Egypt, Morocco, Mauritius, Nigeria, Angola, Togo, Senegal and Tunisia.
- Majority of the top ten countries identified as having the highest potential to export into Ghana generally have lower cost of credit and superior productive capacity than Ghana. On this basis, the potential competitive threat to Ghana's domestic industries may be classified as significant.

## Benchmarking the Operating Environment – Ghana Versus the Most Competitive Countries within the AfCFTA

- **Cost of Credit:** Cost of credit is Ghana's weakest point – the country ranks at the bottom of the list when compared to the top African exporters. The 14.5% policy interest rate in Ghana as of January 2021 is double the African average of 7%, and also compares unfavorably to 1.5% in Morocco, 3.5% in South Africa, 4.5% Cote d'Ivoire. Ghana's 15% domestic credit to private sector (as a share of GDP) is one of the lowest as compared to South Africa (146.5%), Tunisia (82.4%), and Morocco (63.6%).
- **Cost of Power:** Ghana's power tariff of 13.8 cents per kilowatt-hour for businesses as of September 2020 is less competitive compared to countries such as Angola, Ethiopia, Zambia, Egypt, South Africa, Tanzania and Nigeria which all had tariffs below 10.6 cents per kilowatt-hour. Worthy of note is Ethiopia, with tariff at 2 cents per kilowatt-hour for business.
- **Productive Capacity:** Ghana's Productive Capacity (Labour Quality & Skills Availability and Innovation & Production Potential Utilization) compares poorly to many of the leading countries in the AfCFTA. According to data analyzed from the World Bank Enterprise Surveys, Ghana's total productive capacity score out of a possible score of 10 is 4.75 – falling below half of the total score and below the average score for the top African countries.
- **Customs Efficiency:** Ghana's customs efficiency is not among the best in Africa even though Ghana ranks above the African average. Time efficiency of customs in Ghana, is estimated at 197.3 hours – compared to 40 hours in Kenya, the fastest among the frontier countries. Regarding cost of meeting documentary and border compliance, it costs US\$645 in Ghana compared to US\$262.7 in Morocco, the cheapest among the frontier countries.
- **Trade Logistics, Infrastructure & Connectivity:** Ghana is currently one of the best performing African countries in terms of Linear Shipping Connectivity into the global shipping network. However, Ghana suffers from poor transport and logistics connectivity to intra-Africa markets.
- **Dependency on Foreign Inputs:** It is also disturbing that Ghanaian firms are the second highest dependents on foreign inputs when compared to the 12 frontier African economies – a situation that could undermine Ghana's ability to take advantage of the AfCFTA's Rules of Origin.
- **The fact that Ghana ranks highly in Africa (in terms of export value rankings), despite the prevailing operating environment challenges and productive capacity weaknesses identified reveals two things. First, business conditions in much of the continent are equally tough or worse than in Ghana.** As such, with the slightest radical improvements in the domestic operating environment, Ghanaian firms could significantly increase their market share in Africa. Government should therefore view the task of reducing cost of doing business as a form of investment that could yield returns in the form of increased market share for Ghana. On the other hand, it also shows that Ghana could lose much of its current market share if other African countries decide to embark on major transformations in their operating environments.

## Recommendations

- The Ministry of Trade and Industry needs to speed up the completion of a clearly defined SMART strategy for AfCFTA implementation and opportunity maximization. The strategy should combine: ***A market share consolidation approach*** to maintain existing market share in both the domestic economy and existing foreign destinations; ***a Market expansion & diversification approach*** to find new destinations for existing products; introduce new products in existing destinations; and introduce new products to new destinations. Both should be anchored by ***a***

**cost-competitiveness approach** to ensure that cost of production and export in Ghana is at par with the lowest in Africa and an **industry partnerships approach** that ensures that Ghanaian companies are collaborating through consortiums and alliances to increase their competitive edge and avoid unhealthy competition against one another in AfCFTA markets.

- Government must address the high cost of finance by **(a) immediately rolling out, in partnership with the financial industry, innovative low-cost and long term export financing facilities for players (manufacturers, aggregators, transporters, export trading entities etc.,)** in critical AfCFTA value chains that meet a well-defined transparent criteria; while **(b) aiming to continuously reduce the policy interest rate to levels at par with the average policy rate for the continent (about 7%).**
- **Government must find sustainable ways to reduce Ghana's high industrial power tariff to about 5 cents per kilowatt-hour for strategic industries** under the government's Industrial Transformation Agenda, the Ghana Export Development Strategy and related AfCFTA priority industries. This will still be nearly 100% more expensive than the cost of power in Ethiopia.
- As part of broader efforts to **reduce the current heavy dependence on foreign inputs and help Ghanaian firms take advantage of the Rules of Origin under the AfCFTA**, Government should incentivize companies operating in some of the key product value chains (e.g., pharmaceuticals, automobiles) to co-invest to jointly set up local firms that can locally produce inputs and intermediate products for them; while also exporting inputs across the AfCFTA.

Government needs to prioritize (and private sector players should advocate) for the appropriate state agencies to **develop the capacity required to protect Ghana's market against the risk and any possibilities of dumping should any cases arise; especially the institutional capacity needed to prove serious injury arising from dumping** – in order to be able to make a case for, and also trigger import defense mechanisms within the confines of the AfCFTA. This is important in order to secure confidence of local industry in the free trade agreement.

- Government policy should urgently **prioritize the role of Aggregators and Export Trading Companies to deepen AfCFTA trade intermediation** otherwise, Ghanaian SMEs will struggle to find foreign buyers and export on their own to take advantage of AfCFTA.
- **There is an urgent need for Government to partner private sector to develop and implement a Ghana AfCFTA Logistics and Transport Connectivity Plan** to improve the cost and speed of accessing Ghana's most important target markets within the continent.
- **The recently announced procedures and processes by the Customs Division of the Ghana Revenue Authority for obtaining export licenses, certificates of origin and trading under the AfCFTA appear cumbersome and will require revisions to simplify, digitize and make the process faster and more business friendly.**
- **Government should set time-bound targets aimed at significantly improving Ghana's cost and time efficiency of customs** to levels at par with those of the top performing African nations.
- **A strategy should be developed to transform Ghana's foreign missions and embassies across Africa (which number over 20) into innovative and proactive agents for AfCFTA commercial intelligence and trade facilitation on behalf of Ghanaian industry.**
- Finally, **Government should ensure that the domestic competitiveness of Ghanaian firms forms the foundation of Ghana's AfCFTA overall competitiveness strategy.** This is because if Ghanaian firms cannot be competitive in the domestic AfCFTA market, they will struggle to be competitive in the external AfCFTA market.

# 1

## BACKGROUND & METHODOLOGY

### 1.1 Background

On January 1, 2021, the African Continental Free Trade Area (AfCFTA) commenced trading, bringing to fruition the most ambitious economic program in Africa's history. When fully operational, AfCFTA will become the world's largest free trade area with a 1.3 billion consumer population market and a \$3.4 trillion GDP.<sup>2</sup> The socioeconomic impacts of the African Continental trade pact are potentially enormous. The trade, among other things, is expected to spur growth, widen economic inclusion, drive industrialization and ultimately help eradicate poverty on the continent.<sup>3</sup> The World Bank projects that, if well implemented, the AfCFTA could cause the continent's income to rise by an estimated 7% or US\$450 billion in actual terms and lift an estimated 30 million extremely poor people out of poverty by the year 2035.<sup>4</sup>

Tariff liberalization and the alleviation of non-tariff barriers, under the agreement, is expected to raise real household income by 2.4 percent (or US\$153 billion) in actual terms while the lowering of compliance cost for trading businesses, which is also expected, may facilitate businesses' integration into Global Value (or Supply) Chains and would yield an additional income of US\$292 million.<sup>5</sup>

Clearly, this opens up immense opportunities for governments and businesses in the region. However, taking advantage of these opportunities may come with risks. Therefore, as part of the AfCFTA operationalization processes, each signatory country is required to develop a national AfCFTA implementation strategy.<sup>6</sup> The strategy will help countries to maximize the benefits of AfCFTA while ensuring they put in place mitigation measures against potential adverse impacts AfCFTA may have on their local economies and businesses – especially Small and Medium Scale Enterprises (SMEs).

In helping Ghanaian firms to take advantage of the AfCFTA, and assisting policy makers to make informed decisions, there is the need to assess Ghana's competitiveness and map out markets with the greatest potential within the AfCFTA to inform the strategy the Ghanaian business community will deploy in its bid to take advantage of the AfCFTA. This study relies heavily on secondary data from various reputable sources to assess Ghana's manufacturing competitiveness relative to frontier African countries identified by the study – across seven (7) representative product sectors. The study further maps out individual markets of Ghana's greatest export potentials with recommendations on how to boost Ghana's competitiveness within the AfCFTA and help Ghanaian firms benefit from the AfCFTA.

### 1.2 The Objectives of the Study

The objective of this study is to provide a broad understanding of Ghana's trade competitiveness in the continental market, map out markets with the greatest potential within the AfCFTA for Ghana's key industries and products, and make recommendations for boosting the country's performance in the AfCFTA. Ultimately, the goal of the study is to provide insights to guide AfCFTA decision-making by Ghanaian businesses and policymakers while also serving as a baseline against which to monitor Ghana's future performance in the single market following start of trade.

<sup>2</sup> <https://www.uneca.org/stories/stakeholders-discuss-benefits-afcfta-ghana>

<sup>3</sup> <https://www.worldbank.org/en/news/press-release/2020/07/27/african-continental-free-trade-area>

<sup>4</sup> <https://www.worldbank.org/en/news/press-release/2020/07/27/african-continental-free-trade-area>

<sup>5</sup> <https://www.worldbank.org/en/news/press-release/2020/07/27/african-continental-free-trade-area>

<sup>6</sup> <https://www.uneca.org/stories/experts-review-guidelines-national-afcfta-implementation-plans>

More specifically, the objectives are to;

- Determine and propose a list of products/product groups in which Ghana has broad competitive strengths in intra-Africa trade and by extension AfCFTA.
- Analyze Ghana's pre-AfCFTA intra-Africa market share in key target markets.
- Undertake an export potential analysis with emphasis on countries that present the highest export potential for Ghana's products.
- Benchmark Ghana's productive capacity and operating environment competitiveness to those of the frontier intra-Africa exporting countries.
- Map the countries likely to pose the most competitive threat to Ghana in Ghana's high potential target markets as well as in Ghana's domestic market.
- Make Recommendations for boosting Ghana's AfCFTA competitiveness.

### **1.3 Sources of data**

This study has relied on very extensive sources of information from Trade Literature and various International Trade data portals. The following sources of hard data were used for the quantitative analysis:

- United Nations Conference on Trade and Development (UNCTAD)
- International Trade Center (ITC)
- World Bank (Doing Business Report & World Bank Enterprise Surveys)
- Ghana Statistical Service
- Global Enabling Trade Database (World Economic Forum)
- Observatory of Economic Complexity

In addition to the above sources, the study sourced qualitative data through interviews and consultative discussions with members of various industry associations (Association of Ghana Industries, Ghana National Chamber of Commerce and Industry, Private Enterprise Federation, Ghana Institute of Freight Forwarders, Borderless Alliance Ghana etc.,) and the Ministry of Trade and Industry and the Ghana Export Promotion Authority.








### **1.4 Period of Analysis:**

The export value rankings in chapter 3 relies on the most recent 5-year period for which data is available (2014-18). Most of the analysis covers the period 2014-2020. Due to gaps in data availability, a few components of the analysis rely on much older series than others (particularly the section on 'Productive Capacity assessment' which relies largely the most recently available data from the 2014 World Bank Enterprise Surveys).

### **1.5 Sectors Product Groups for the Study**

The study covered seven categories of goods, which were selected in consultation with industry stakeholders and informed by anchor industries in Ghana's Industrial Transformation Plan and the Export Development Strategy. Extractive commodities (crude oil and mineral ore) were excluded from the study in order to enable the study to concentrate on exploring Ghana's prospects to utilize the AfCFTA for value-addition and manufacturing. Agricultural produce (fruits, vegetables, nuts, roots, tubers) is given a minor overview but excluded as a priority sector because Ghana is currently an insignificant exporter of Agricultural produce to the African market.

Figure 1.1: Selected Product Groups for the Study

	<b>Agro-processed Goods</b>		<b>Lubricants</b>
	<b>Cosmetics</b>		<b>Plastics</b>
	<b>Textiles</b>		<b>Manufactures of Metals</b>
	<b>Pharmaceuticals</b>		

## 1.6 Structure of the Report

The report starts with a general review of Ghana's International Trade Performance. The rest of the report is split into three main parts.

- Part I focuses on Competitiveness in the External Market: Ghana's competitiveness is benchmarked against frontier countries within the AfCFTA.
- Part II focuses on Competitiveness in the Domestic Market: Ghana's competitiveness is benchmarked against countries with the greatest potential to export into the Ghanaian market.
- Part III: Final part of the report draws conclusions and makes recommendations.

## 1.7 Part I Methodology: (Competitiveness in the External Market)

### *Product Group Approximations & Recategorization*

Based on the nature of product classifications in UNCTAD database, the products/product groups identified are not treated independently but as subsets of broader product groups based on the Standard International Trade Classifications (SITC, Revision 3). This recategorization is done to allow the use of UNCTAD database for the work, and identify and rank frontier exporters (competitors) in each product group.

Table 1.1: Product Group Reclassifications in Line with UNCTAD Data

Selected Product Groups	UNCTAD Classification for Data Analysis
Agro - processing goods	Resource-based manufacturing (Agro-based)
Cosmetics	Perfumery & Cosmetic Products
Textiles	Textiles
Plastics	Plastics (Primary & Non-Primary forms)
Pharmaceuticals	Pharmaceutical Products
Lubricants	Mineral Oils (Mineral fuels, lubricants & related products)
Cables & Conductors , Utensils, Aluminium, Roofing,	Manufactures of Metals

## Export Competitiveness Assessment

Export competitiveness in the study was assessed using the following indicators;

- Export Value Ranking:** The competitiveness assessment for the various product categories ranks the 5-year average intra-Africa export of all countries on the continent and picks the most competitive quartile – the upper quartile. The objective is to assess how Ghana compares with countries in the upper quartile.
- Technological Sophistication of Export Products Ranking:** using the Lall Classification, the ranking was done on level; primary products, resource manufactures, low technology, medium technology and high technology.
- Revealed Comparative Advantage:** The assessment calculates the Revealed Comparative Advantage (RCA) of the countries in the upper quartile. Country A is said to have a revealed comparative advantage in a given product when its ratio of exports of the product to its total exports of all goods (products) in global trade exceeds the same ratio for the world as a whole. A country with a revealed comparative advantage in a product is considered to have an export strength in that product. The higher the value of a country's RCA for the product, the higher its export strength in that product. Revealed Comparative Advantage (RCA) of the upper quartile countries was treated with a special focus on Africa.
- Enabler Factors for Export:** a selection of key enabler indicators were used to benchmark Ghana's competitiveness (both in domestic and external markets), namely *cost of power, access to credit, trade infrastructure availability & quality, trade logistics, productive capacity and customs efficiency*.

## Analyses of Export Potential

The International Trade Center's (ITC) Export Potential map which was used to determine export potential covers limited product categories. Therefore, in order to use the export potential map, the selected product groups were reclassified in line with ITC data. The reclassification is shown in the table below;

Table 1.2: Product Reclassifications for Market Potential Analysis

Selected Product Groups	ITC Classification
Agro - processed goods	Processed Food & Animal Feed
Cosmetics	Beauty Products & Perfume
Textiles	Apparel & Textile Product
Plastics	Plastics & Rubber
Pharmaceuticals	Pharmaceutical Components
Lubricants	Chemicals
Cables & Conductors , Utensils, Aluminium, Roofing,	Metal Manufactures

### ***Benchmarking Enabling Factors in the Operating Environment***

The following variables were used to benchmark the quality of Ghana's operating environment relative to those of the frontier intra-Africa exporters. The selection of these variables was informed by consultations with industry players as well as the variables agreed by the African Union in the Action Plan for Boosting Intra-Africa Trade (BIAT).

- Cost of Credit
- Cost of Power
- Productive Capacity
- Customs Efficiency and cost
- Trade-related Infrastructure
- Trade logistics and transport connectivity

Each of these components has sub-indicators which together allowed for an index to be built for each of the above-stated enabler factors – giving a clear view of Ghana's ranking relative to competing intra-Africa frontier exporters.



## **1.8 Part II Methodology: Domestic Market Competitiveness Relative to Countries with the Highest Potential to Export into the Ghanaian Market.**

This section identifies countries with the greatest potential to export into the Ghanaian market—using the ITC Export Potential Map. It then assesses Ghana's competitiveness in its domestic market relative to the countries identified using the following variables;

- Productive Capacity
- Cost of Power
- Cost of Credit

## **1.9 Limitations of the Study**

- The scope of the study does not assess the potential impacts of the AfCFTA on Ghana's macro-economy, revenues, sectors, growth, employment and welfare. It focuses on the selected products and benchmarks Ghana's competitiveness to the most competitive countries within the AfCFTA.
- Naturally, the analysis focuses on Ghana's pre-AfCFTA trade competitiveness within Africa, using pre-AfCFTA data. The study should therefore be considered at best an initial baseline study, setting the stage and issues for further research.
- The study was conducted against the backdrop of significant data constraints such as unavailability of data covering the most recent year(s) for some variables. Unavailability of data on commercial lending rates for most comparator countries constrained the study to using the policy interest rate as a means of assessing cost of credit.
- Due to unique considerations by the authors, the selected product groups do not correspond to exact international trade classifications. As explained in the methodology, proxy classifications and reclassifications have been used to enable the study to zero in on certain sub-product groupings that are recognized by stakeholders as strategic to Ghana.
- The study covers only Trade in Goods. It does not include Trade in Services.

# 2

## BRIEF PROFILE OF GHANA'S INTERNATIONAL TRADE

### 2.1 Brief Overview of Ghana's Global Trade

Ghana exported products worth US\$20.50 billion in 2018. Exports have grown by an annual average of 3.7% over the past five years, Non-oil exports have grown by 3.6% annually over the past five years, outpacing the global average growth. In the last 5 years, Ghana's import has been on an average 1.74% annual decline.<sup>7</sup> Imports totaled US\$14.9 billion in 2018, leaving Ghana with a trade surplus in goods and services.<sup>8</sup>

### 2.2 Brief Overview of Ghana's Intra-Africa Trade

#### 2.2.1 Intra-Africa Exports.

Ghana's total intra-Africa export constitute only 15% of Ghana's export into the global export market, as at 2018. In intra-Africa trade, semi-manufactured gold and crude petroleum together constitute about 70% of Ghana's intra-Africa total export value.<sup>9</sup> It is worthy to note that for the remaining eight products in Ghana's top 10 intra-Africa exports, which are largely manufactured and value added, total value is less than half the value of crude petroleum oils and semi-manufactured gold. The major export destination markets for Ghana's intra-Africa exports are; South Africa (68%), Burkina Faso (11%), Togo (5%), and Nigeria (3%).<sup>10</sup>



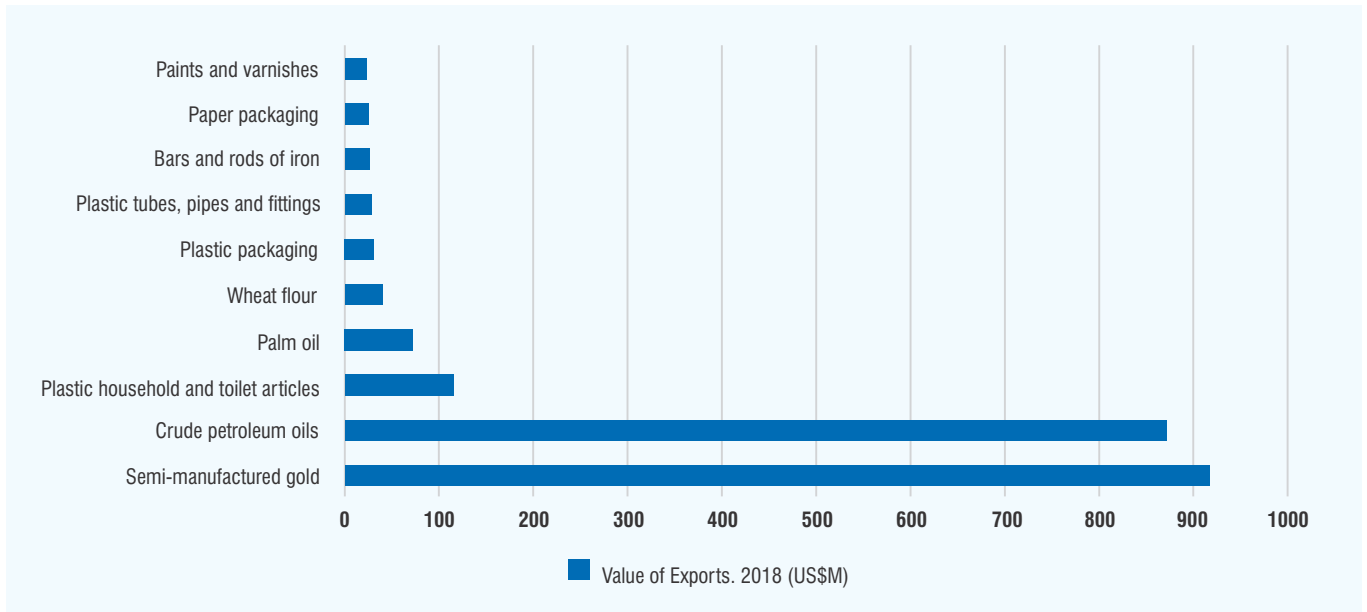
<sup>7</sup> <https://oec.world/en/profile/country/gha?deltaTimeSelector1=deltaTime5&flowSelector1=flow1&tradeScaleSelector2=tradeScale1>

<sup>8</sup> <https://oec.world/en/profile/country/gha?deltaTimeSelector1=deltaTime5&flowSelector1=flow1&tradeScaleSelector2=tradeScale1>

<sup>9</sup> <https://oec.world/en/profile/country/gha?deltaTimeSelector1=deltaTime5&flowSelector1=flow1&tradeScaleSelector2=tradeScale1>

<sup>10</sup> <https://www.tralac.org/documents/publications/trade-data-analysis/2998-ghana-intra-africa-trade-and-tariff-profile-august-2019/file.html>

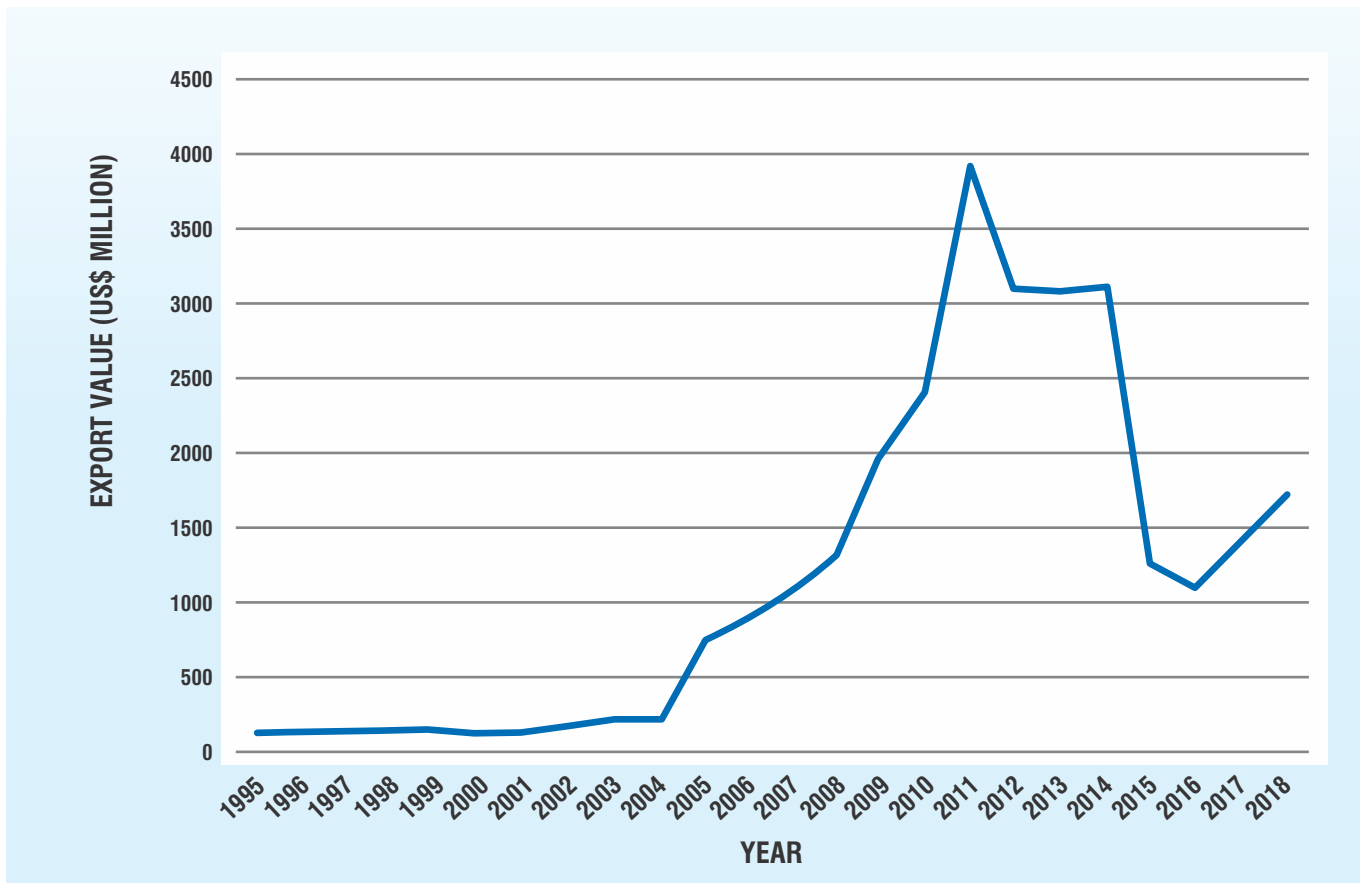
Figure 2.1: Ghana's Top Intra-Africa Exports



Source: Tralac & ITC

## Ghana's Intra-Africa Export Trend Over the Last Two Decades

Figure 2.2: Ghana's Intra-Africa Export Trend



Source: Konfidants based on Data from UNCTAD

Ghana's intra-Africa export value plateaued from 1995 to 2004, then from 2005, it grew sharply and peaked in 2011 before seeing a gradual decline from 2012 up to 2016. It has however started seeing gradual rise from 2017. Therefore, the AfCFTA is coming into effect at a time where Ghana's intra Africa export is on the rise again after seeing five years of sharp decline. This is therefore good for Ghana's participation in the AfCFTA.

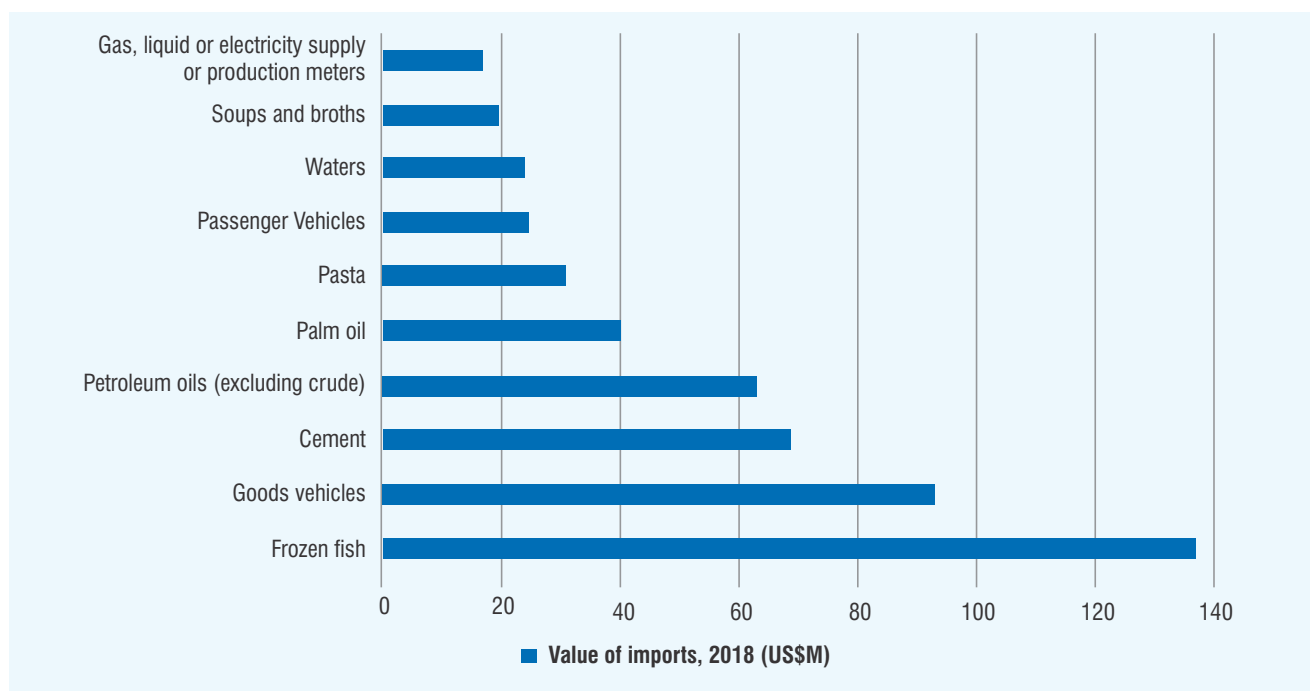
## 2.2.2 Ghana's intra-Africa Imports

As at 2018, Ghana's total intra-Africa import constituted only 11% of Ghana's world import. While about 70% of Ghana's overall intra-Africa import value is made up of commodities, crude and semi-manufactured gold, Ghana's top 10 intra-Africa imports are dominated by manufactured and value-added products, as represented in the graph below. While Ghana exports crude oil, it imports petroleum oil which excludes crude. The leading intra-Africa import origins for Ghana are; South Africa (33%), Nigeria (13%), Ivory Coast (10%), Egypt (7%).<sup>11</sup>

Ghana's overall intra-Africa trade constitute only 13% of Ghana's overall trade. Considering both export and import, the five major trading partners for Ghana in intra-Africa trade are; South Africa (56%), Nigeria (6%), Ivory Coast (5%), Burkina Faso (8%).<sup>12</sup>

In conclusion, Ghana exported US\$2.5billion to the rest of the continent while importing about US\$1.2billion from the rest of the continent – culminating in Ghana having trade surplus of about US\$1.3billion with the continent.

Figure 2.3: Ghana's Top Intra-Africa Imports



Source: Tralac & ITC

<sup>11</sup> <https://www.tralac.org/documents/publications/trade-data-analysis/2998-ghana-intra-africa-trade-and-tariff-profile-august-2019/file.html>

<sup>12</sup> <https://www.tralac.org/documents/publications/trade-data-analysis/2998-ghana-intra-africa-trade-and-tariff-profile-august-2019/file.html>

## Ghana's Trade Performance in Regional Economic Community

Ghana is a member state of two regional economic communities; the Economic Community of West African States (ECOWAS) and The Community of Sahel-Saharan States (CEN-SAD). Although a Treaty was approved in 2013 by the CEN-SAD, the treaty is yet to be implemented – hence there is currently not a functional trade agreement among the member states of the CEN-SAD region. On the other hand, ECOWAS has established the ECOWAS Free Trade Area with Ghana signing up to the ECOWAS Trade Liberalization Scheme (ETLS) – although its implementation as a Regional Scheme may be fraught with some challenges.

As at 2018, 30% of Ghana's intra-Africa exports were to destinations within the ECOWAS enclave while 36% of Ghana's intra-Africa imports were from the ECOWAS region.<sup>13</sup> Between 2017 and 2018, while Ghana's intra-Africa export saw an increase of 14%, the country's intra-ECOWAS export saw a decline of 29%. Ghana's intra-ECOWAS export has been on a downward trajectory since 2016. Ghana's intra-ECOWAS export declined from 78% of all total intra-Africa export in 2016 to only 30% in 2018. Intra-ECOWAS import however increased by 9% between 2017 and 2018.<sup>14</sup>

In a nutshell, Ghana's trade performance in the ECOWAS Free Trade Area has been on a steady decline since 2016 - with exports seeing the largest drop.

Table 2.1: Ghana's Top 10 Intra-Africa Imports and Exports

Top 10 Intra-Africa Exports	(US\$m) 2018	Intra % Total-Africa Exports	Top 10 Intra-Africa Imports	(US\$m) 2018	Intra % Total-Africa Imports
Semi-manufactured gold	916.63	36%	Frozen fish	137.13	11%
Crude petroleum oils	871.64	34%	Goods vehicles	92.92	7%
Plastic household and toilet articles	115.77	5%	Cement	68.65	5%
Palm oil	72.24	3%	Petroleum oils (excluding crude)	63.02	5%
Wheat flour	40.07	2%	Palm oil	39.58	3%
Plastic packaging	31.19	1%	Pasta	30.96	2%
Plastic tubes, pipes and fittings	28.57	1%	Passenger vehicles	24.35	2%
Bars and rods of iron	26.42	1%	Waters	23.95	2%
Paper packaging	25.25	1%	Soups and broths	19.39	2%
Paints and varnishes	22.32	1%	Gas, liquid & electricity supply or production meters	16.55	1%

Source: ITC Trade Map & Tralac (2019).

<sup>13</sup> <https://www.tralac.org/documents/publications/trade-data-analysis/2998-ghana-intra-africa-trade-and-tariff-profile-august-2019/file.html>

<sup>14</sup> <https://www.tralac.org/documents/publications/trade-data-analysis/2998-ghana-intra-africa-trade-and-tariff-profile-august-2019/file.html>



**PART I**

**COMPETITIVENESS IN THE  
EXTERNAL AFRICAN MARKET**

## 3

# BENCH MARKING GHANA'S EXPORT PERFORMANCE IN THE INTRA-AFRICA MARKET

This chapter provides an assessment of Ghana's export performance ranking in three main areas namely: (a) Level of technological sophistication of exports, (b) Value of exports in the selected product groups, and (c) Revealed Comparative Advantage in the selected product groups.

## 3.1 Ghana's Intra-Africa Export Competitiveness Based on Level of Product Sophistication. <sup>15</sup>

The table below presents Ghana's positioning generally in intra-Africa exports based on level of product sophistication according to the Lall Classification as reported by UNCTAD. The ranking was done based on the annual average export value for a 5-year period, 2014-2018, the most recent series for which data is available.

Table 3.1: Ghana's Ranking in Intra-Africa Exports Based on Level of Product Sophistication

Level of Product Sophistication (Lall Classification)	Ranking in Africa	Share in Ghana's Intra-Africa Export	Export Value (USD, million)	Examples of products
Primary Products	10th	27%	467	Cocoa, coffee, spices, Natural gas, petroleum gases,
Resource Manufactures	18th	20%	348	Ores and concentrates of minerals, Petroleum oils & hydrocarbons, preserved meat products, roots, chocolate, alcoholic and non-alcoholic beverages etc.
Low Skill Technology	10th	9%	161	Paper, glassware, pottery, households of base metal manufactures, Furniture, jewelry, articles of plastic, leather products, textile fabric, clothing etc.
Medium Technology	11th	14%	234	Perfumery & cosmetics, Alcohols, fertilizers, paints and varnishes, parts, and accessories of vehicles etc.
High Technology	18th	1%	19	Telecommunication Equipment, Office Machines, Electric power machinery etc.
Unclassified	3rd	28%	1713	Electric Current, Non-Monetary Gold (Excluding ores and concentrations), Works of Art etc.

Source: Konfidants' analysis, based on UNCTAD data, 2014-2018 (percentages may not add up to 100% due to rounding)

<sup>15</sup> Throughout this study, we use the term competitiveness in a general sense as opposed to a specific technical definition.

**Based on the above assessment, Ghana does not fall in the upper quartile category to be regarded as a leading exporter of products classified in the resource manufactures and high technology categories. Ghana however falls in the upper quartile of intra- Africa exporters in four of the categories** to be considered a leading intra-Africa exporter – Primary Products, Low Skill Technology Manufactures, Medium Technology Manufactures, and Unclassified Products.

**Primary products:** Ghana's estimated average annual export of primary products into the African market is US\$467 million compared to the continent's leading intra-Africa exporter of primary products, Nigeria, who exported on the average, more than US\$5.9 billion of primary products into the African Market. Ghana lags behind Nigeria by more than a factor of 12. From the analysis, the continent has 33% export value of the overall Africa-to-Africa exports being primary products.

**Resource manufactures:** Despite exporting about US\$348 million per annum of resource manufactures, Ghana is not competitive enough to be in the upper quartile of intra-Africa exporters. Ghana ranks 18th. South Africa is the continent's lead exporter of resource manufactures in Africa-to-Africa trade with about US\$6.7 billion in resource manufactures. In terms of share of resource manufactures in total intra-Africa export over the period of the analysis, Ghana's 20% is about 7 percentage points below the continent's average of 27%. It is however noteworthy that, Ghana's next-door neighbor, Cote d'Ivoire, places second on the continent and exports about US\$1.3 billion of resource manufactures in intra-Africa exports – representing 42% of the country's total intra-Africa export. This indicates that, Cote d'Ivoire's intra-Africa export in resource manufactures is over 270% more than Ghana's.

**Low technology manufactures:** Ghana falls in the upper quartile of leading intra-Africa exporters of low technology manufactures which includes products from sectors such as textiles, glassware, paper, household equipment of base metals etc.. Ghana ranks 10th largest exporter in this category with US\$161 million in annual intra-Africa exports – representing 9% of the country's total intra-Africa export over the 5-year period. South Africa, which leads the continent in Africa-to-Africa exports of low technology manufactures has export value of 23 times Ghana's value (averaging US\$3.8 billion in annual export over the period under review). Ghana's share of low technology manufactures in its total intra-Africa export is approximately the same as the continent's average of 10% over the period. Cote d'Ivoire on the other hand is ranked 4th intra-Africa exporter of low skill technology manufactures with an average annual export value of US\$382 million – representing 12% of its total intra-Africa export.

**Medium technology manufactures:** It is a broad group of products comprising of products such as advanced processed goods, automotive, electricals and electronic equipment. Ghana is the 11th largest intra-Africa exporter in this category with US\$234 million in exports. South Africa, the leader in this category exports US\$8.6 billion – more than 50 times Ghana's. Ghana's share of medium technology in its total intra-Africa trade is about 10 percentage points behind the continent's average of 19%.

**High technology manufactures:** The ratio of Ghana's average intra-Africa export of high technology manufactures to its total intra-Africa export, over the 5-year period, is just about 1%. This is remarkably low, although the continent's average of 4% over the 5-year period is equally problematic. Ghana ranks 18th, outside the upper quartile of leading exporters of High Technology Manufactures, with just about US\$19 million in export value, over the 5-year period, relative to South Africa's US\$1.6 billion in intra-Africa exports. However, although Cote d'Ivoire's share of High Technology is approximately 1% (similar to Ghana) in real terms, Cote d'Ivoire exported US\$44 million (US\$25 million more than Ghana) of High Technology Manufactures.



### 3.1.1 Key Insights and Conclusion from Assessment based on Level of Product Sophistication

**Over the 5-year period studied, Ghana is one of West Africa's 3 Frontier Exporters in Intra-Africa Trade:** Aside Senegal which features only in the upper quartile for intra-Africa exporters of Resource manufactures, Cote d'Ivoire, Nigeria and Ghana feature in the upper quartile in at least 4 of the 6 categories of the Lall Classification analysis. Both Ghana and Nigeria feature in the upper quartile for 4 (primary products, low technology, medium technology, and unclassified products) out of the 6 levels of classification while Cote d'Ivoire features 5 out of the 6 classifications. Although Ghana's average export value over the period under review falls outside the upper quartile for intra-Africa exports of resource manufactures, resource manufactures constitute the second largest share (20%) in Ghana's total intra-Africa export and its export value is also the second highest of Ghana's intra-Africa exports in the six levels of classification – with US\$348 million in value.

However, Ghana's absence in the top tier of Resource Manufactures category is disturbing. Although Ghana features in the upper quartile for low technology, and medium technology manufactures, Ghana misses out on the upper quartile for both Resource Manufactures (where sectors such as agro-processing can be found) and High technology manufactures.

### 3.2 Assessment of Ghana's Export Value Ranking in intra-Africa Trade Based on The Selected Product Groups

This section of the analysis delves deeper into Ghana's positioning in intra-Africa trade in the product groups/sectors of priority to the study. However, as mentioned in the methodology, those product categories have been reclassified as shown in the table below to find relevant data for the analysis.

Table 3.2: Reclassification Table for Export Value Ranking for Selected Sectors

Selected Product Groups	UNCTAD Classification (Proxy)
Agro-processed	Resource-based manufacturing (Agro-based)
Cosmetics	Perfumery & Cosmetic Products
Textiles	Textiles
Plastics	Plastics (Primary & Non-Primary forms)
Pharmaceuticals	Pharmaceutical Products
Lubricants	Mineral Oils (Mineral fuels, lubricants & related products)
Cables & Conductors, Utensils, Aluminium, Roofing	Manufactures of Metals

Source: Konfidants

The analysis makes use of the average annual intra-Africa export over a 5-year period – specifically 2014-2018 – which is the most recent available.

In this segment, the analysis also calculates the Revealed Comparative Advantage (RCA) of Ghana and other competing countries of relevance in the upper quartile of intra-Africa exporters. Theoretically, RCA provides a general indication and first approximation of a country's competitive export strengths – therefore, the higher a country's RCA in a certain product, the higher the strength of the country in the export (or potential export) of the product.<sup>16</sup>

The RCA was matched against real export values to ascertain whether there exists a direct correlation between the trend observed for export value and RCA of Ghana and countries in the upper quartile by export value.

RCA score for a given product ( $RCA > 1$ ), implies that the country is a competitive producer and exporter of that product relative to a country producing and exporting that good at or below the world average. An RCA score less than 1 reveals a comparative disadvantage in the product.

The study revealed that RCA has no impact on the trend observed when countries are ranked based on value of export – as countries like South Africa tops rankings in product groups in which the country's RCA is  $< 1$ . This observation can partly be explained by the inherent flaws of the RCA formulae – which fails to account for competitive factors such as applied national measures that affect competitiveness such as tariffs, non-tariff measures, subsidies and others.<sup>17</sup>

The table below presents Ghana's RCA and ranking in Africa based on export value in each of the seven product groups/sectors selected for the study.

Table 3.3: Ghana's Ranking in Intra-Africa Trade based on Export Value in Each of the Selected Product Groups

Product Group	Ghana's Position in Africa (export values)	Revealed Comparative Advantage	Ghana's average annual export value US\$ million (2014-2018)	Annual Average Export Value for countries in the Upper Quartile (\$USmillion)
Agro-processed goods	14th	✗	178	497
Plastics	6th	✓	35	81
Textile	18th	✗	23	137
Pharmaceuticals	9th	✗	11	40
Manufactures of metals (containers, utensils & household articles, wire products)	10th	✗	20	112
Mineral Oil (Mineral fuels, Lubricants & Related Products)	7th	✓	495	1,111
Cosmetics	14th	✗	27	150

Source: Konfidants based on UNCTAD Database, 2014-2018

✓ Has Revealed Comparative Advantage

✗ Lacks Revealed Comparative Advantage

<sup>16</sup> <https://unctadstat.unctad.org/EN/RcaRadar.html>

<sup>17</sup> <https://unctadstat.unctad.org/EN/RcaRadar.html>

**Note:** Based on the above table, Ghana has revealed comparative advantage in the production of only two (Plastics and Mineral Oils) of the eight product groups. However, this is not a problem if the country can focus on initiating policies to boost competitiveness beyond RCA.

**Agro-processed goods:** Ghana ranks in the upper quartile of intra-Africa exporters of agro-based manufactures with US\$178 million in value compared to the continent's largest exporter South Africa with US\$3.1 billion in export value. However, despite making the upper quartile, Ghana's average figure over the 5-year period is substantially below the average for countries in the upper quartile, which is US\$497 million. Compared to its next-door neighbor, Cote d'Ivoire, Ghana exported just about 40% of Cote d'Ivoire's average export of US\$446 million of agro-processed goods into the African market over the 5-year period under study. Although Ghana is one of four West African countries in the upper quartile, Ghana ranks 14th behind Cote d'Ivoire, Nigeria and Senegal which respectively rank 3rd, 11th and 12th in intra-Africa exporters of agro-processed products.

**Plastics:** Ghana is Africa's sixth largest intra-Africa exporter of Plastics with US\$35 million in the upper quartile but behind 3rd place neighbor, Cote d'Ivoire with US\$58 million. The continent's leader in intra-Africa export of plastics is South Africa which exports an estimated average of US\$691 million – more than 50% of total plastic exports in intra-Africa trade over the period. Ghana's intra-Africa export of plastics is nearly insignificant when compared to South Africa. In the West African region, Ghana comes second behind Cote d'Ivoire and followed by Nigeria, Senegal and Togo with US\$14 million, US\$13 million, and US\$12 million respectively in export value – over the period under the study. While there exists a 40% gap between Ghana and Cote d'Ivoire, Ghana exported more than twice the export value of the next West African country (Nigeria) in the upper quartile.

**Textiles:** Ghana ranks 18th and misses out on the upper quartile of intra-Africa exporters of Textiles. Ghana exports US\$23 million in textile products compared to the continent's frontier countries, South Africa, Mauritius and Eswatini, which exported US\$744 million, US\$229 million, and US\$180 million respectively on the continent. From a West African perspective, Ghana's export value lags behind Cote d'Ivoire and Benin which both exported US\$75 million and US\$67 million in the upper quartile to place 8th and 10th respectively in the continent over the 5-year period under study. Ghana therefore is West Africa's third largest intra-Africa exporter of textile products.





**Pharmaceuticals:** Ghana is West Africa's lead intra-Africa Exporter of Pharmaceuticals and ranks 9th in the upper quartile of leading pharmaceutical exporters continentally. However, Ghana's annual average export value of US\$11 million over the 5-year period (2014-2018) is below the average of US\$40 million for upper quartile exporters. The continent's lead exporters of pharmaceuticals are South Africa, Kenya and Egypt; these countries exported US\$324 million, US\$83 million, and US\$54 million respectively on annual average – over the 5-year period. Other West African countries in the upper quartile are Senegal, Benin<sup>18</sup> and Nigeria which, over the period under study, exported averagely US\$9 million, US\$5 million and US\$3 million of pharmaceuticals respectively.

**Cosmetics:** Ghana occupies the penultimate position in the upper quartile behind four west African peers in intra-Africa exports of Cosmetics and Perfumery. Although Ghana exports about US\$27 million to rank in the upper quartile of intra-Africa exporters, it ranks weakly at the 14th position below other West African countries in the upper quartile – namely Cote d'Ivoire (US\$285 million), Togo (US\$45 million), Nigeria (US\$42 million) and Senegal (US\$39 million). The continent's biggest intra-Africa exporter of cosmetics is South Africa with an estimated US\$784 million in exports. Ghana's intra-Africa export of perfumery and cosmetics products is just about 9% of Cote d'Ivoire's and 4% of South Africa's. Ghana is more than 80% below the average annual export value, US\$154 million, for upper quartile intra-Africa exporters of cosmetics.

**Manufactures of Metals:** Ghana ranks in the upper quartile of intra-Africa exporters of Manufactures of Metals (containers, utensils & household articles, wire products etc.). However, Ghana's export value is less than 2% of South Africa's export of manufactures of metals. Ghana exported an average of US\$20 million compared to South Africa's over US\$1 billion. While Ghana and Cote d'Ivoire are both in the upper quartile for intra-Africa exporters of manufactures of metals, Cote d'Ivoire exported in excess of US\$4 million more than Ghana. Nigeria is the third West African country in the upper quartile with US\$13 million over the period under study. Ghana's export value is just 16% of the average of US\$112 million, for the upper quartile countries.

**Mineral Oils:** Ghana is the seventh largest intra-Africa exporter of Mineral Oil (Mineral fuels, Lubricants & Related Products) but third largest in West Africa behind Nigeria and Cote d'Ivoire. Nigeria leads both the entire continent and West Africa in the export of mineral oils. Over the 5-year period under study, Nigeria leads with an average export value of approximately US\$6 billion and then followed by South Africa with about US\$3 billion. Ghana again ranks below Cote d'Ivoire which exported averagely US\$1 billion over the period. Compared to the estimated average of US\$1.1 billion for the upper quartile intra-Africa exporters of the mineral oils, Ghana's export value is roughly 45% of the average.

<sup>18</sup> The fact that a country exports certain products does not necessarily mean said country produces these products. It is possible for countries to import and re-export products in large quantities.

### 3.3 A Mapping of the Top-tier African Exporting Countries across the Selected Product Groups

This section of the analysis seeks to identify the Top-tier African exporters (by export value) across the seven broad product groupings presented above. To be identified as one of the top-tier African exporters, the country must fall in the upper quartile of intra-Africa exporters in not less than four of the seven product groups. The competition matrix below shows the list of top-tier African exporting countries. Even though certain key countries (Cameroon and Nigeria) did not meet this criterion, they were included because they are deemed 'influential' economies in their Regional Economic Community (REC) or on the continent.

Table 3.4: Competitiveness Matrix of Countries Identified as Top-tier Exporters across the Selected Product Groups based on Intra-Africa Export Value.

Country	Agro-Processed Products	Plastics	Textiles	Pharmaceuticals	Metal Manufactures (containers, utensils & household articles, wire products etc.)	Mineral Oils (Mineral fuels, Lubricants & Related Products)	Cosmetics
South Africa	✓	✓	✓	✓	✓	✓	✓
Morocco	✓	✓	✓	✓	✓	✓	✓
Egypt	✓	✓	✓	✓	✓	✓	✓
Kenya	✓	✓	✓	✓	✓	✗	✓
Cote d'Ivoire	✓	✓	✓	✗	✓	✗	✓
Tunisia	✓	✓	✗	✓	✓	✗	✓
Tanzania	✓	✓	✓	✓	✓	✗	✓
Zambia	✓	✗	✓	✓	✓	✗	✓
Ghana	✓	✓	✗	✓	✓	✓	✓
Senegal	✓	✓	✗	✓	✗	✓	✓
Cameroon	✗	✗	✗	✗	✓	✓	✓
Nigeria	✓	✓	✗	✗	✗	✓	✗

Source: Konfidants based on UNCTAD, 2020

✓ Top-tier Exporter

✗ Not a Top-tier Exporter

# 4

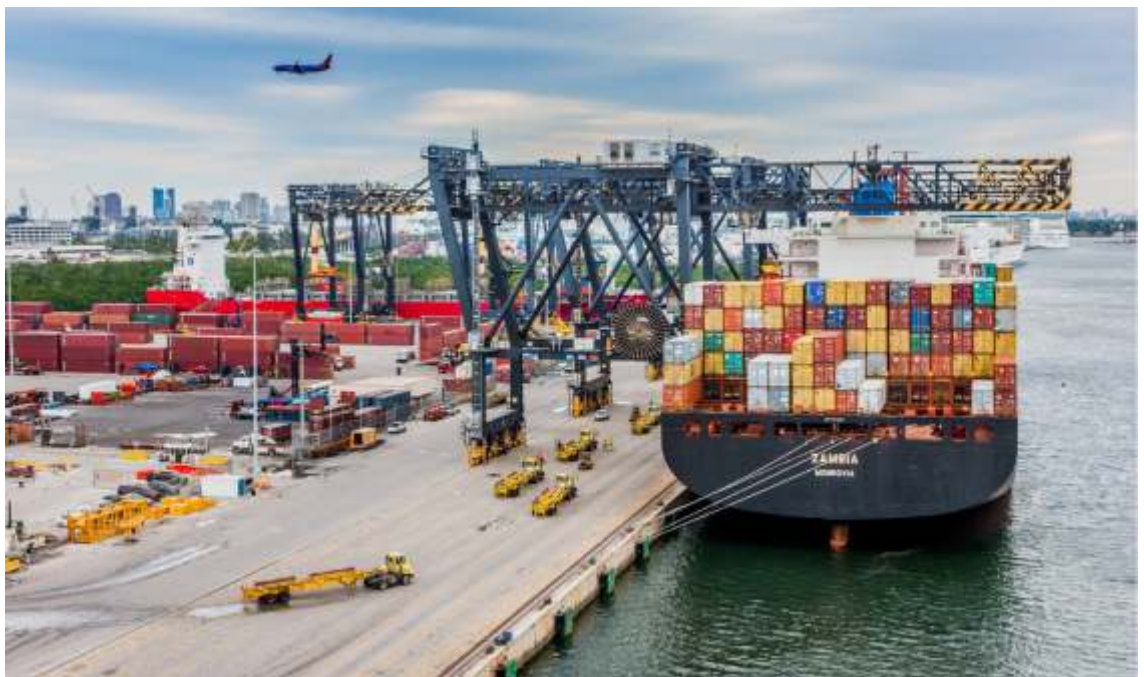
## MAPPING OF GHANA'S EXPORT DESTINATION MARKETS & EXPORT POTENTIAL WITHIN AFRICA

This chapter seeks to identify Ghana's top market destinations in intra-Africa trade as well as intra-African markets with the greatest potential for the sectors or product groups of focus for the study.

Ghana's overall export destination markets in intra-Africa trade were determined using the Observatory for Economic Complexity (OEC)'s toolkit while the market potentials were determined using the International Trade Center's (ITC) estimated export potential map toolkit. It is important to note that estimated export potential as used by the ITC is an economic model built using the characteristics of the exporter, target market, and the strength of the relationship between them. Therefore, in reality, actual trade value may be below or above the potential value since the estimated export potential only serves as benchmark for comparison with actual export performance, and not the ceiling for the country's export into that market.<sup>19</sup>

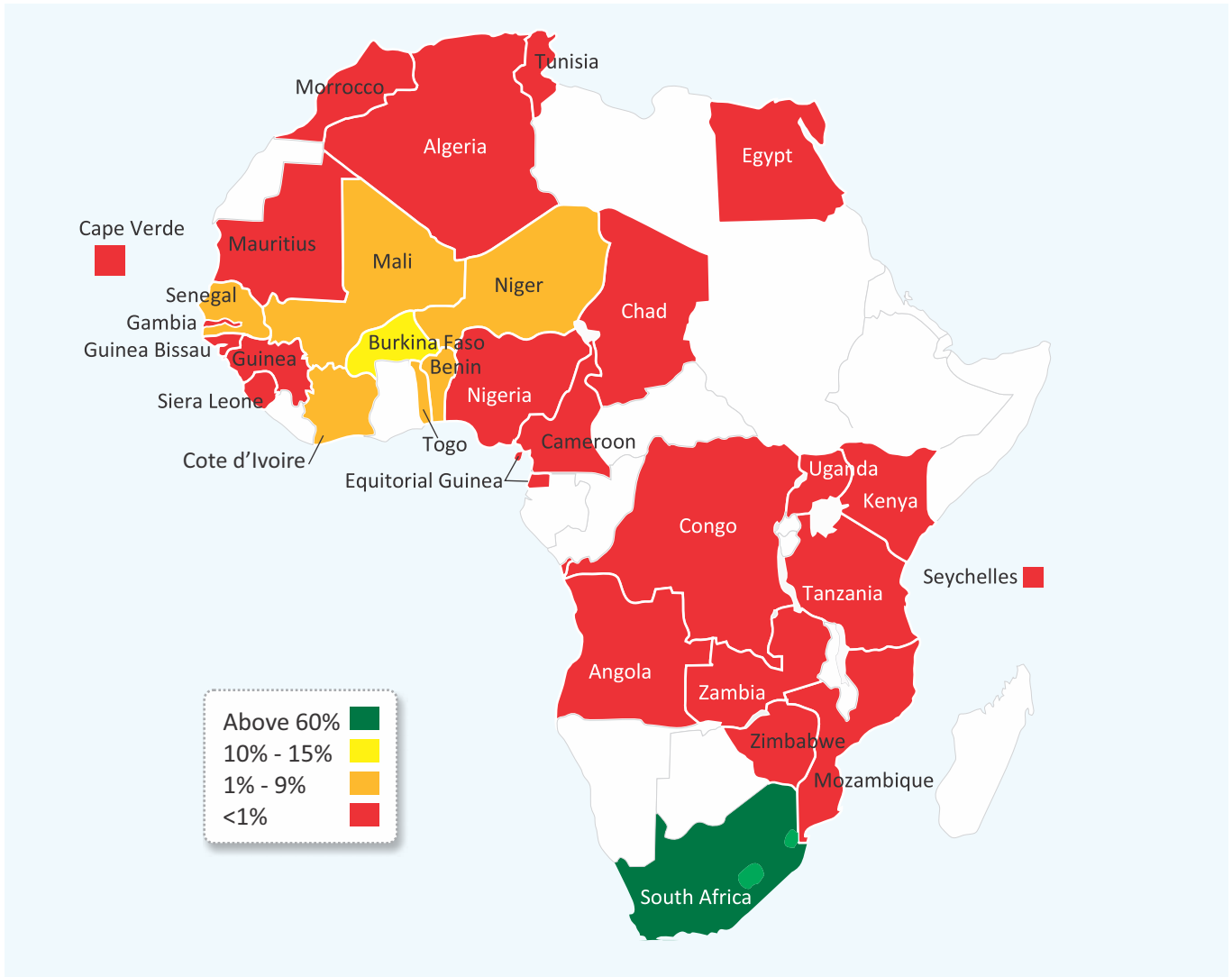
### 4.1 Ghana's Export Destinations in Intra-Africa Trade (All sectors including extractives)

Ghana currently exports to at least 32 countries in Africa. South Africa is the single largest recipient of Ghana's intra-Africa exports. However, Ghana's exports to the South African market are mainly commodities. Gold and crude petroleum constitute more than 90% of Ghana's export into the South African market. In nominal value terms, Ghana's total export to the South African market amounted to US\$1.6 billion – with crude oil and gold constituting US\$1.575 billion of Ghana's total export into the market. Therefore, minus crude and gold, Ghana's total export into the South African market in 2018 was US\$25 million – nearly 10% of Ghana's US\$248 million worth of exports into the Burkina Faso market, and also significantly lower than Ghana's export into certain West Africa markets such as Togo (US\$130 million), Nigeria (US\$87.9 million), Cote d'Ivoire (US\$97.7 million), Niger (US\$56 million) and Mali (US\$53.3 million) over the same period.



<sup>19</sup> <https://exportpotential.intracen.org/en/resources/learning/glossary#export-potential>

Figure 4.1: Ghana's Current Intra-Africa Export Market Destinations by Share of Ghana's Total Intra-Africa Export



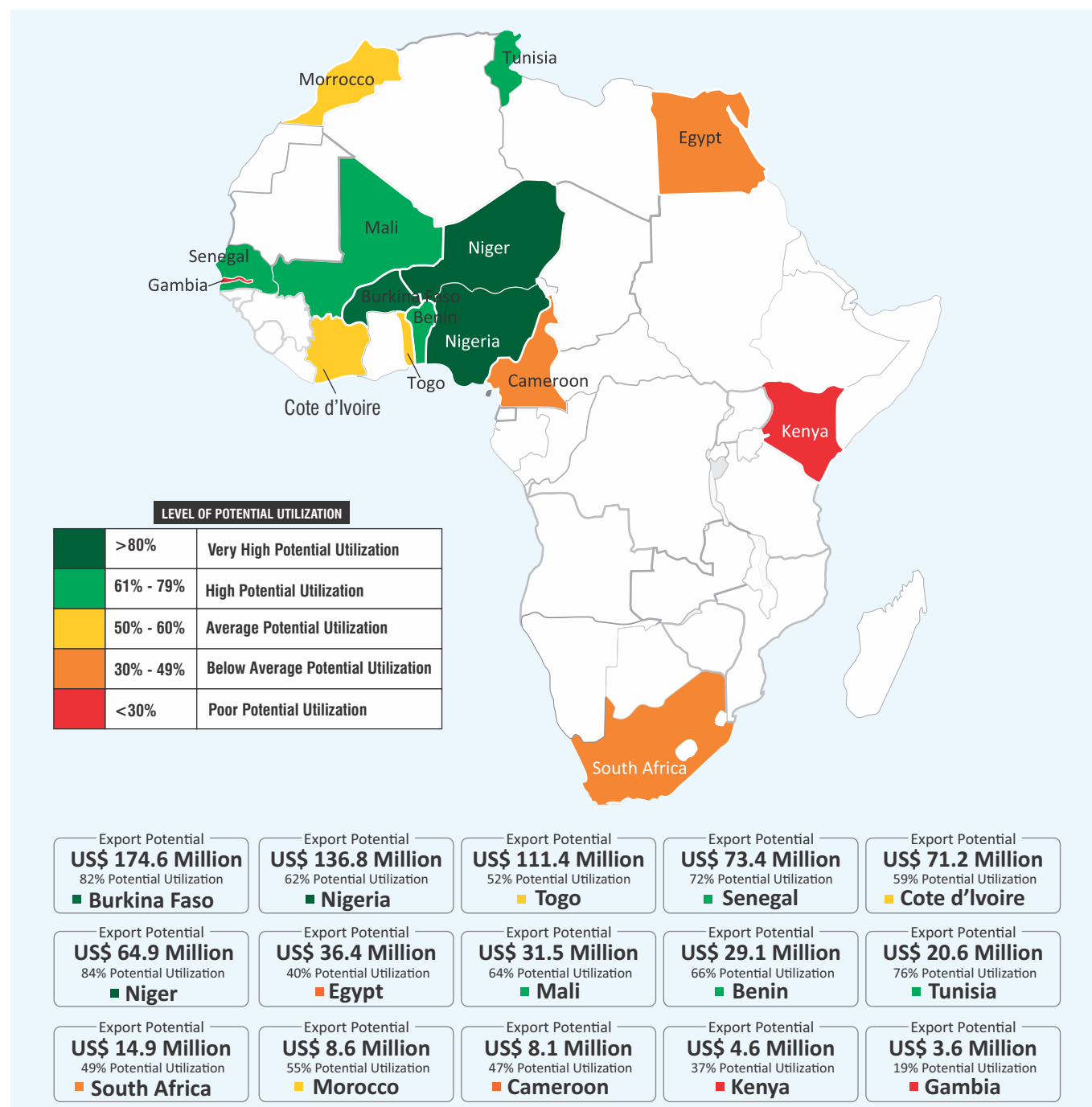
Source: Konfidants, based on data extracted from Observatory for Economic Complexity (OEC) toolkit, 2020

Cocoa beans and other cocoa products constitute a significant proportion of the rest of the products exported into the South African market. The top 10 intra-Africa export market destinations are completed by West African neighbors as indicated in the chart above. While Ghana's products to the South African market is primarily commodities, Ghana's products into the West African market are value-added products such as plastics of different forms and types, refined petroleum, cement, wheat flour etc.

## 4.2 Top Market Destinations with the Highest Potential for Ghana's Value-Added Products in Intra-Africa Trade

Ghana's top market Destinations for value-added products in Africa are presented in the chart below.

Figure 4.2 Top Market Destinations with the Greatest Potential for Ghana's Value Added Products & Ghana's Potential Utilization in Each Market



Source: Konfidants, based on International Trade Center Export Potential Map (As of Q1 2020).

The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.



As revealed by the chart above, Ghana's top market destinations for value-added goods in intra-Africa trade are largely concentrated in the West African enclave. This clearly indicates that, Ghana is taking advantage of proximity and the ECOWAS external tariff liberalization scheme (ETLS). But a deeper look at other significant players in these 'markets of Ghana' reveals that West African peers particularly Cote d'Ivoire, Nigeria and Senegal are equally taking great advantage of the proximity and ECOWAS trade protocols and pose fierce competition to Ghana.

West African Countries, including Ghana, are 'better penetrators' from Sub-Sahara Africa into the North Africa Market. The analysis of regional competition mapping showed that, relative to exporters from other RECs, West African countries including Ghana are better penetrators into the North African market and operate more in these markets compared to players from East Africa, Southern Africa and Central Africa. This could partly be explained by West Africa's relative proximity to North Africa compared to other Sub-Saharan regions. Although the AfCFTA may give all countries in Sub-Saharan Africa some advantage in accessing the North African market by way of tariff liberations, AfCFTA will not erode this relative spatial advantage of shorter distance to the North African market for West African countries – including Ghana.

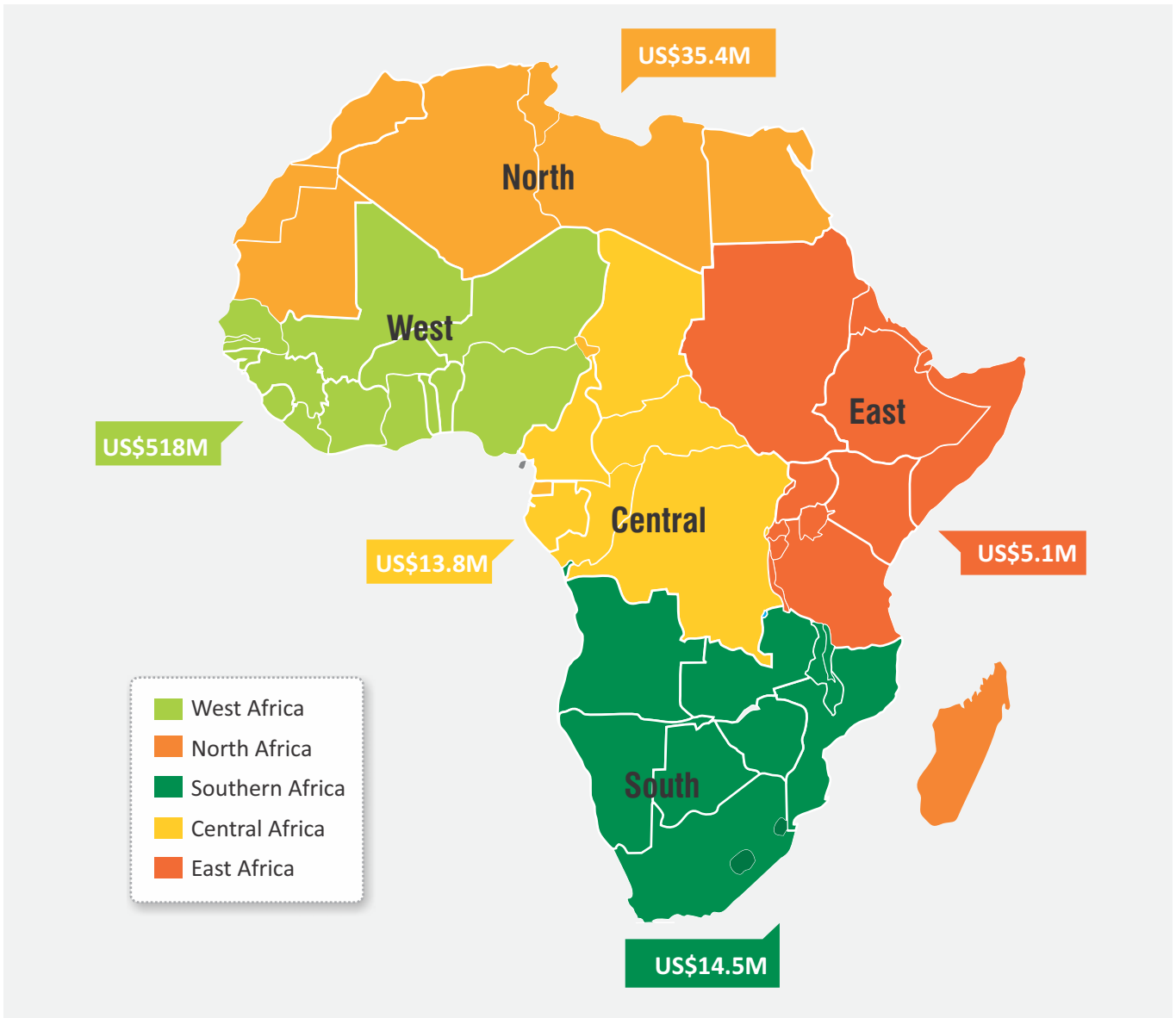
Ghana will have to pay attention to South Africa, Egypt and Morocco which are already breaking REC Barriers prior to AfCFTA implementation. Goods from these countries appear not to be hindered by distance, tariff regions or protectionist trade policies. Among the West African countries identified as markets in which Ghana has the largest estimated export potential in the continent, Morocco, Egypt and South Africa also have estimated export potential in nearly each of those markets and are usually exporting more into these markets than Ghana. Without looking at specific sectors, these countries are best positioned to trade in any region of the continent. The coming into effect of the AfCFTA can only strengthen their position. In conclusion, Egypt, Morocco and South Africa pose the most competitive threat to Ghana in markets where Ghana has the largest estimated export potential. It is also important to note that, these countries are the 3 most competitive countries identified in the competition matrix developed in chapter 3.

### **4.3 Ghana's Untapped Export Potential in Regional Markets (Value-Added Goods)**

Across all products, Ghana has an estimated US\$586.8 million untapped potential in intra-Africa export, based on current estimates by the ITC export potential map. Ghana's greatest estimated export potential in Africa is within the West African enclave. This could be attributed to a number of factors including favourable distance, significant bilateral trade among neighbouring West African states and the ECOWAS protocols. This could be attributed to a number of factors including favourable distance, significant bilateral trade among neighbouring West African states and the ECOWAS protocols.



Figure 4.3: Ghana's Untapped Export Potential in Regional Markets (Value-Added Goods)



Source: Konfidants based on ITC Estimated Export Potential Map (As of Q1 2020)

*The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.*

Since the export potential map model considers a number of present factors relating to bilateral trade including; market dynamics, GDP, population growth, trade relations, tariffs, market shares, land endowment, distance, and access to the sea, Ghana's export potential in the Continental Free Trade Area could be significantly increased.

## 4.4 Product Level Market Analysis: Ghana's Tapped & Untapped Export Potential for the Selected Product Groups

This section of the market analysis seeks to determine which specific markets within Africa are Ghana's likely top export destinations in the AfCFTA. For each of the seven product groups, we identify specific countries that present high potential as destinations for Ghanaian exports (based on current trends). It is crucial to caution that this analysis only shows a pre-AfCFTA landscape, and that a post-AfCFTA landscape may be significantly altered by the details of the AfCFTA as well as the configuration of countries based on their level of participation in the Agreement over time.

The selected product groups were reclassified in line with the main data source (ITC export potential map) as shown in the table.

Table 4.1: Reclassification Used to Determine Export Potential of the Selected Product Groups

Priority Product Group	ITC Classification
Agro-processed goods	Processed Food & Animal Feed
Cosmetics	Beauty Products & Perfume
Textiles	Apparel & Textile Product
Plastics	Plastics & Rubber
Pharmaceuticals	Pharmaceutical Components <sup>20</sup>
Lubricants	Chemicals
Cables & Conductors, Utensils, Aluminum, Roofing,	Mineral, Metals and Products thereof (Metal Manufactures)

*The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.*

<sup>20</sup> Pharmaceutical components is the closest to the pharmaceutical products in the export potential map.

#### 4.4.1 Top Export Market Destinations with the Highest Potential for Ghana's Agro-processed Goods (Processed foods & Animal Feed)

Table 4.2: Top Export Market Destinations with the Highest Potential for Ghana's Agro-processed Goods (Processed foods & Animal Feed)

Market	Ghana's Actual Export Value Ranking in Market (out of 54) <sup>21</sup>	Estimated Export Potential (USD)	Percentage of Estimated Potential being Realized
Burkina Faso	2nd	46,100,000	6%
Nigeria	2nd	36,700,000	26%
Togo	1st	30,100,000	10%
Niger	2nd	26,300,000	16%
Senegal	2nd	22,600,000	12%
Cote d'Ivoire	2nd	8,800,000	100%
Mali	3rd	7,500,000	29%
Benin	3rd	5,800,000	11%
Gambia	3rd	1,900,000	9%
Cameroon	6th	1,600,000	150%

Source: Konfidants, based on Data from ITC Export Potential Map (As of Q1 2020)

The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.

**Aside Cameroon, all of Ghana's top market destinations for agro-processed goods, are in the West African enclave – clearly taking advantage of proximity and likely tariff liberalization benefits in ECOWAS once again.** But it is worthy to note that, aside the Ivorian market where Ghana has exhausted all of its estimated potential, Ghana is operating at less than 50% of its estimated potential in each of these West African markets.

<sup>21</sup> According to the export map, the value of actual exports is calculated as an arithmetic average of direct and mirror data of reliable reporters over the past five years. At an aggregate level, actual exports can therefore be equivalent to or lower than export values recorded in other trade databases

Despite Ghana's high export potential in the Burkinabe market, Cote d'Ivoire exports more than 17 times the value of Ghana's processed foods & animal feed (US\$45.4 million) into the Burkinabe market. Cote d'Ivoire thus realizes more than 50% of its estimated export potential in the market – compared to Ghana which has over 90% of unrealized potential. In the Nigerian market, Ghana comes behind South Africa which exports about US\$30.2 million – realizing more than 70% of its US\$42.8 million potential in the Nigerian market for agro-processed goods. Ghana then places second with US\$9.4 million of its estimated potential of US\$36.7 million, in real exports. There exists more than 60% gap between second place Ghana and South Africa, the leader, in the Nigerian market. Ghana has exceeded its initial estimated export potential in the Cameroonian market by 50% and still has the potential to export nearly a million dollars more worth of agro-processed goods into the market. Cameroon is currently the only Central African country in the top 10 market destinations for Ghana's agro-processed goods. But Ghana's progress in the Cameroonian market suggests that Ghana can potentially strengthen its competitiveness in Central Africa if it can leverage AfCFTA to use Cameroon as a springboard.

#### 4.4.2 Top Export Market Destinations with the Greatest Potential for Ghana's Perfumery & Cosmetic Products

Table 4.3: Top Export Market Destinations with the Highest Potential for Ghana's Perfumery & Cosmetic Products

Market	Actual Export Value Ranking in Market (Out of 54) <sup>22</sup>	Estimated Export Potential (USD)	Percentage of Estimated Potential being Realized
Togo	5th	12,300,000	1%
Burkina Faso	2nd	10,000,000	87%
Nigeria	5th	6,900,000	3%
Niger	4th	2,200,000	4%
Senegal	5th	1,300,000	68%
Mali	3rd	1,200,000	33%
Cote d'Ivoire	4th	1,200,000	92%
Benin	5th	827,300	58%
Sierra Leone	4th	240,700	1%
Cameroon	7th	126,200	2%

Source: Konfidants, based on ITC Data from ITC Export Potential Map (As of Q1 2020).

The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.

<sup>22</sup> The value of actual exports is calculated as an arithmetic average of direct and mirror data of reliable reporters over the past five years. At an aggregate level, actual exports can therefore be equivalent to or lower than export values recorded in other trade databases

**Nine out of Ghana's top 10 market destinations for Cosmetics are in West Africa. Similarly, the markets' top player in terms of export value in nearly all of the markets is from the West Africa region.** In the top-most three markets – Togo, Burkina Faso and Nigeria, Cote d'Ivoire is the markets' leading intra-Africa exporter of cosmetics into these markets. In Togo, for instance, Cote d'Ivoire leads the market in actual export value by realizing about 87% of its US\$31.8 million potential in the market – compared to Ghana realizing just about 1% of its potential in the Togo market. Similarly, in both the Burkina Faso and Nigerian markets, Cote d'Ivoire leads by realizing about 70% and 96% of its market potentials of US\$51 million and US\$62.9 million respectively.

**Non-West African countries such as Morocco, Eswatini, South Africa and Egypt are doing markedly better than Ghana in a good number of these West African markets.** For instance, in the Togo market where Ghana enjoys benefits such as proximity and ECOWAS tariff concessions, Egypt from North Africa, has exceeded its US\$2 million market potential by 35% in actual exports of cosmetics and even estimated to have the capacity to increase export value by nearly an additional US\$1 million – relative to Ghana which has about 90% of its US\$12.3 million potential in Togo untapped.

**Ghana may risk losing significant intra-Africa market share when trading starts within the AfCFTA.** This is because Ghana does not seem to be taking enough advantage of the estimated opportunities these top export market destinations present in the West African region. With the coming into effect of the AfCFTA, Ghana will not enjoy any special advantages in these markets since Ghana's cosmetics products may already be benefitting from tariff concessions from the ECOWAS common market. Therefore, Ghana risks losing market share to both current and potential non-West African players in these markets identified as Ghana's top export destinations for cosmetics.



### 4.4.3 Top Export Market Destination Markets with the Highest Potential for Ghana's Textile Product (Apparel & Textile Products)

Table 4.4: Top Export Market Destination with the Highest Potential for Ghana's Textile Product (Apparel & Textile Products)

Market	Actual Export Value Ranking in Market (Out of 54) <sup>23</sup>	Estimated Export Potential (USD)	Percentage of Estimated Potential being Realized
Togo	2nd	3,000,000	4%
Nigeria	7th	559,600	1%
Senegal	8th	505,600	N/A
Cote d'Ivoire	2nd	260,700	199%
Burkina Faso	6th	130,600	33%
Benin	6th	126,000	8%
South Africa	19th	55,600	N/A
Niger	7th	34,600	21%
Cameroon	5th	24,700	310%
Tunisia	7th	11,300	N/A

Source: Konfidants, based on ITC Export Potential Map (As of Q1 2020)

The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.

Ghana's estimated export potential for textile is disturbingly low in all the markets. With exception of Togo where estimated potential is US\$3million, all the other markets have estimated potential below US\$600,000. What this means in effect is that Ghana is not competitive in the export of textiles in the intra-African market.

And yet textiles remains one of the products that are consistently prioritized by both the Ghanaian private sector as well as government as a strategic sector for manufacturing and export development.

The results of the export potential analysis should thus offer sobering lessons for the country. The reality of Ghana's export potential in the sector does not match the high expectations of industry and government. As such the level of turn around effort required to turn Ghana into a competitive producer and exporter of textiles should be serious enough to match those expectations. Ghana needs to increase the productive capacity and competitiveness of its textile industry in order to significantly rise the country's export potential in the African market. This will have to be achieved against the backdrop of the influx of cheap textile imports.

increase

<sup>23</sup> According to the ITC export potential map, the value of actual exports is calculated as an arithmetic average of direct and mirror data of reliable reporters over the past five years. At an aggregate level, actual exports can therefore be equivalent to or lower than export values recorded in other trade databases

#### 4.4.4 Top Export Destination Markets with the Highest Potential for Ghana's Plastics

Table 4.5: Top Export Destination Markets with the Highest Potential for Ghana's Plastics

Market	Ghana's Actual Export Value ranking in the market (out of 54) <sup>24</sup>	Estimated Export Potential (USD)	Percentage of Estimated Potential being Realized
Burkina Faso	1st	12,000,000	777%
Niger	3rd	2,600,000	100%
Nigeria	4th	2,500,000	37%
Togo	1st	1,800,000	389%
Mali	3rd	1,100,000	427%
Senegal	8th	1,100,000	11%
Cote d'Ivoire	3rd	817,100	355%
Benin	4th	365,200	262%
Cameroon	10th	261,000	14%
Sierra Leone	5th	124,200	390%

Source: Konfidants based of Data from ITC Export Potential Map (As of Q1 2020)

*The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.*

The top export destination markets with greatest potential for Ghana's plastics are concentrated in the West African region – 9 of the top 10 are all in the ECOWAS region.

**The frontier African competitor in the top two markets with greatest potential is Cote d'Ivoire, realizing 70% in both the Burkina Faso and Niger markets in which it has market potentials of US\$49 million and US\$8.4 million respectively.** Although Ghana has exhausted its estimated market potential in the Niger market, Cote d'Ivoire realizing 70% of its potential ranks higher than Ghana in terms of export value.

**Ghana has exceeded market potential in many of its markets. Ghana exhausts or exceeds its estimated export potential in six of the top ten market destinations with the greatest potential for Ghana's plastics by multiple factors.** These markets are; Burkina Faso, Niger, Togo, Mali, Cote d'Ivoire, Benin and Sierra Leone. Ghana exceeding its estimated potential in these markets may suggest that the country is competitive in the production and export of plastics. With a clear strategy, Ghana can take advantage of the AfCFTA to diversify plastic exports into other markets outside the west African region.

<sup>24</sup> According to the ITC export potential map, the value of actual exports is calculated as an arithmetic average of direct and mirror data of reliable reporters over the past five years. At an aggregate level, actual exports can therefore be equivalent to or lower than export values recorded in other trade databases



#### 4.4.5 Top Export Market Destinations with the Highest Potential for Ghana's Pharmaceutical Components<sup>25</sup>

Table 4.6: Top Export Market Destinations with the Highest Potential for Ghana's Pharmaceutical Components

Markets	Actual Export Value Ranking in the market (out of 54) <sup>26</sup>	Estimated Export Potential (USD)	Percentage of Estimated Potential being Realized
Nigeria	N/A	751,700	0%
Niger	7th	597,600	14%
Burkina Faso	8 <sup>th</sup>	439,900	9%
Togo	7th	292,800	9%
Cote d'Ivoire	6th	142,900	525%
Senegal	6th	139,900	22%
Benin	6th	69,500	91%
Mali	N/A	57,700	0%
Cameroon	10th	57,000	35%
Egypt	N/A	30,600	0%

Source: Konfidants, based on Data from ITC Export Potential Map (As of Q1 2020 ).

*The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.*

**Ghana's markets with the greatest potential are concentrated in West Africa as presented in the table above.** But Ghana is extremely weak both in actual export value and proportion of the estimated export potential realized in these markets. Although Ghana significantly exceeds its potential in the Ivorian market by exporting 425% more than its estimated potential in pharmaceutical component, Ghana's export of pharmaceutical components are so insignificant that in the Nigerian, Malian and Egyptian markets, the actual export value in these markets are recorded as zero on the export potential map.

**South Africa, Egypt and Senegal lead in the 3 foremost markets in which Ghana has the greatest potential in exporting Pharmaceuticals components** – notably Nigeria, Niger and Burkina Faso, in that order. In the Nigerian market, South Africa realizes 75% of its US\$8.7 million followed by Egypt in second place with 50% of its US\$4 million potential. In Niger, Egypt leads the market by far exceeding its estimated export potential and exporting 225% of its US\$577,700 estimated export.

<sup>25</sup> Please refer to the appendices to see examples of products that constitute pharmaceutical components. The Export Potential Map which helps us to determine the markets does not have Pharmaceuticals products treated. The closest to Pharmaceutical products is p harmaceutical components.

<sup>26</sup> According to the ITC export potential map, the value of actual exports is calculated as an arithmetic average of direct and mirror data of reliable reporters over the past five years. At an aggregate level, actual exports can therefore be equivalent to or lower than export values recorded in other trade databases.

If Ghana is not able to take advantage of the proximity and low tariff of ECOWAS to significantly tap its potential in West African markets in which its greatest estimated export potential exists, then implementation of the AfCFTA is a big threat in these markets. While Ghana may rank in the upper quartile of intra-Africa exporters of pharmaceuticals, its performance in pharmaceutical components as seen in this part of the analysis is poor – ranking 11th with only an estimated US\$4 million in exports. It must be noted that, this poor performance in pharmaceutical components does not necessarily reflect Ghana's general overall market performance in the export of pharmaceutical products. However, this can be seen as an investment opportunity for Ghanaian pharmaceutical companies to invest in the production of pharmaceutical components.

#### 4.4.6 Top Export Market Destinations with the Highest Potential for Ghana's Chemicals Export (Including Lubricants)

Table 4.7: Top Export Market Destinations with the Highest Potential for Ghana's Chemical Exports (including Lubricants)

Markets	Ranking of Actual Export Value in the Market (Out of 54) <sup>27</sup>	Estimated Export Potential (USD)	Percentage of Estimated Potential being Realized
Burkina Faso	4th	20,400,000	9%
Niger	1st	4,200,000	164%
Togo	3rd	2,600,000	50%
Cote d'Ivoire	4th	1,800,000	194%
Mali	5th	1,700,000	47%
Nigeria	5th	1,200,000	64%
Senegal	7th	803,600	10%
Benin	2nd	156,400	1407%
Sierra Leone	7th	95,400	18%
Egypt	N/A	74,300	0%

Source: Konfidants, based on Data from ITC Export Potential Map (As of Q1 2020)

*The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.*

**Markets in Africa with the largest potential for Ghana's exports of chemicals are concentrated in West Africa.** The trend of market destinations with greatest potential observed for Ghana's intra-Africa export of chemicals is in tandem with the trends seen for other product groups – thus much of the markets are concentrated in the West African market. Ghana seems to have a strong presence in Niger, Cote d'Ivoire and Benin markets by exceeding its estimated potential by 64%, 95% and 1306% respectively. In these markets, Ghana shows competitiveness that it could consolidate even in the face of AfCFTA. Although AfCFTA will open up these markets for other players – especially the non-West African ones, Ghana should still be able to compete in this market.

<sup>27</sup> According to the ITC export potential map, the value of actual exports is calculated as an arithmetic average of direct and mirror data of reliable reporters over the past five years. At an aggregate level, actual exports can therefore be equivalent to or lower than export values recorded in other trade databases.

**Much of the Potential in Burkina Faso, Senegal, Sierra Leone and Egypt markets for Ghana's chemicals remains untapped** – more than 80% of the market potential in these markets remain untapped.

**While Ghana taps less than 20% of its potential in the Burkina Faso market, Cote d'Ivoire leads as the top exporter of chemicals into Burkina Faso by actualizing 190% of its US\$7.5 million potential**, followed by South Africa which realizes about 65% of its US\$5.1 million potential. In the Nigerian market, where Ghana leads as the top most African exporter into the market, it exports US\$6.9 million followed by Cote d'Ivoire which exports 160% of its potential.

#### 4.4.7 Top Market Destinations with the Highest Potential for Ghana's Metal Manufactures (Aluminium, Utensils, Roofing sheets, Cables & Conductors (Other metals))

Table 4.8: Top Market Destinations with the Highest Potential for Ghana's Metal Manufactures (Aluminium, Utensils, Roofing sheets, Cables & Conductors (Other metals))

Markets	Actual Export Value Ranking (Out of 54) <sup>28</sup>	Estimated Export Potential (USD)	Percentage of Estimated Potential being Realized
Nigeria	4th	5,326,108	77%
Burkina Faso	7th	3,592,606	377%
Côte d'Ivoire	5th	2,544,328	111%
Mali	11th	1,004,859	946%
Togo	12th	889,717	3174%
Senegal	7th	882,363	31%
Niger	9th	703,364	892%
Egypt	N/A	660,893	0%
South Africa	8th	614,772	31%
Tunisia	8th	509,636	0%

Source: Konfidants, based on Data from ITC Export Potential Map (As of Q1 2020)

*The Export Potential Map generates a benchmark (Export Potential) value of what can be reasonably expected given the characteristics of the trading countries and specific products, based on historical trade and market access information projected into the future. While the model provides important guidance on export potential, it does not present an upper boundary for export performance. Therefore, in practice, through exceptional performance in some markets such as creating high quality products with strong brand recognition that align well with consumer preferences, a country can exhaust (or exceed) its estimated export potential and capture additional potential yet to be realized.*

<sup>28</sup> According to the ITC export potential map, the value of actual exports is calculated as an arithmetic average of direct and mirror data of reliable reporters over the past five years. At an aggregate level, actual exports can therefore be equivalent to or lower than export values recorded in other trade databases.



**With the exception of Nigerian and Senegalese markets, Ghana has exceeded its estimated potential in the West African markets identified as part of the top 10 markets with the highest export potential for Ghana's metal Manufactures.** Similar to the broad observation made in our analysis, the top 10 markets with the greatest export potential for Ghana's metal manufactures is dominated by West African peers. Seven (7) out of the top markets identified are in the West African enclave – the remaining 3 markets making the top 10 are located in Southern and Northern Africa. In 5 out of the 7 West African markets located in the top 10, Ghana's actual estimated export into each of these five markets far exceeds the estimated export potentials.

**Although the Nigerian market is the market with the highest estimated export potential for Ghana's metal manufactures, in actual terms, the Togolese market is the highest export destination for metal manufactures from Ghana.** As shown in the table above, the Nigerian market is the market with the highest export potential for Ghana's metal manufactures with more than US\$5.3 million in export potential. However, Ghana seems to be putting up exceptional export performance in the Togolese market, where actual export far exceeds the estimated potential of US\$889,717. Ghana's actual metal manufactures export value into the Togolese market is estimated at about US\$28.2 million – 3174% of its estimated potential – making Togo the highest export destination in Africa for Ghana's metal manufactures. Similarly, in the Burkinabe market, Ghana's actual metal manufactures into the market is about US\$12.5 million – 377% of the estimated potential for the market. In the Malian and Nigerien markets, Ghana's export of metal manufactures, US\$9.5 million and US\$6.2 million respectively, far exceeds the estimated export potentials. In conclusion, although the market with the highest export potential for Ghana's metal manufactures is the Nigerian market, in terms of actual export value into the 10 markets with the highest export potential of Ghana's metal manufactures, the Nigerian market ranks 5th – behind markets such as Burkina Faso, Mali, and Togo, where Ghana has lesser estimated potentials compared to the Nigerian market.

# 5

## GHANA'S TRADE LOGISTICS AND TRANSPORT CONNECTIVITY COMPETITIVENESS

### 5.1 Introduction

Transportation cost is a major competitiveness factor in international trade, especially for Africa's 16 landlocked countries which suffer additional costs as goods are landed at coastal ports. It will require a very rigorous study to determine the extent to which transport cost impacts Ghana's trade competitiveness – more so intra-Africa trade. The scope of this study however does not provide for such in-depth level analysis of transport cost competitiveness. This notwithstanding, the authors have attempted to assess Ghana's transport connectivity competitiveness in the African region using the following:

- **Proportion of intra-regional flights** (from the Africa Regional Integration Index 2019 jointly published by United Nations Economic Commission for Africa (UNECA), African Development Bank (AfDB) and the African Union (AU)). It is calculated as the percentage of the number of flight connections to/from points within the continent, to the total of all flight connections within the continent. Although this may largely represent passenger flights and not necessarily Air Cargo, it gives an idea of how well Ghana is currently connected to other countries in Africa in terms of flight connectivity.
- **International Shipments** (from the World Bank Logistics Performance Index). The International shipment measures ease of arranging competitively priced shipments.
- **Logistics Competence** (from World Bank Logistics Performance Index). Logistics competence measures competence and quality of logistics services (E.g. Transport operators, customs brokers)
- **Linear Shipping Connectivity Index** (from UNCTAD) measures the extent of connectedness to global shipping networks and calculates the index based on five indicators namely, number of ships, container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in a country's ports.



## 5.2 Findings

Table 5.1: Ghana's Transport and Logistics Connectivity

Proportion of intra-regional flights		International Shipments		Logistics Competence	
Country	Score (out of 1)	Country	Score (out of 5)	Country	Score (out of 5)
South Africa	1.000	South Africa	3.56	South Africa	3.54
Kenya	0.598	Tunisia	2.86	Ghana	2.51
Ethiopia	0.585	Kenya	2.79	Angola	2.5
Côte d'Ivoire	0.411	Morocco	2.75	Zambia	2.44
Morocco	0.408	Ghana	2.53	Tunisia	2.43
Cameroon	0.317	Angola	2.5	Nigeria	2.38
Zambia	0.316	Nigeria	2.49	Egypt, Arab Rep.	2.38
Nigeria	0.314	Ethiopia	2.43	Cote d'Ivoire	2.38
Tunisia	0.301	Zambia	2.4	Kenya	2.31
Tanzania	0.299	Senegal	2.36	Cameroon	2.25
Egypt	0.262	Cameroon	2.33	Morocco	2.12
Senegal	0.246	Egypt, Arab Rep.	2.33	Senegal	2.11
Ghana	0.236	Cote d'Ivoire	2.12	Ethiopia	2
		Tanzania	2.08	Tanzania	1.92

Source: Konfidants analysis, based on data from the 2019 Africa Regional Integration Index,<sup>29</sup> and 2018 Logistics Performance Index <sup>30</sup>

- In terms of intra-Africa flight connectivity, Ghana performs poorly and ranks 12th when compared to the frontier countries. Ghana however does fairly well in terms of international shipments among the frontier countries and ranks 4th - scoring just about half of the total score – behind South Africa, Tunisia and Kenya.
- Regarding logistics competence, Ghana comes 2nd among the frontier countries but scores just about half the total score. This is not particularly because Ghana is doing well but because the performance across the continent generally is poor.
- For further insight, we analyzed Ghana's Linear Shipping Connectivity Performance with those of the coastal African countries using the latest Linear Shipping Connectivity Index to understand how Ghana compares with other coastal countries.

<sup>29</sup> <https://www.integrate-africa.org/reports-data/download-the-2019-reports/>

<sup>30</sup> <https://lpi.worldbank.org/international/global/2018.%202019>

Figure 5.1 :Ghana's Linear Shipping Connectivity Index Performance (2015 - 2020)



Source: Konfidants analysis, based on Data from Linear Shipping Connectivity Index by the United Nations Conference on Trade and Development <sup>31</sup>

- In the last six years, except for 2018 where Ghana's Linear Shipping Connectivity Index (LSCI) ranked outside of the top 10 countries in Africa, Ghana has consistently ranked among top 10 countries most connected to the global shipping network in Africa. It must be noted that from 2019 to 2020, Ghana's LSCI performance has seen a sharp rise and now ranks 4th (with average score of 38.7 out of 100) most connected African country to the global shipping network behind Morocco (68.2), Egypt (65.5) and South Africa (41.2) which place 1st, 2nd and 3rd respectively in the continent. This effectively means that, Ghana's ports rank fourth in Africa in terms of number of ships, container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in the country. Although the source data fails to assign reasons to the sharp rise in Ghana's LSCI from 2019 to 2020, Ghana's LSCI rising to fourth in Africa could be attributed to the expansion of Ghana's biggest port, the Tema port, to accommodate more containers and bigger vessels.
- Overall, Ghana seems to have some relative strengths in terms of International shipments, logistics competence and linear connectivity into the global shipping network compared to the frontier African countries. Ghana must seek to consolidate her relative strengths along these transport and logistics indicators and leverage them to strategically create cost-effective intra-Africa shipping network linking Ghana to its high potential markets.

<sup>31</sup> <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=92>

## 6

## BENCHMARKING ENABLER FACTORS IN THE OPERATING ENVIRONMENT

In order to gain more insights into Ghana's level of competitiveness and readiness for AfCFTA implementation, this segment of the study explores key operating environment factors for export competitiveness by benchmarking Ghana to the frontier countries identified earlier. The following factors are used for the benchmarking analysis. They have been selected based on consultations with industry players as well as key variables of the Action Plan for Boosting Intra-Africa Trade (BIAT)

- Trade facilitation (Customs Efficiency and cost)
- Cost of Finance and access to Trade Finance.
- Trade-related Infrastructure
- Productive Capacity
- Cost of Power

The analysis uses data from varied reputable sources to build indices that rank and determine Ghana's competitiveness in each of the above indicators relative to the frontier competing countries.

### 6.1 Customs Efficiency

Table 6.1: Ghana's Customs Cost Efficiency Ranking among the Frontier Competitors in the AfCFTA

Country	Cost to Export (US\$) (Documentary Compliance)*	Cost to Export (US\$) (Border Compliance)**	Total Export Cost (US\$) (Documentary & Border Compliance)
Morocco	106.9	155.8	262.7
Kenya	190	142.5	332.5
Egypt	100	258	358
Cote d'Ivoire	136.1	387.1	523.2
Zambia	200	370	570
South Africa	170	428.3	598.3
Senegal	96	546.7	642.7
Ghana	155	490	645
Tunisia	200	469.1	669.1
Nigeria	250	785.7	1035.7
Cameroun	305.5	982.8	1288.3
Tanzania	275	1160	1435

Source: Konfidants, based on Data from Global Enabling Trade Platform & Ease of Doing Business



**In cost efficiency of customs, Ghana ranks as 5th most expensive border compliant country relative to countries identified as the most competitive countries in the selected products.** Compared to other countries identified as posing the most competitive threat within the AfCFTA, the cost of customs compliance in Ghana is the 5th costliest ahead of Nigeria which is the 3rd costliest, but behind Cote d'Ivoire which has the 4th most affordable border compliance among the 12 most competitive economies within the AfCFTA.

**The total cost of customs compliance in Ghana is less than the average for the most competitive economies within the AfCFTA - which is positive, but there is room for significant improvement to be able to compete effectively with the leading intra-Africa exporters.** Although Ghana's cost of export is US\$25 less than the average compliance cost for these competitive countries, it has a long way to go to catch up with countries such as Morocco, Kenya, Egypt, which have estimated cost of export of about US\$262.7, US\$332.5, and US\$358 respectively. Ghana's cost of compliance is nearly US\$120 more than Cote d'Ivoire's, West Africa's most cost-efficient customs ranked among the frontier countries.

Table 6.2: Ghana's Customs Time Efficiency Ranking among the Frontier Competitors in the AfCFTA

Economy	Time to Export (hrs) (Documentary Compliance)	Time to Export (hrs) (Border Compliance)	Total time to Export (hrs) (Documentary & Border Compliance)
Kenya	19	21	40
Morocco	25.6	19	44.6
Tunisia	3	50.5	53.5
Senegal	26	61.5	87.5
Egypt	88	48	136
South Africa	68	100	168
Tanzania	96	96	192
Ghana	89.3	108	197.3
Cote d'Ivoire	120	109.7	229.7
Nigeria	131.4	135.4	266.8
Zambia	130	148	278
Cameroun	163	271	434

Source: Konfidants, based on Data from Global Enabling Trade Platform & Ease of Doing Business

It takes more than 8 days to comply with documentary and border requirements for exports in Ghana, compared to less than two days in Kenya – the most time efficient customs among the most competitive economies within the AfCFTA. Specifically, documentary compliance takes more than 4 days in Ghana compared to just 3 hours in Tunisia (the most competitive). For border compliance, it takes about 4.5 days to meet border compliance in Ghana, whereas in countries such as Morocco and Kenya, it takes less than a day to meet border compliance for exports.

Ghana however has the second most time efficient customs in West Africa compared to Cote d'Ivoire and Nigeria which require about 9.5 and 11.12 days, respectively, to meet border and documentary requirements for exports. The regional peer with the most time efficient customs is Senegal which requires 3.6days to meet documentary and border requirements.

It is however important to acknowledge that, the digitization of procedures being undertaken at Ghana's ports could help Ghana boost its performance in terms of time efficiency of customs if the digitalization is allowed to work properly without human interferences.

## 6.2 Trade-related Infrastructure

This component assesses the availability and quality of Air Transport, Railroad, Port and Road. The analysis relies on data from the most recent Global Enabling Trade Report, from the World Economic Forum (2016), to develop a model that helps to score and rank the overall quality of trade-related infrastructure available in these countries. The table below summarizes the performance and ranking of each country.

Table 6.3: Ranking of Infrastructure Availability & Quality

Countries	Overall Trade-related Infrastructure Availability & Quality Performance (out of 1)
South Africa	0.64
Morocco	0.62
Egypt	0.55
Cote d'Ivoire	0.53
Kenya	0.48
Senegal	0.43
Tunisia	0.43
Ghana	0.41
Zambia	0.40
Tanzania	0.39
Nigeria	0.36
Cameroon	0.35

Source: Konfidants, based on Data from Global Enabling Trade Database

**The availability and quality of Ghana's trade-related infrastructure falls below the average of leading intra-Africa exporters.** The overall availability and quality of Ghana's air transport, seaports, railroad and roads is 0.41 (out of 1) compared to the average of 0.47 for the leading intra-Africa exporters.

**Ghana's score falls below the average for each of the transport infrastructure types analyzed. For air transport, South Africa leads with a score of 4.3 (out of 7).** Ghana however records 2.6 (out of 7) compared to the 2.8 average for air transport among the frontier countries. For railroads, Ghana's score is 1.80 compared to the average of 2.6 for the frontier countries. For seaport, Ghana's quality is 3 compared to the 3.2 average for frontier countries. Morocco has the most quality railroad and seaport infrastructure on the continent with scores of 3.90 and 5 respectively. For ports, Egypt and South Africa follow Morocco with the scores of 4.7 and 4.1 respectively.

Ghana's best quality trade-related infrastructure is in roads but falls below the average for its peers. Across the various trade-related infrastructure types analyzed, Ghana recorded the highest quality score of 4 for roads – but below the average score of 4.3 among competing countries. Ghana's worst performance in trade-related infrastructure is in railroads.

There is the need for urgent and strategic investment in certain transportation corridors to facilitate intra-Africa and international trade. Deserving more attention is Ghana's railroad which is the worst performing transport mode for trade in the country.

### 6.3 Trade & Business Financing

In analyzing the financing competitiveness of the leading intra-Africa exporters, eight different indicators were used to build an index to rank the business financing competitiveness of these countries. These indicators are stated in the table below. The analysis for financing was done on 3 levels;

- Business Financing competitiveness - based on cost of credit using the prime policy lending rate.
- Share of domestic credit to private sector (% of GDP), and SME Financing – reported by the Global Competitiveness Report
- Finally, other dimensions of business financing listed in the table below;

Table 6.4: Table of Indicators for Assessing Business Financing Competitiveness

Indicator	Source of Data
Ease of Access to Credit	World Bank Ease of Doing Business
Cost of Credit <sup>32</sup>	Multiple sources
% of firms using banks to finance investments	World Bank Enterprise Survey
Proportion of investment financed by banks (%)	World Bank Enterprise Survey
Proportion of investment financed internally (%)	World Bank Enterprise Survey
Percent of firms using supplier/customer credit to finance working capital	World Bank Enterprise Survey
Proportion of working capital financed by banks (%)	World Bank Enterprise Survey
Percent of firms using banks to finance working capital	World Bank Enterprise Survey

<sup>32</sup> Since the commercial market lending rate, at which businesses and individuals borrow, is not readily available online for all countries, the central bank prime policy lending rate was used as a proxy for cost of credit – since it largely sets the floor for commercial lending rates.

Table 6.5: Cost of Credit Ranking

Country	Cost of Credit (using policy rate as lowest possible proxy)
Morocco	1.5
Cameroun	3.25
South Africa	3.5
Cote d'Ivoire	4.5
Senegal	4.5
Tanzania	5
Tunisia	6.25
Ethiopia	7
Kenya	7
Zambia	8
Egypt	8.25
Nigeria	11.5
Ghana	14.5
Angola	15.5

Source: Multiple Sources. January, 2021

Ghana's prime policy rate is 14.5% (as of January 2021) compared to the average 7.16% for the most competitive economies within the AfCFTA. Morocco has the cheapest policy rate of 1.5% among leading intra-Africa exporters.

The study ranked cost of credit in all 12 frontier economies by using the prime policy rate as an indirect benchmark. While no business borrows at the policy rate it is nonetheless a primary determinant of how low interest rates can be brought down as well as a primary anchor for commercial interest rate spreads. Cost of credit in Ghana – using the policy rate as an indirect benchmark – is more than double the average cost for the frontier intra-Africa exporters. With such high policy rate, the quickest way for Ghana to enhance its competitiveness is to progressively reduce the interest rate spread by addressing difficult challenges such as high Non-Performing Loan ratios.

Table 6.6: Domestic Credit to Private Sector

Country	Domestic Credit to Private Sector (%GDP) <sup>33</sup>
Morocco	63.6
Cameroun	15
Cote d'Ivoire	24.6
Senegal	28.2
South Africa	146.5
Tanzania	14.8
Ethiopia	29
Tunisia	82.4
Kenya	32.9
Zambia	15.5
Egypt	29.7
Nigeria	14.7
Angola	20
Ghana	15

Source: Konfidants based on 2019 Global Competitiveness Report

Ghana's domestic credit to private sector as a share of GDP ranks near the bottom among the frontier countries. Ghana's domestic credit to private sector as a share of GDP (15%) is among the three (3) lowest for the frontier countries with only Nigeria and Tanzania ranking behind Ghana.

## Further Insights into Financing Competitiveness

Table 6.7: Firm Investment Financing

Indicator	Ghana performance	Average for frontier African competitors	Frontier Country Performance	Ghana's ranking among the 12 frontier competitors
% of firms using banks to finance investments	25.2%	25.01%	Morocco(53.7)	6th
Proportion of investment financed by banks (%)	14.4%	12%	South Africa (26.3%)	5th
Proportion of investment financed internally (%)	70%	67.29%	Cameroon(26.3)	7th

Source: Konfidants ranking, based on World Bank Enterprise Survey Database

<sup>33</sup> computed as the sum of loans, purchases of non-equity securities, trade credits and other accounts receivable that establish a claim for repayment provided by financial corporations to firms and households.

Table 6.8: Working Capital Financing

Indicators	Ghana performance	Average for frontier African competitors	Frontier Country Performance	Ghana's ranking among the 12 frontier competitors
Percent of firms using supplier/customer credit to finance working capital	40%	33.30%	South Africa(92.5%)	3rd
Percent of firms using banks to finance working capital	25.8%	24.4%	Tunisia (48.8%)	4th
Proportion of working capital financed by banks (%)	10.40%	9.15%	Tunisia (19.8%)	4th

Source: Konfidants ranking, based on World Bank Enterprise Survey Database

Using supplier or customer credit to finance business operations is one of the cheapest sources of funding with minimal risk to firms compared to commercial bank credit. Only 40% of firms in Ghana surveyed by the World Bank Enterprise Surveys use supplier/customer credit to finance working capital. In this regard, South Africa is the most competitive country – with 92.5% of South African firms surveyed in the World Bank Enterprise Surveys admitting to using supplier/customer credit to finance working capital. However, South Africa's high score appears to be an outlier as the average for frontier exporters is 33%. Ghana is therefore 7 percentage points above the average score, and thus emerges as number 3 ranked country for this indicator.

However, to be able to scale up production within the quickest possible time in light of the implementation of the AfCFTA, SMEs will need banks to finance not just capital investments, but they will also need banks, in the interim, to finance some components of their working capital. Tunisia has about 48.8% of firms using banks to finance working capital, the highest among the Frontier competitors, compared to Ghana where 25.8% percent of firms have banks financing their working capital. Ghana's proportion of working capital financed by banks is just about 1 percentage point above the average for the frontier competitors.

It seems strange that while Ghana performs at the bottom of the pack when it comes to cost of credit, Ghana seems to rank highly when it comes to working capital and investment capital financing. This suggests that firms in the frontier economies are not taking full advantage of the low cost of credit. Conversely, utilization rate of banking products is relatively higher in Ghana despite the high cost of credit. What this implies is that if cost of credit reduces significantly in Ghana to the level in the frontier economies, firms in Ghana may be able to outperform their peers in Africa, assuming they can convert high utilization rate of access to cheap finance into superior productive capacity and efficiencies. In other words, the return on cheap financing in Ghana is likely to be higher than the return on cheap financing in the other top frontier economies.

## 6.4 Productive Capacity

Like the other components of the enabler factors for export competitiveness, the model uses a wide range of indicators to assess a country's competitiveness in productive capacity. The following nine indicators were used to assess Ghana's competitiveness to produce and export relative to other leading intra-Africa competitors within the AfCFTA.

Table 6.9: Table of Indicators used to Compute Productive Capacity

Indicator	Source of Data
Capacity utilization	World Bank Enterprise Survey
Average Annual Electrical Outage Loss	World Bank Enterprise Survey
Proportion of skilled workers (out of all production workers) (%)*	World Bank Enterprise Survey
Labour Productivity Growth	World Bank Enterprise Survey
% of firms on R&D expenditure	World Bank Enterprise Survey
Percent of firms Exporting at least of 10% (Directly or indirectly)	World Bank Enterprise Survey
% of firms identifying electricity as major challenge	World Bank Enterprise Survey
Firms using material inputs and/or supplies of foreign origin	World Bank Enterprise Survey
Percent of firms identifying an inadequately educated workforce as a major constraint	

Ghana's overall productive capacity as measured by the above indicators, is below the average productive capacity performance for the frontier competitive intra-Africa exporters.

Ghana scores 4.23 out of a possible 9 points compared to the average score of 4.51. South Africa is the most competitive country in terms of productive capacity with a score of 5.703 out of 9 points. South Africa is followed by Egypt and Nigeria with scores of 5.678 and 5.666 respectively. The table below shows the scores and rankings of the 12 most competitive intra-Africa exporters

## Productive Capacity Ranking

Table 6.10: Productive Capacity Ranking

Countries	Score (Out of 10)
South Africa	5.703
Egypt	5.678
Nigeria	5.666
Tunisia	5.534
Morocco	5.534
Kenya	5.449
Senegal	5.407
Angola	5.341
Ethiopia	5.23
Cameroon	5.047
Ghana	4.756
Cote d'Ivoire	4.755
Zambia	4.716
Tanzania	4.507

Source: Konfidants ranking based on World bank Enterprise Survey data

Ghana's productive capacity is below half of the total score for productive capacity (10). This means that, the capacity for Ghanaian firms to produce is generally lower and ranks among the bottom four among the frontier countries together with Zambia, Cote d'Ivoire and Tanzania. This is worrying and if not addressed with urgency, it may hinder the ability of Ghanaian firms to be competitive and take advantage of the AfCFTA.

### Further Insights into Productive Capacity

The analysis of productive capacity competitiveness has been divided into two broad categories i.e. Labour Quality & Skills Availability, and Innovation & Production Capacity, to give an overview of how Ghana performs on some of the individual indicators.



Table 6.11: Labour Quality and Skills

Indicator	Ghana Performance	Average for frontier African competitors	Frontier Country	Ghana Ranking
Proportion of skilled workers in manufacturing sector (out of all production workers) (%)*	74.8%	75.97%	Egypt (87.1%)	6th
Labour Productivity Growth	6.4%	-2.87	Ghana (6.4%)	1st
Percentage of firms identifying an inadequately educated workforce as a major constraint	14.5%	17.9%	Nigeria (5.1%)	7th

Source: Konfidants based on Data from the World Bank Enterprise Survey

Ghana has the highest labour productivity growth among the frontier intra-African exporters – with a positive growth of 6% compared to the average -2.87% for the frontier intra-Africa exporter. Which means labour output in Ghana is growing compared to the other leading intra-Africa exporters.

Ghana's proportion of skilled workers as percentage of total workforce in the manufacturing sector is 74.8% - almost the average of 75.97% for the frontier competitors, compared to Egypt with skilled workforce of about 87.1%, the highest among the frontier competitors.

14.5% of Ghanaian manufacturing firms identify inadequately educated workforce as a major constraint whereas in Nigeria, only 5% of firms identify inadequately educated workforce as a major constraint. Judging by the average score of 17.9% for the frontier economies, this seems to be less of a problem in Ghana than in the other leading exporters.

Although Ghana is fairly competitive in terms of quality of labour and skills, a lot more has to be done to significantly boost productivity and catch up with countries such as Tunisia, South Africa, Egypt and Kenya. Ghana can leverage on its quality of labour to attract not only Foreign Direct Investments (FDI) during the implementation of the AfCFTA, but also attract firms from other countries with poor quality labour within the AfCFTA to relocate to Ghana.

Table 6.12: Innovation & Production Potential Utilization

Indicator	Ghana performance	Average for frontier African competitors	Frontier Country	Ranking
Capacity Utilization	65.8%	71.01%	Tanzania (80.8%)	10th
% of firms spending on R&D	25%	15.47%	Zambia (27.0%)	3rd
Firms using material inputs and/or supplies of foreign origin*	68%	50%	Nigeria (31%)	11th
% of firms identifying electricity as major challenge	72.7%	47.9%	Tunisia(10.3%)	11th
Average Annual Electrical Outage Loss	17%	10%	South Africa (1.7%)	10th

Source: Konfidants rankings based on World Bank Enterprise Survey

It is striking that except for R&D spending, firms in Ghana score below the average for crucial indicators such as capacity utilization, reliance on local inputs, and electricity outage. More Ghanaian firms are spending on Research and Development than the average firm among the frontier intra-Africa exporters. Ghana comes third behind Zambia and Tunisia.

It is extremely important that Ghanaian firms reduce their reliance on foreign inputs – especially inputs of non-African origin for their products to enjoy important trading privileges that come with the AfCFTA. Ghanaian firms are the second highest dependents on foreign inputs among the 12 frontier economies.

Ghana's annual loss to electricity outage is above the average for the frontier intra-Africa exporters. Ghanaian firms lose about 17% of annual output to electrical outages compared to the average 10% for frontier competitors. Meanwhile South African firms lose only about 1.7% of their annual output to electrical outages. As many as 72.7% of Ghanaian firms identify electricity as a major challenge compared to the average 47.9%, and 10.3% for Tunisia where the lowest percentage of firms who identify electricity as a major challenge was recorded. These weaknesses will need to be fixed for Ghanaian firms to also improve capacity utilization which is currently below the average for the frontier economies.

## 6.5 Cost of Power

Although annual losses owing to electricity outages together with the percentage of firms identifying electricity as a major challenge were included in the index for productive capacity, cost of power was not. This was mainly because the data available for cost of power is limited and does not cover all the frontier countries. For this reason, cost of power is treated separately. The data below simply compares Ghana's electricity tariff for businesses to countries for which data is available, including some non-frontier countries.



## Cost of Power

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Country	Electricity Tariff for Businesses (Cents per kWh)
Angola	1.5
Ethiopia	2
Zambia	3.8
Egypt	7.3
South Africa	7.4
Tanzania	10.2
Nigeria	10.5
Tunisia	11
Morocco	11.2
Ghana	13.8
Cameroon	16.3
Kenya	16.8
Cote d'Ivoire	22.2

Source: <https://www.globalpetrolprices.com> (September 2020)

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As of September 2020, Ghana's power tariff for industry was 13.8 cents per kilowatt-hour, and more expensive compared to Angola, Ethiopia, Zambia, Egypt, South Africa, Tanzania and Nigeria which all had tariffs lower than 10.6 cents per kilowatt-hour. Tariff in Ghana was however cheaper than Kenya and Cote d'Ivoire. In order to be competitive, Ghanaian companies especially manufacturers will need to purchase electricity at much lower prices (ideally below 10 cents per kilowatt-hour) that can contribute to reducing overall production cost.



## **PART II**

# **GHANA'S DOMESTIC MARKET COMPETITIVENESS RELATIVE TO COUNTRIES WITH THE HIGHEST POTENTIAL TO TARGET GHANA'S MARKET.**

# 7

## DOMESTIC COMPETITIVENESS ASSESSMENT

### 7.1 An Assessment of Countries with the Highest Potential to Export into the Ghanaian Market.

In the preceding market opportunity analysis, the report primarily focuses on determining markets within the AfCFTA which hold the greatest potential for importing Ghana's exports – across all products as well as specific to the product groups of interest to the study.

In the following market analysis, the objective is to determine which countries' exports, across products as well as product groups of priority to the study, in intra-Africa trade does Ghana have the potential of importing. Similar to the preceding market analysis, the authors sought to determine and rank Ghana's potential for importing intra-Africa exports. By extension, it is assumed that the countries with the greatest potential to export into the Ghanaian market are countries likely to target Ghana within the AfCFTA.

#### Ghana's Potential for Importing Intra-Africa Exports

Across products (not limited to the selected product groups) Ghana is the 11th largest market with potential for intra-Africa exports. The Ghanaian market is estimated to have an overall potential of US\$1.4 billion for importing intra-Africa exports. Current estimates show that, US\$1.1 billion of US\$1.4 billion is being realized. Across products, as at the time of picking this data, the 10 countries with the greatest potential to export into the Ghanaian market are ordinarily:

- South Africa
- Cote d'Ivoire
- Egypt
- Morocco
- Mauritania
- Nigeria
- Angola
- Togo
- Senegal
- Tunisia

#### Ghana's Potential to Import Intra-Africa Exports of the Selected Product Groups Analyzed in the Study

Spotlighting the selected product groups, the table below illustrates Ghana's potential to import intra-Africa exports.

Table 7.1: Ghana's Potential to Import the Product Groups Studied from the African Market

Product Group	Ranking of Ghana's Potential for intra-Africa Import (out of 54)	Estimated Potential of the Ghanaian market (US\$ million)	Potential of the Ghanaian Market being realized (US\$ million)
Processed Foods & Animal Feed	16th	100	76.8
Apparel and Textile Products	22nd	18.6	12
Chemicals	11th	237.2	177.2
Beauty Products	7th	120	92.6
Plastics & Rubber	11th	88.5	97.2
Metal Products	12th	38.7	41.3
Pharmaceutical Components	21th	6.1	6.1
Vegetable	17th	7.9	10.9

Source: Konfidants based on Data from ITC Export Potential Map

## Countries with the Highest Potential to Export the Selected Product Groups to the Ghanaian Market.

For each of the product categories, the table below lists, ordinarily, the top 10 countries with the greatest potential to export into the Ghanaian Market.

Table 7.2: Countries with the Highest Potential to Export the Selected Product Groups to the Ghanaian Market

Product Group	Top Countries with the Greatest Potential to Export to Ghana (in descending order)
Processed Food & Animal Feed	Cote d'Ivoire, South Africa, Nigeria, Egypt, Senegal, Tunisia, Morocco, Kenya, Togo and Angola.
Apparel & Textile Products	South Africa, Cote d'Ivoire, Morocco, Tunisia, Tanzania, Nigeria, Togo, Kenya, Mauritius and Senegal
Chemicals	South Africa, Cote d'Ivoire, Egypt, Morocco, Nigeria, Togo, Tunisia, Senegal, Libya and Kenya.
Beauty Products and Perfumes	Cote d'Ivoire, South Africa, Egypt, Togo, Nigeria, Senegal, Morocco, Kenya, Sierra Leone and Tanzania
Plastics and Rubber	South Africa, Cote d'Ivoire, Egypt, Nigeria, Tunisia, Sierra Leone, Morocco, Senegal, Kenya and Tanzania
Pharmaceutical Components	South Africa, Egypt, Morocco, Kenya, Tunisia, Mali, Sierra Leone, Nigeria, Togo and Mauritius
Metal Products	South Africa, Egypt, Tunisia, Morocco, Kenya, Nigeria, Cote d'Ivoire, Senegal, Tanzania, and Angola
Vegetable	Niger, Egypt, Morocco, Burkina Faso, South Africa, Ethiopia, Senegal, Togo, Kenya, and Tunisia

Source: ITC Export Potential Map

## 7.2 How Ghana Benchmarks against Countries with the Highest Potential to Export to Ghana (in terms of Enabler Factors for Domestic Competition)

This section assesses Ghana's competitiveness in its domestic market relative to the countries identified as having the greatest potential to export into the Ghanaian Market along the following enabler factors for domestic competition;

- Productive Capacity
- Financing

### Productive Capacity of Ghana Relative to Countries with the Highest Potential to Export to the Ghanaian Market.

Using the same indicators used to compute productive capacity in the external market competitiveness analysis, the table below shows how Ghana's productive capacity compares with countries that will be targeting Ghana's domestic market.

Table 7.3: Productive Capacity of Ghana's Relative to countries Likely to Target the Ghanaian Market

Country	Total Productivity Score (out of 10)
South Africa	5.703
Egypt	5.678
Nigeria	5.666
Tunisia	5.534
Morocco	5.534
Senegal	5.407
Angola	5.341
Ghana	4.756
Cote d'Ivoire	4.755
Togo	4.716
Mauritania	4.264

Source: Konfidants Analysis based on Data from the World Bank Enterprise Survey

As revealed by the table, Ghana is extremely weak competitively, in terms of productive capacity, against countries identified as having the greatest potential for exporting into the Ghanaian market and likely to target the Ghanaian market when AfCFTA starts. Ghana's productive capacity falls short of the average productive capacity of these countries.

## 7.3 Cost of Credit & Credit to Private Sector

### Ghana's Cost of Credit & Credit to Private Sector Relative to Countries with the Highest Potential to Export into the Ghanaian Market

Table 7.4: Ghana's Cost of Credit & Share of credit to Private Sector Relative to Countries with the Highest Potential to Export into the Ghanaian Market.

Country	Cost of Credit (using policy rate as lowest possible proxy)	Domestic Credit to Private Sector (%GDP) <sup>34</sup>
Morocco	1.5	63.6
Cote d'Ivoire	4.5	24.6
Senegal	4.5	28.2
Togo	4.5	n/a
South Africa	3.5	146.5
Mauritania	5	2.8
Tunisia	6.25	82.4
Egypt	8.25	29.7
Nigeria	11.5	14.7
Angola	15.5	20.1
Ghana	14.5	15

Source: Konfidants' Analysis based on Data from Trading Economics & Global Competitiveness Report, 2019

Virtually all of the countries with the highest potential to export into the Ghanaian market have cheaper cost of credit than Ghana. In terms of domestic credit to private sector as a share of GDP, according to the 2019 Global Competitiveness Report, Ghana's share of credit to the private sector is 15% of GDP – compares highly unfavourably to countries such as South Africa (146%), Tunisia (82.4%), Morocco (63.6%), Egypt (29.7%), Cote d'Ivoire (24.6%), and Senegal (28.2%).

<sup>34</sup> This indicator is computed as the sum of loans, purchases of non-equity securities, trade credits and other accounts receivable that establish a claim for repayment provided by financial corporations to firms and households

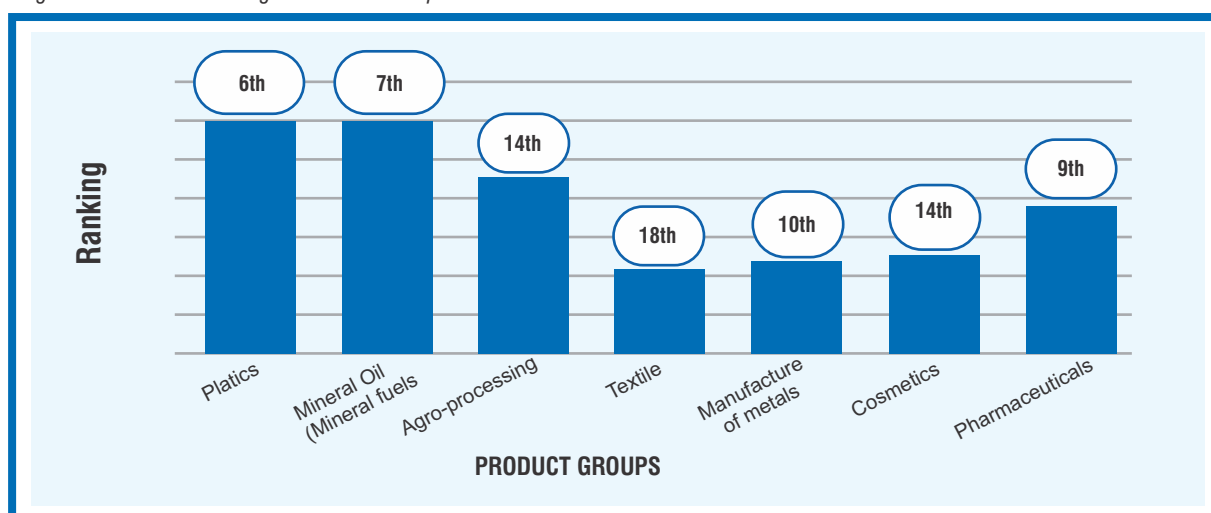


## 8.1 Ghana's Intra-Africa Trade at a Glance

- **Ghana's overall intra-Africa trade constitutes only 13% of Ghana's overall trade.** Considering both export and import, the five major trading partners for Ghana in intra-Africa trade are South Africa (56%), Burkina Faso (8%), Nigeria (6%) and Ivory Coast (5%).<sup>35</sup>
- **Ghana's intra-Africa exports trend have been uneven over the past two decades:** A 22-year review of Ghana's intra-Africa exports shows that intra-Africa export value plateaued from 1995 to 2004, then from 2005, it grew sharply and peaked in 2011 before seeing a major decline from 2012 up to 2016. It has however started seeing a gradual rise since 2017. Therefore, the AfCFTA is coming into effect at a time where Ghana's intra Africa export is on the rise again after seeing five years of sharp decline.
- **Recent data shows that Ghana currently enjoys a trade surplus with the rest of the continent.** In 2018 for example, Ghana exported US\$2.5 billion to the rest of the continent while importing about US\$1.2 billion – culminating in Ghana having trade surplus of about US\$1.3 billion with the continent. Mineral commodity and oil exports explain the bulk of the trade surplus.
- **Ghana currently exports to a total of 32 African countries. South Africa is the single largest recipient of Ghana's intra-Africa exports although 90% of the exports to South Africa are gold and crude oil.** West African countries are more relevant to Ghana for value-added exports. Minus gold and crude oil, Ghana's total export into the South African market in 2018 was US\$25 million – just about 10% of Ghana's US\$248 million export into the Burkina market and also significantly lower than Ghana's export into certain West African markets such as Togo (US\$130 million), Nigeria (US\$87.9 million), Cote d'Ivoire (US\$97.7 million),

## 8.2 External Competitiveness

Figure 8.1: Ghana's Ranking in Intra-Africa Export in Selected Value-Added Goods<sup>1</sup>



Source: Konfidants, based on UNCTAD Database, 2020

<sup>35</sup> <https://www.tralac.org/documents/publications/trade-data-analysis/2999-ghana-trade-and-tariff-profile-2018-infographic/file.html>

- **Ghana ranks in the top 10 exporting countries in Africa in four of the seven selected product groups:** Ghana places in the top 10 in four products (plastics, mineral oils, pharmaceuticals, manufactures of metals); in the top 15 in two products (agro-processed goods, and cosmetics) and in the top 20 in one product (textile).
- **Ghana has Revealed Comparative Advantage<sup>36</sup> in only two (Plastics and Mineral Oils) of the seven product groups analyzed – despite ranking in the top ten in four products.**

## **Ghana's Ranking in intra-Africa exports based on level of product sophistication.**

- **An analyses of Ghana's main intra-Africa exports through the lenses of technological sophistication reveals that Ghana's competitiveness in intra-Africa export (by value) generally lies in the primary product and low skill technology categories.** Ghana ranks 10th in primary products and 10th in low-skill technology products.
- **Ghana currently exports more medium-skill technology products into African markets (US\$234 million average) than low-skill technology products (US\$161 million average), and very little high-tech goods (US\$19 million average). However, in terms of African ranking, Ghana's absence in the top tier of Resource Manufactures category is disturbing, and shows other African countries are adding more value to primary products than Ghana.** Although Ghana features in the Upper Quartile (top 15) for low technology, and medium technology manufactures, Ghana misses out on the Upper Quartile for both Resource Manufactures (where sectors such as agro-processing can be found) and High technology exports.

## **Ghana's Export Potential in African**

- **The findings show that majority of Ghana's highest potential export markets are within West Africa.** That is easy to explain – a combination of proximity advantages and ECOWAS protocol incentives.
- **Burkina Faso emerges as the number one market with the highest potential for Ghana** across most products along with neighboring Togo, Cote D'Ivoire and Nigeria.
- **Outside of ECOWAS, North African markets present more potential for Ghana than East African or Southern African markets,** when it comes to value-added goods (when extractives are added however, Southern Africa emerges number one).

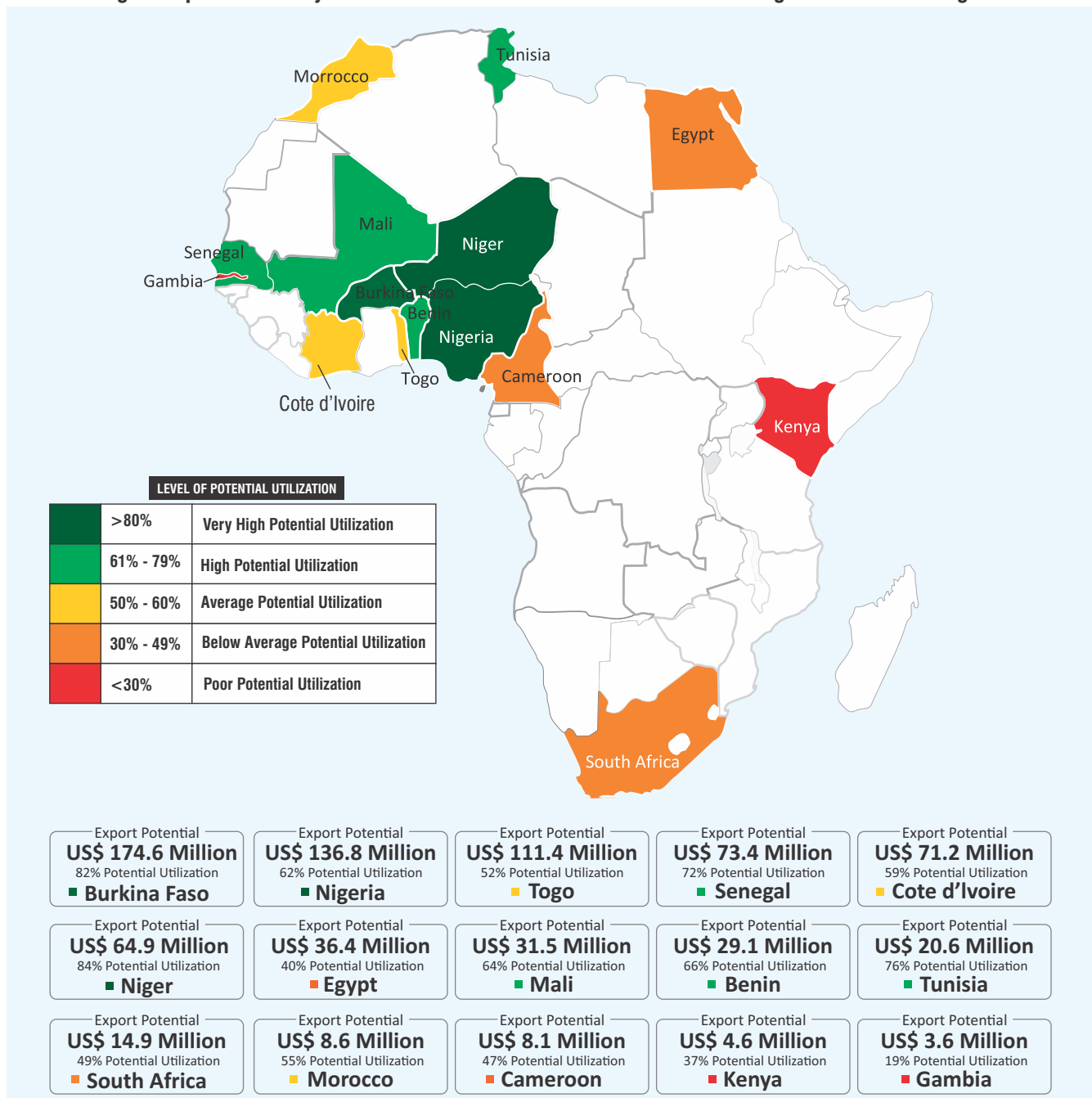
<sup>36</sup> Revealed Comparative Advantage (RCA) is a way of measuring a country's competitive strength in the trade of a product, based largely on relative differences in productivity between the country and its trading competitors in the production of that product. It should be noted that RCA is a limited measure of competitiveness as it is not the only thing that determines a country's competitiveness. Applied national measures such as tariffs, non-tariff measures, subsidies and other policy measures that affect competitiveness are not taken into account in the calculation of RCA. As such, AfCFTA and Ghana's own policy measure can change the RCA status of Ghana's products.

## Potential Utilization

- Most of Ghana's untapped export potential in the continent is in the ECOWAS region – where US\$518 million worth of potential is untapped.
- At the moment, both Ghana's estimated potential as well as untapped potential (for value-added exports) in East Africa, Southern Africa, Central Africa and Northern Africa are surprisingly very low with exception of Tunisia which offers a valuable case study in high potential utilisation rate outside of West Africa.
- Ghana's leading high potential markets for value-added products in Africa are presented in the chart below.

Figure 8.2: Ghana's Largest Export Destination Market by Potential for Value-Added Products

### Ghana's Largest Export Market by Potential for Value-Added Products & Percentage of Potential being Utilised



Source: Konfidants, based on International Trade Center Estimated Export Potential Trade Map, as of First Quarter 2020.

**Note:** *Estimated Potential is only a measure of an average target; and not a ceiling. It is thus possible for a country to exceed its estimated average potential.*

## Which Countries are the Most Competitive Exporters in Markets where Ghana has High Export Potential?

- Ghana will have to watch out for South Africa, Egypt and Morocco which are already breaking REC Barriers prior to AfCFTA implementation. Goods from these countries appear not to be hindered by distance or tariff regimes or protectionist trade policies. ***Among the West African countries identified as markets in which Ghana has the largest Estimated Export Potential in the continent, Morocco, Egypt and South Africa also have Estimated Export Potential in nearly each of those markets and are usually exporting more into these markets than Ghana.*** Without looking at specific sectors, these countries are best positioned to trade in any region of the continent. The coming into effect of the AfCFTA can only strengthen their position. In conclusion, Egypt, Morocco and South Africa pose the most competitive threat to Ghana in markets where Ghana has the largest Estimated Export Potential. It is also important to note that, these countries are the 3 most competitive countries identified in the competition matrix based on the selected product groups studied.

## 8.3 Domestic Competitiveness

### Ghana as a Target Market for Other African Countries

- Across all products, Ghana is the 11th largest market with potential for intra-Africa exports. The Ghanaian market is estimated to have an overall potential of US\$1.4 billion for intra-Africa exports. Current estimates show that US\$1.1 billion of the US\$1.4 billion (78.6%) is being utilized by other African countries.
- Across all products (not just the seven product groups studied), the 10 countries with the greatest potential to export into the Ghanaian market are: South Africa, Cote d'Ivoire, Egypt, Morocco, Mauritius, Nigeria, Angola, Togo, Senegal and Tunisia.
- On key parameters such as cost of credit, cost of power, productive capacity and customs efficiency, Ghana lags behind majority of the top ten countries identified as having the most potential to export to Ghana.

## Benchmarking Enabler Factors for Export Competitiveness – Ghana Versus Countries Likely to Pose the Most Competition within the AfCFTA

- **Cost of Power:** As of September 2020, Ghana's power tariff for industry was 13.8 cents per kilowatt-hour, and more expensive compared to Angola, Ethiopia, Zambia, Egypt, South Africa, Tanzania and Nigeria which all had tariffs lower than 10.6 cents per kilowatt-hour.
- **Cost of Credit & Domestic Credit to Private Sector:** Ghana's 14.5% policy rate (January 2020) compares unfavorably with countries such as Morocco, South Africa, Cote d'Ivoire, and Kenya who have policy rates at 1.5%, 3.5%, 4.5%, and 7% respectively. Ghana's high interest rate spread further increases the cost of borrowing for Ghanaian firms and households. Regarding domestic credit to private sector (as a share of GDP), Ghana ranks very low among the 13 frontier and comparator countries. Ghana's 15% of domestic credit to private sector beats only Nigeria and Tanzania while poorly trailing behind countries such as South Africa (146.5%), Tunisia (82.4%), and Morocco (63.6%).
- **Productive Capacity of Manufacturing Sector:** Ghana's productive capacity (Labour Quality & Skills Availability and Innovation & Production Potential Utilization), compares poorly to many of the leading countries in the AfCFTA. According to data computed from the World Bank Enterprise Surveys along the above-mentioned indicators, Ghana's total productive capacity score out of a possible score of 10 is 4.75 – falling below half of the total score and below the average score for the top African countries. It is striking that with the exception of R&D spending, firms in Ghana score below the average for crucial indicators such as capacity utilization, reliance on locally-sourced inputs and electricity outage. Ghanaian firms are the second highest dependents on foreign inputs among the 12 frontier economies. Aside cost of power, Ghana's annual output loss to electricity outage is above the average for the frontier intra-Africa exporters. Ghanaian firms lose about 17% of annual output to electrical outages compared to the average 10% for frontier competitors. As many as 72.7% of Ghanaian firms identify electricity as a major challenge compared to the average 47.9% for leading competitors.
- **Customs Efficiency:** Ghana's customs efficiency is not among the best in Africa even though Ghana ranks above the African average. Time efficiency of customs in Ghana (documentary and border compliance) is estimated at 197.3 hours – compared to 40 hours in Kenya (fastest among the frontier countries). Regarding cost of meeting documentary and border compliance, it costs US\$645 in Ghana compared to US\$262.7 in Morocco (the cheapest among the frontier countries).
- **Quality & Availability of Trade-related Infrastructure (roads, seaport, rail and airport):** Ghana's overall score of 0.41 (out of 1) for the quality and availability of trade related infrastructure falls below half of the total score of 1 – compared to South Africa, Morocco and Egypt which scored 0.64, 0.62 and 0.55 respectively to emerge the best 3 among the leading countries on the continent.

## 8.4 SWOT Analysis for Ghana's AfCFTA Competitiveness (Value-Added Goods).

Table 8.1: SWOT Analysis for Ghana's AfCFTA Competitiveness

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>● Ghana ranks in the top 10 intra-Africa exporters in 4 of the 7 sectors studied. And in the upper quartile for six (6) out of the seven(7).</li> <li>● Across the representative products studied, Ghana ranks among the top 10 exporters likely to pose the most threat to other countries.</li> <li>● Ghana has proximity advantages into many of the markets in which Ghana has high export potential.</li> <li>● Ghana currently exports into 32 African countries – a large footprint to leverage and build on.</li> <li>● Enjoys trade surplus with rest of Africa</li> <li>● A leading African FDI destination</li> <li>● Political stability</li> </ul>	<ul style="list-style-type: none"> <li>● Over 70% of the value of Ghana's intra-African exports is raw commodities (gold, crude oil and cocoa beans) implying low manufactured exports.</li> <li>● Ghana's export markets for value-added exports are over-concentrated in ECOWAS, implying lack of regional diversification.</li> <li>● Ghana's estimated pre-AfCFTA export potential outside of ECOWAS is very low.</li> <li>● High cost of credit &amp; power – relative to peer frontier intra-Africa exporting countries. (Ghana has highest interest rates compared to all of the most competitive African exporters)</li> <li>● Ghana has a higher dependence on foreign inputs compared to peer top exporters – which could undermine Rules of Origin compliance.</li> <li>● Relatively poor performance on transport infrastructure – scoring less than half the total score for trade-related infrastructure.</li> <li>● Ghana has almost 30% of its intra-Africa export potential untapped.</li> <li>● Ghana has comparative advantage (Revealed Comparative Advantage) in only two of the seven products studied.</li> <li>● Ghana's customs efficiency ranking is below the average for the top African exporters Persistent Exchange Rate</li> </ul>

## OPPORTUNITIES

- Access to US\$3.4 trillion continental market of 1.3 billion consumers
- AfCFTA will automatically elevate Ghana's low non-ECOWAS export potential (for value-added goods) and enable export diversification beyond current ECOWAS over-concentration.
- Opportunity to leverage/build on Ghana's pre-existing strengths as a top intra-Africa exporter
- Rules of Origin present opportunity to increase value-addition and manufacturing of intermediate and finished goods
- Opportunity to position Ghana as leading AfCFTA transshipment hub (leverage Tema port and related infrastructure projects)
- Potential to significantly increase FDI inflows to Ghana by updating/linking GIPC Act and Ghana Free Zones Act to AfCFTA protocols
- Opportunity to build first generation of Ghanaian multinational companies

## THREATS

- Trade liberalization will open-up domestic market to increased competition and imports, with potential adverse effects on vulnerable industries, employment and government revenues.
- AfCFTA will open up the West African market, where Ghana's highest potential markets (for value-added goods) is concentrated
- Majority of the countries posing a threat in Ghana's key export markets outcompete Ghana in terms of cost of credit, cost of power, customs efficiency and productive capacity
- The potential threat to Ghana's domestic market is high. Majority of the top 10 countries identified as having the highest potential to export into Ghana generally have lower cost of credit, lower cost of power, superior customs efficiency and superior productive capacity than Ghana.

Source: *Konfidants*

# 9

## CONCLUSIONS & DISCUSSIONS

The study has shown that in both external competitiveness and domestic competitiveness, Ghana has clear strengths and weaknesses in intra-African trade. This chapter reflects on some of the findings and implications of the study.

- **Ghana has important strengths it can build on, judging by its ranking in the top ten and top fifteen spots in most of the value-added products studied.** But building on these strengths will not come from simply urging companies to export more. It will come primarily from improving the domestic operating environment – where most of Ghana's weaknesses exist in the form of high cost of doing business (especially high interest rates, high cost of power, high cost of exporting) and other regulatory inefficiencies.
- **The fact that Ghanaian exporters rank highly in Africa (in terms of export value) despite the prevailing operating environment challenges and productive capacity weaknesses identified reveals two things.** First, business conditions in much of the continent are equally tough or worse than in Ghana. Ghana's high ranking in many of the export products studied is thus largely a reflection of difficult conditions in most other economies on the continent and less about superior conditions in Ghana. Second, it shows that with the slightest radical improvements in the domestic operating environment, Ghanaian firms could gain significant competitive advantages in the AfCFTA. On the other hand, it also shows that Ghana could lose a lot of its current competitive ranking if several African countries decide to embark on major transformations in their operating environments. In other words, when the bar of excellence is this low across most of the continent, the returns on transformative reforms in the operating environment could be revolutionary for any country that musters the commitment to actually implement such major reforms.
- **Ghana's ability to rank highly in certain African exports despite lacking Revealed Comparative Advantage in these products may be interpreted as actually showing evidence of the country's potential.** On the one hand it reveals that most African countries have even weaker comparative advantage than Ghana in the production of these goods. On the other hand, it implies that Ghana could do even better in these product categories if the appropriate mix of productivity boosting policies and business practices can be implemented to improve the country's comparative advantage in these product groups. With major improvements in policy, Ghanaian producers of plastics, pharmaceuticals, mineral oils and metal manufactures could potentially rise to the top five exporters in Africa.
- **Mineral oils and plastics, where Ghana has its Revealed Comparative Advantage, are also the products where Ghana ranks highest in Africa.** This suggests some correlation between the country's rank in intra-African exports and its Revealed Comparative Advantage to a large extent. Except that this does not hold throughout. In pharmaceuticals and metal manufactures, where Ghana ranks highly in intra-African exports (9th and 10th), the country does not have Revealed Comparative Advantage in these products. This shows that **fundamentals like industry-level productivity differentials between countries will likely matter a lot within the AfCFTA** – especially as tariff liberalization strips countries of some of their 'artificial competition protections'.



- **While it is possible to utilize AfCFTA to consolidate Ghana's exports in the products and markets where it currently ranks highly in the top ten in Africa, it is also possible that AfCFTA would disrupt the current landscape and cause Ghana to lose** some of the advantages and market share it currently enjoys in the African market. Ghana ought to build on existing strengths and work on pre-existing weaknesses.
- **Ghana's ability to export more medium-tech products than low-tech products is encouraging and demonstrates potential to move up the value chain** within Africa, achieve economies of scale in that category and use that as a springboard to expand medium technology exports into other global markets outside the continent.
- **Ghana's current advantages in the ECOWAS market will be exposed to new competitive pressures as a result of AfCFTA.** In these markets, the coming into effect of the AfCFTA may not necessarily add significant new trading advantage (in some products) for Ghana since the country is already enjoying a degree of tariff liberalization under the ETLs. However, with the coming into effect of the AfCFTA, competition will increase for Ghana within the ECOWAS region. This therefore requires Ghana to boost its competitiveness (and not take things for granted) if it wants to maintain its market share in the West African region.
- To the extent that Ghana's current high export potential in ECOWAS is driven largely by favorable ECOWAS trade protocols (and not just proximity), **it is reasonable to expect that AfCFTA will naturally increase Ghana's export potential in the other regions outside ECOWAS.** Ghana's AfCFTA strategy ought to take this possibility into account and Ghanaian companies assisted to undertake market discovery and partnership building in East Africa, Southern Africa, North Africa and Southern Africa. In other words, the current estimates of export potentials significantly reflect existing Regional Economic Community (REC) trade regimes, and could be disrupted by the coming into effect of AfCFTA.
- **The possibilities of increasing Ghana's potential outside of ECOWAS, however, will not be substantial in the short term given that various Regional Economic Community (REC) regimes will temporarily co-exist with AfCFTA and thus confer certain residual advantages to member states of various RECs outside ECOWAS.** But in the same vein, it is important to ensure that even after AfCFTA takes full effect, Ghana also utilizes any residual ECOWAS privileges it can afford to consolidate its current ECOWAS market share and utilize ECOWAS residual privileges for its AfCFTA game-plan.
- **Compared to the countries identified as posing the most competitive threat in Ghana's high potential markets, Ghana enjoys relative transport connectivity advantages to most of these markets.** This advantage is essentially proximity advantage as majority of these markets are in West Africa whereas most of the 'threat countries' are non-West African. However, there is a limit to how far proximity may translate into transport cost competitiveness. Ghana therefore needs to go beyond a reliance on proximity advantages and work seriously on improving actual unit economics of its transportation cost competitiveness, efficiency and access into key markets both within and outside of ECOWAS markets.
- **Underutilization of market potential is problematic: Ghana is not utilizing a lot of its estimated market potential in Africa, even in its ECOWAS markets.** There is a possibility that current underutilization of ECOWAS potential may well translate into underutilization of AfCFTA potential – especially as the bulk of Ghana's strengths currently lie in the West African market. In other words, pre-existing potential underutilization in ECOWAS may form the basis of an underutilization problem for Ghana in the AfCFTA. It is therefore important to investigate what belies the problem of underutilization – beyond the standard regional export challenges like

high transportation cost and non-tariff barriers. It seems that lack of information and awareness among Ghanaian exporters regarding markets with potential for Ghanaian goods also has a lot to do with this problem. Lessons could be learned from areas where Ghanaian exporters are maximizing or exceeding potential (such as Burkina Faso).

- **Synergizing extra-Africa exports and intra-Africa exports:** it is important to align and synergize Ghana's extra-Africa exports with intra-Africa exports in order to maximize potential. The following will be important.
  - **Leveraging extra-Africa exports to boost intra-Africa exports:** there are certain products for which Ghana is currently doing well with exports outside of Africa but doing poorly with exports within Africa. A classic example is vegetables and fruits. The AfCFTA provides opportunity to remedy this situation. Ghanaian exporters of fruits, vegetables and nuts into the EU for example should be able to leverage on EU export experience to scale up production for intra-Africa exports and agro-processing.
  - **Leveraging intra-Africa exports to boost world exports:** the AfCFTA offers opportunity not just for maximizing the African market potential. Increasing intra-Africa competitiveness will indirectly increase Ghana's competitiveness in markets outside Africa. There are clear opportunities in the area of value-added exports where Ghana's strengths are currently within the African market. First, the nature of demand in many African export markets are similar to demand in other developing country export markets outside Africa. As such exporters from Ghana should be able to utilize value-added exports within Africa as a springboard into similar markets in other parts of the world. Secondly, if Ghanaian companies manage to utilize AfCFTA to achieve economies of scale, it is possible to translate such scale economies to improve their cost-competitiveness and ability to price cheaper into other markets outside of Africa. In this respect, Ghana should further deepen its production and export capabilities in intermediate manufactures within the AfCFTA. This will improve chances of scaling into global value chains at the intermediate level of low to medium complexity goods.
- **Ghana's Agricultural exports into Africa are extremely low and will require a major turnaround:** The share of intra-Africa exports for vegetables/tubers for example is less than 1% of Ghana's total exports. Ghana clearly specializes in extra-Africa exports when it comes to agricultural produce. However, as noted above, Ghana can leverage its current non-African exports of agricultural produce (into places like Europe) to boost its intra-Africa exports. The reason agricultural exports should be considered a major area of priority is because:
  - Agriculture is one of the quickest and biggest channels through which a large majority of Ghana's low-income population can participate in the AfCFTA, given the large population that is employed in the sector.
  - Africa's food import bill is projected by the AfDB to hit over US\$100 billion by 2025. The African market for agricultural exports could thus become potentially more relevant than many of the non-African markets Ghana is currently focused on – depending on how agricultural tariffs and standards are negotiated and phased into the AfCFTA.
- **The possibility of Ghanaian factories relocating or opening subsidiaries in other countries in the AfCFTA is both a risk and an opportunity dilemma that will confront Ghana:** As a result of the challenges with transporting goods within the continent, there is a real incentive and possibility.

for Ghana producers to consider locating subsidiary factories and processing plants in markets that are strategic and justify such an approach. While this may make sense at the business level, it would export jobs out of Ghana. There is therefore a case to be made for a balanced approach by national policy; one that encourages Ghanaian firms to open subsidiaries abroad (and multinationalize) so long as they are not shutting down or scaling down production in the domestic market.

- **Economic diversification and industrialization:** As the data clearly shows, majority of the list of products Ghana exports within Africa are value added products whereas majority of the products Ghana exports outside of the continent are raw commodities and raw agricultural produce. This clearly shows that **increasing intra-Africa export will be Ghana's best chance at accelerating value-addition and industrialization.** Ghanaian manufactures are more competitive within Africa than outside Africa. For this reason, intra-Africa trade and the AfCFTA in particular must form a cornerstone for Ghana's industrialization ambitions.

# 10

## RECOMMENDATIONS

Ghana has clear advantages it can build on to become a top player in the AfCFTA. However, the following interventions to address the weaknesses undermining the country's potential (especially the high cost of production and export) will be crucial to improve Ghana's competitiveness.

### 10.1 Speed Up Completion of Ghana's AfCFTA Strategy and Ensure that it is Commercially Oriented.

The Ministry of Trade and Industry needs to speed up the completion of a clearly defined SMART strategy for AfCFTA implementation and opportunity maximization. The strategy should combine: **A market share consolidation approach** to maintain existing market share in both the domestic economy and existing foreign destinations; a **Market expansion & diversification approach** to find new destinations for existing products; introduce new products in existing destinations; and introduce new products to new destinations. Both should be anchored by **a cost-competitiveness approach** to ensure that cost of production and export in Ghana is at par with the lowest in Africa and an industry **partnerships approach** that ensures that Ghanaian companies are collaborating through consortiums and alliances to increase their competitive edge and avoid unhealthy competition against one another in AfCFTA markets.

### 10.2 Address Critical Enablers in the Operating Environment

- **Cost of Credit & Finance for manufacturers and exporters:** In order to address the chronic high cost of financing, the following steps and measures by the government and Bank of Ghana are necessary:
  - Government must address the high cost of finance by (a) immediately rolling out, in partnership with the financial industry, innovative low-cost export financing facilities for players (manufacturers, aggregators, transporters, export trading entities etc..) in critical AfCFTA value chains that meet a well-defined criteria as a temporary measure; while (b) aiming to continuously reduce the policy interest rate to levels at par with the average policy rate for the continent (about 7%) or the average for top ranked African exporters (about 4%).
  - Financial industry umbrella bodies like the Ghana Bankers Association and Ghana Insurers Association should spearhead efforts to prepare financial service providers for opportunities under the AfCFTA. These should include an appreciation of the financing needs of players in the AfCFTA business value-chains and innovative financial products required to meet those needs – ranging from Manufacturing Finance to Trade Finance products including Factoring, Export Credit, Export Credit Insurance, Cross-border Payment Facilitation services and Transit Guarantees that can allow Ghanaian exporters and importers to transport products in transit without paying customs duties at border crossings (once they present recognized Transit Guarantees).

- **Cost of Power:** Government and industry should jointly explore innovative means of reducing the high cost of power to about 5 cents per kilowatt hour (which will still be nearly 100% more expensive than the cost of power in Ethiopia) for strategic industries under the government's Industrial Transformation Agenda, the Ghana Export Development Strategy and related AfCFTA priority industries. As noted in the analysis, the cost of power in Ghana is too high compared to the countries identified as likely to pose major competition to Ghana under the AfCFTA. In order to give flexibility to manufactures and producers to pursue their own off-grid independent low-cost power options, government policy should allow stress-free issuance of permit and license for companies willing to go off the grid to set-up their own power plants for more affordable power. But ultimately, government should work at reducing the inefficiencies in the electricity value chain in the country to bring down cost of power for all industries in the long term.
- **Reduce the Dependence on Foreign Inputs:** Government should incentivize companies operating in the same industry or product segments to co-invest to jointly set up local firms to locally produce the inputs and intermediate products for them. Tema Lube Oil Company, a lubricant producing firm jointly owned by the major oil marketing companies in Ghana, is a successful example of this model. This can be replicated in industries such as the pharmaceutical industry (for local production of Active Pharmaceutical Ingredients), textiles, vehicle assembling, etc. Government policy incentives should deliberately engineer (and invest with private sector) in such initiatives under Ghana's AfCFTA strategy.

### 10.3 Improve Trade Facilitation & Logistics

- **The recently announced procedures and processes by the Customs Division of the Ghana Revenue Authority for obtaining export licenses, certificates of origin and trading under the AfCFTA appear cumbersome and will require revisions to simplify, digitize and make the process faster and more business friendly.**
- **Government should set time-bound targets aimed at significantly improving Ghana's cost and time efficiency of customs.** The goal should be to reduce the cost of customs compliance and the time it takes to export to levels at par with those of the top performing African nations.
- **There is an urgent need to develop and implement a Ghana AfCFTA Logistics and Transport Connectivity Plan for accessing Ghana's key target markets within the continent.** Set up a AfCFTA transport and logistics committee with representatives from producers and exporters associations, Ghana Shippers Authority, Cargo Transport Services providers, Ghana Institute of Freight Forwarders, Ministry of Transport, Ghana Airports Company, Ghana Ports and Harbours Authority, Ghana Revenue Authority Customs Division, and the Ministry of Trade and Industry to develop a transport and logistics strategy.
- **Establish cost-sharing shipping programs for Ghanaian exporters especially SMEs:** Introduce incentives to encourage collaboration and cost-sharing programs such as container sharing among SME exporters that ship into same markets and along same trading corridors.

### 10.4 Ensure Domestic Competitiveness and Protect Domestic Market Against the Risk of Unfair Trade Practices.

- **Government and private sector stakeholders should ensure that the domestic market strategy component of Ghana's AfCFTA implementation Plan is clearly defined with targets.** This is important in order to avoid the natural tendency of excessively focusing on export markets to the detriment of domestic competitiveness of Ghanaian firms.

- **Invest in institutional capacity for Anti-dumping and trade defense measures:** Given how resource-intensive and difficult it is generally to conclusively prove dumping, Government needs to prioritize (and private sector players should advocate) for the appropriate state agencies to develop the capacity required to protect Ghana's market against the risk of dumping should cases arise. This will include reliable and timely trade database on the volume of imports and price of products imported under the AfCFTA, as well as invest in the resources and build the institutional capacity needed to prove serious injury arising from dumping – and be able to make a case for, as well as trigger the import defense mechanisms within the confines of the AfCFTA.

## **10.5 Prioritize innovative measures to facilitate market access, finding buyers & export intermediation for Ghanaian SMEs**

- **Government should prioritize and incentivize the role of Aggregators and Export Trading Companies (ETCs) to deepen trade Intermediation especially on behalf of MSMEs.** An Association of export aggregators should be established (GEPA can facilitate it in partnership with existing industry associations) and provided with the right training/capacity building to ensure that aggregation is done in ways that facilitate export standards and rules compliance, while using such platform for matchmaking with bulk buyers, ETCs and trade finance service providers. The Ministry of Trade and Industry should spearhead a strategy to stimulate the formation and successful growth of Africa-market-focused Export Trading Companies that can focus on finding buyers in AfCFTA markets for Ghanaian products and working with local aggregators to pre-finance the production, aggregation and delivery of products to foreign buyers.
- **A commercial strategy should be developed to transform Ghana's foreign missions and embassies across Africa (which number over 20) into innovative and proactive agents for AfCFTA commercial intelligence and trade facilitation on behalf of Ghanaian industry.**
- **In order to diversify Ghana's current overconcentration in the ECOWAS market, the Ghana Export Promotion Authority (GEPA), working with Ghana's foreign missions and embassies, should quickly establish Sub-Regional Market Access Programs** to facilitate market access in East Africa, North Africa, Central Africa and Southern Africa by focusing on products where Ghana has clear comparative strengths. GEPA, the foreign missions and business associations should jointly organize frequent trade missions to these regions for Ghanaian companies and export aggregators.

## **10.6 Ghanaian companies should build smart alliances and consortiums without delay.**

**It is time for Ghanaian business leaders to recognize that they cannot be competitive in the AfCFTA unless they deepen collaboration through smart alliances and consortiums.** This must be done to merge forces and reduce individual weaknesses, avoid unhealthy competition, improve economies of scale, and consolidate and expand market share (locally and externally). For example, this research clearly shows that Ghana's pharmaceutical and plastics industries could easily rise to be in the top 5 in Africa if they could build smart consortiums. Ghana's AfCFTA Strategy should include policy incentives that reward such partnerships building.

## 10.7 Invest in Trade Information Research and Dissemination to support Industry.

- **The Ghana Export Promotion Authority should develop an AfCFTA-specific trade information portal** and work with industry associations to disseminate information and updates widely and in real time.

## 10.8 Leverage AfCFTA to boost both domestic and foreign investment into Ghana.

- **Government should review both the Ghana Investment Promotion Center (GIPC) Act and the Ghana Free Zones Act to better align them with its AfCFTA strategy.** This will ensure that they can be leveraged to exploit key AfCFTA opportunities, especially with regards to making Ghana a top tier hot spot for global FDI (foreign manufactures, producers and investors) seeking to take advantage of Rules of Origin compliance to access the continental market. The Ghana Free Zones Authority and GIPC should collaborate to play a strong role in the AfCFTA. An AfCFTA Competitiveness Benchmarking Study is required for both institutions to form the basis for rigorous strategic shifts towards maximizing the AfCFTA.

## 10.9 Develop Market Performance & Competitiveness Monitoring Systems

- **Put in place a Ghana AfCFTA Competitiveness-Benchmarking Tracker** that continuously benchmarks Ghana to leading African competitors in the areas of cost of production (especially power and credit), cost of exporting, price-competitiveness of Ghanaian products in AfCFTA markets, quality of branding and packaging, and competitiveness of Ghana's AfCFTA supply chains and logistics. GEPA and key business associations should jointly produce an annual report on Ghana's AfCFTA Competitiveness.
- **A market share tracking system will need to be put in place to ensure that the country can keep an eye on the progression of Ghana's AfCFTA market share over time across key product sectors, countries and sub-regions.** The market share tracking system should have built-into-it various thresholds below which the country's prevailing market share should not fall and which trigger various interventions to restore market share should it fall below acceptable thresholds.
- **Establish a register of Ghana-based African exporters** and use an Activity Map to monitor their activities in the African market.
- **Have in place incentives to reward companies that increase Ghana's market share** by significant proportions.

## 10.10 Impact Mitigation and Risk Management

- **It is urgent that Government, in consultation with private sector, labor unions and other civil society stakeholders, quickly develops an AfCFTA Risk Mitigation Plan for Ghana as part of the broader country implementation strategy.** The emphasis should be on sensitive value chains and sectors, small businesses, employment and vulnerable populations.

# APPENDIX

## **APPENDIX I: The AfCFTA in Light of the Economic Partnership Agreement (EPA) with the European Union**

### **The EPA can be viewed as a complementary trade agreement than a competitive trade agreement.**

Ghana is a signatory to the Economic Partnership Agreement (EPA) the European Union has with West African states. The agreement creates an external free trade or a common market between ECOWAS and the European Union. Some analysts predict that external trade agreements such as the EPA may be competitive and “counterproductive” to the AfCFTA. However, on the contrary, the EPA can strategically be leveraged to achieve the core objectives of the AfCFTA – which makes the EPA a complementary trade agreement than a competitive agreement. The following paragraphs discuss why and how Ghana can strategically exploit the EPA as a complementary trade agreement to the AfCFTA.

### **EPA Prepares Firms for AfCFTA**

Producing to meet the rules of origin and more importantly the EU's very high standards makes it easier for Ghanaian firms currently accessing the European Market under the EPA to meet the rules of origin and the standards set out under the AfCFTA. In this regard, the EPA prepares firms utilizing the EPA to take advantage of the AfCFTA.

### **EPA & AfCFTA can be Leveraged to Attract EU Firms**

The EPA together with the AfCFTA creates opportunities for firms operating in Africa to trade freely within the Continent while at the same time accessing the EU market freely. Meanwhile, not all firms operating in the EU can access every African Market since there are a number of Africa countries yet to sign the EPA. Therefore some EU firms may consider strategically relocating some of their operations to Africa in order to access more African markets – including even those that may not have signed up to the EPA but signed up to the AfCFTA. This is reinforced by the fact that nearly all of the countries in the Eurozone are classified as High Income Countries hence labour cost is extremely high compared to low and middle income countries in the Africa Continental Free Trade Area. Therefore, Ghana as one of the top 12 intra-Africa exporters can strategically position itself to leverage both the EPA and AfCFTA to attract Foreign Direct Investment (FDI) from European firms. This however will require that government creates business-friendly macroeconomic environment, quality labour and provide reliable industrial power at a competitive rate – together with other incentives for businesses in order to make Ghana an attractive destination within the Africa Continental Free Trade Area for EU businesses that may consider relocating some of their operations to simultaneously take advantage of the AfCFTA and the EPA.

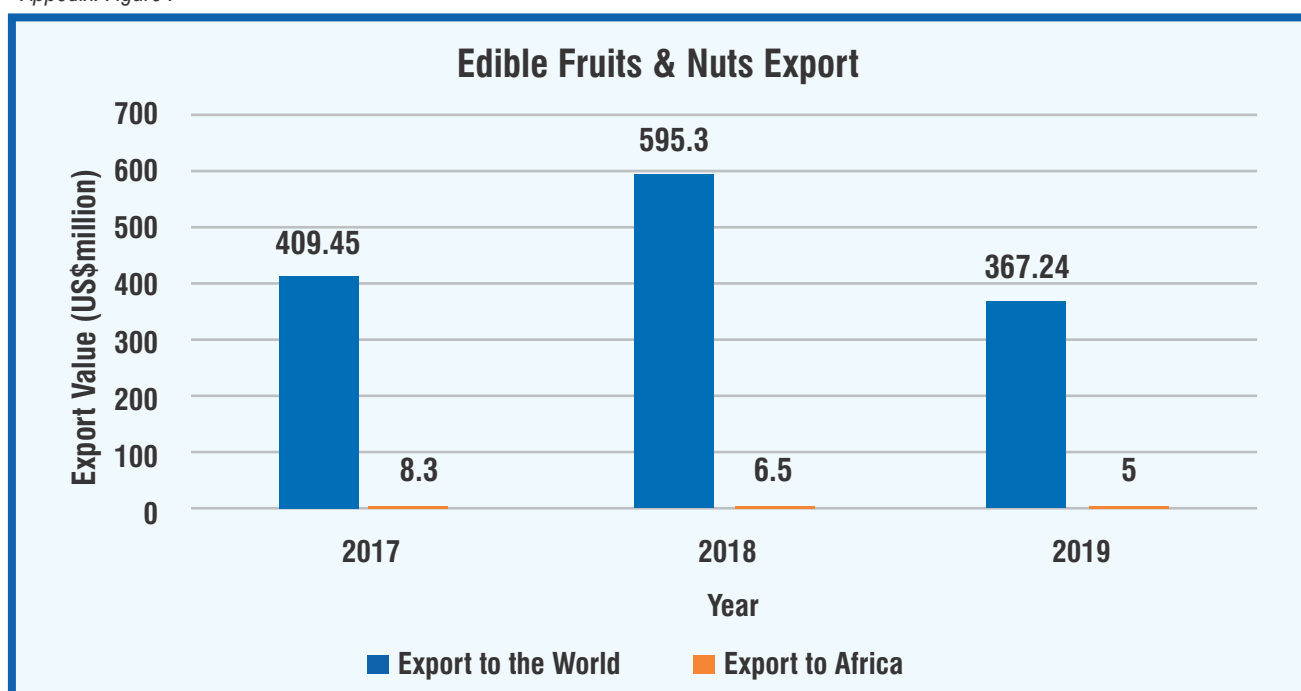


## APPENDIX II: Ghana's Agricultural Exports: Special Review of Ghana's Intra-Africa Fruits and Vegetable Exports

### Edible Fruits & Nuts Export

Ghana has, in the last 3 years, exported to the global market, a total of US\$457.3 million worth of edible fruits and nuts compared to an average of US\$6.58 million to African markets each year.

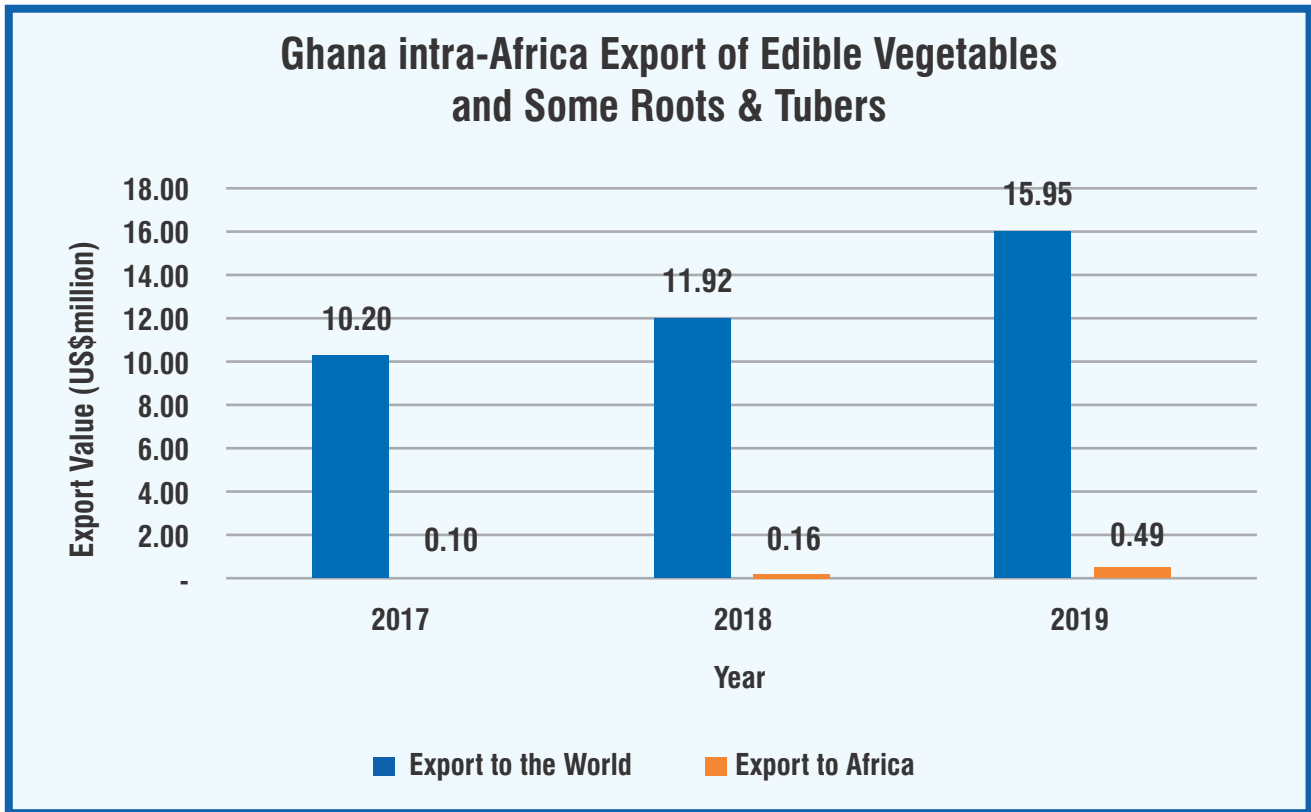
Appendix: Figure 1



Source: Konfidants based on Data from ITC Export Tree Map

### Edible Vegetables and Roots and Tubers

Ghana's export of both edible vegetables and some roots and tubers, to both the global market and the African market, has been on a steady rise since 2019. Between 2017 and 2019, the value of exports of edible vegetables and some roots and tubers in the African market had increased by nearly a factor 5 – from US\$100,000 in 2017 to US\$490,000 in 2019. In the world market, over the period, Ghana's export had increased more than 50% - from US\$10.2 million to US\$15.95 million.



Source: Konfidants based on Data from ITC Trade Map

## Ghana's intra-Africa Agricultural Exports Performance

- Ghana's current performance in agricultural exports (fruits, vegetables, nuts, roots and tubers) is massively tilted towards market outside Africa. While this may reflect more favorable demand outside Africa (and easier market access outside Africa), it is also problematic because it shows that Ghana is not competitive in intra-African trade for agricultural produce.
- Rather Ghana heavily imports agricultural produce from other African countries.
- The share of intra-Africa exports for vegetables/tubers is less than 1% of Ghana's total exports.
- Ghana has, in last 3 years, exported to the global market, an annual average total of US\$457.3 million worth of edible fruits and nuts compared to an average of US\$6.58 million to African markets each year.
- Careful look at the ITC Export Potential Map shows that Ghana currently has very low (to insignificant) export potential for vegetables, fruits and tubers in Africa. In Nigeria where Ghana currently has the highest export potential for vegetables, the projected potential is barely US\$100,000. In fact, of the 30 countries with potential for Ghana's vegetables, the estimated potential in 27 of these countries is less than US\$10,000.

## APPENDIX III: Examples of individual products under the classification under in the export value ranking

Plastics	Agro-based Manufactures (Agro - processing)
Polymers of styrene, in primary forms	Meat, edible meat offal, salted, dried; flours, meals
Polymers of vinyl chloride or halogenated olefins	Meat, edible meat offal, prepared, preserved, n.e.s.
Polyethers, epoxide resins; polycarbonate, polyesters	Butter and other fats and oils derived from milk
Other plastics, in primary forms	Cheese and curd
Waste, parings and scrap, of plastics	Fish, dried, salted or in brine; smoked fish
Tubes, pipes and hoses of plastics	Fish, aqua. invertebrates, prepared, preserved, n.e.s
Plates, sheets, films, foil & strip, of plastics	Meal and flour of wheat and flour of muslin
Monofilaments, of plastics, cross-section > 1mm	Other cereal meals and flour
	Cereal preparations, flour of fruits or vegetables
<b>Manufactures of Metals</b>	Vegetables, roots, tubers, prepared, preserved, n.e.s.
Structures & parts, n.e.s., of iron, steel, aluminium	Fruit, preserved, and fruit preparations (no juice)
Metal containers for storage or transport	Fruit and vegetable juices, unfermented, no spirit
Wire products (excluding electrical) and fencing grills	Sugar, molasses and honey
Nails, screws, nuts, bolts, rivets & the like, of metal	Sugar confectionery
Tools for use in the hand or in machine	Chocolate, food preparations with cocoa, n.e.s.
Cutlery	Edible products and preparations, n.e.s.

Household equipment of base metal, n.e.s.	Non -alcoholic beverages, n.e.s.
	Alcoholic beverages
Essential oils for perfume materials and cleaning preparations	Tobacco, manufactured
Essential oils, perfume & flavour materials	Synthetic rubber
Perfumery, cosmetics or toilet paper (excluding soaps)	Wood in the rough or roughly squared
Soaps, cleansing and polishing preparations	Wood simply worked, and railway sleepers of wood
	Pulp and waste paper
Mineral fuels, lubricants and related materials	Jute, other textile bast fibre, n.e.s., not spun; tow
Coal, whether or not pulverized, not agglomerated	Vegetable textile fibres, not spun; waste of them
Briquettes, lignites and peat	Worn clothing and other worn textile articles
Coke & semi -cokes of coal, lign., peat; retort carbon	Fixed vegetable fats & oils, crude, refined, fractio.
Petroleum oils, oils from bitumin. materials, crude	Fixed vegetable fats & oils, crude, refined, fract.
Petroleum oils or bituminous minerals > 70 % oil	Animal or veg. oils & fats, processed, n.e.s.; mixt.
Residual petroleum products, n.e.s., related mater.	Materials of rubber (pastes, plates, sheets, etc.)
Liquefied propane and butane	Rubber tyres, tyre treads or flaps & inner tubes
Natural gas, whether or not liquefied	Articles of rubber, n.e.s.
Petroleum gases, other gaseous hydrocarbons, n.e.s.	Cork manufactures
Coal gas, water gas & s imilar gases (excludinghydrocar)	Veneers, plywood, and other wood, worked, n.e.s.
	Wood manufacture, n.e.s.
Medicinal and pharmaceutical products	Paper and paperboard
Medicinal and pharmaceutical products, (excluding medicaments)	
Medicaments (incl. veterinary medicaments)	

## **APPENDIX IV: Examples of individual products under classifications used in the market potential analysis(ITC Export Potential Map)**

Processed Foods & Animal Feeds	Pharmaceutical Components
Mushrooms	Vitamins A,B1, B2, B6,B12,C,E & their derivatives
Fruit stones & kernels for human consumption, sugar cane, carob, etc.	Provitamins & mixtures of vitamins
Fruits & nuts nes, provisionally preserved	Insulin & its salts
Flour, meal & powder of legumes, roots & tubers tec	Halogenated derivatives of corticosteroidal hormones
Flakes, granules & pellets of roots & tubers	Oestrogens & progestogens
Food preparations for infant use	Prostaglandins, thromboxanes, leukotrienes & structural analogues
Starch from grains, roots, tubers etc	Antibiotics
Chewing gum & Sugar confectionery	Human & animal blood, blood fractions & immunological products
Uncooked pasta	Vaccines for veterinary medicine
Bread, pastry	Medicaments containing penicillins or derivatives thereof
Vegetables preserved by vinegar or acetic acid	Medicaments containing antibiotics
Groundnuts, prepared or preserved, excl with sugar	Medicaments containing insulin
Nuts & other seeds, prepared or preserved, nes	Medicaments containing hormones or steroids used as hormones
Pineapples, prepared or preserved, nes	Medicaments containing alkaloids or derivatives thereof
Citrus fruit, prepared or preserved, nes	Medicaments containing penicillins or derivatives thereof, nes
Prepared baking powders	Medicaments containing antibiotics, for retail sale
Tomatoes (whole/in pieces/prepared), Tomato ketchup & other tomato sauces	Medicaments containing insulin, for retail sale

Mustard flour & meal	Medicaments containing corticosteroid hormones, for retail sale
Preparations for sauces & prepared sauces	Medicaments containing hormones or steroids, for retail sale
Ice cream & other edible ice	Medicaments containing alkaloids or derivatives thereof
Groundnuts, prepared or preserved, excl with sugar	Medicaments containing (pro)vitamins & derivatives, for retail sale
Fruit jams and marmalades	Medicaments consisting of mixed or unmixed products, for retail sale
	Sterile surgical catgut & tissue adhesives
Minerals, Metal & Products thereof (Metal Manufactures) Examples of Products	Reagents for determining blood groups or blood factors
Jewellery,	Chemical contraceptive preparations
Wires	
Bars & Rods of metals	
Nails	Chemicals (Lubricants)
Household Articles	Textile lubricants, with petroleum/bituminous mineral oil
Metal sheets & plates	Lubricants, with petroleum/bituminous mineral oil
	Polishes
<b>Apparels &amp; Textile Products (Textiles) Examples</b>	Insecticides, rodenticides, fungicides, herbicides & similar
	Artificial & prepared waxes, nes
Woven & Embroidery Textile Fabrics	Anti -knock agents for motor fuels
Textile wall and floor coverings	Prepared additives for oil lubricants, nes
Overcoats, jackets, suits, petticoats and ties	Glycerol, crude; glycerol waters & lyes
Bathrobes, pyjamas, underpants & panties,	Hydrocarbons
T-shirts & vests of cotton, knit/crochet	Prepared additives for mineral oils, nes
Babies' garments & accessories, nes	

Curtains, bed valances, knit/crochet	Beauty Products & Perfume Products (Cosmetics Products)
Sacks & bags of man-made textiles for packing	Lip and eye make-up
Hats & headgear	Manicure/pedicure preparations
Shirts & Blouses, men and women trousers & shirts	Make-up/skin care powders
	Beauty, make-up & skincare preparations
	Preparations for use on the hair, nes
	Preparations for oral/dental hygiene
	Shaving preparations
	Personal deodorants & antiperspirants
	Room perfuming/deodorizing preparations
	Soap & organic surface-active products, for toilet use
	Soap & organic surface-active products
	Soap in flakes/granules/powder/paste/aqueous solution

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