



To: President-Elect Barack Obama
Cc: Hillary Clinton, Secretary of State-designate; Ron Kirk, U.S. Trade Representative-designate; Michael Warren, Presidential Transition Agency Review Team Lead, Economics and International Trade; Senator Max Baucus; Senator Charles Grassley; Congressman Charles Rangel; Congressman Dave Camp; Congressman Sander Levin; Congressman Wally Herger

From: Kimberly Elliott, Center for Global Development

RE: Duty-free access for the poorest and most vulnerable countries

Background: The poorest countries of the world are in serious trouble as a result of a global economic crisis that is not of their making. In many countries, the poverty gains of recent years are at risk and political stability, already fragile, is seriously threatened. The Millennium Development Goals include a commitment to provide duty-free and quota-free access (DFQF) for least-developed countries and, in 2005, the United States and other rich countries pledged as part of the Doha Round to provide such access for least-developed countries on 97 percent of products; but the Doha Round is now stalled. Although the United States already provides close to DFQF access for AGOA-eligible countries in sub-Saharan Africa and slightly less generous treatment for most Andean and Caribbean countries, other very poor countries are currently ineligible for these regional programs and some of them bear large tax burdens on their exports. Even Africa faces restrictions on agricultural exports, despite the importance of that sector to poor people.

Recommendation: By implementing an improved and expanded DFQF program this year, the United States could use the power of its markets to boost jobs and incomes in the poorest countries while doing little or no damage to domestic producers. This effort could also provide the foundation for increased political stability in fragile states essential to U.S. national security.

The Administration and Congress should work together immediately on legislation that authorizes a *permanent program with simplified rules* for country and product eligibility that provides *full DFQF* access for the poorest and most vulnerable countries. While the program would be authorized on a permanent basis, countries would still be subject to review and would “graduate” as they develop. The most effective policy proposal would include least developed countries (LDCs), and would add other AGOA-eligible, low-income, and lower-middle income countries with gross national incomes below \$100 billion. The advantages of such a proposal would include:

- demonstrating US leadership at a time of uncertainty for the global trade system
- increasing opportunities for foreign investment, job creation, and poverty alleviation
- supporting vulnerable countries where there is a risk of political instability
- providing reassurance to global financial markets concerned about protectionism.

Annex 1: List of countries covered by the policy recommendation

Annex 2: List of useful references

Annex 1: Country coverage, imports value and gross national income

U.S. Imports 2007 - General Customs Value in 1,000 dollars and Share of Total Imports					
TOTAL US IMPORTS	TOTAL IMPORTS	% Share	GROSS NATIONAL	GROSS NATIONAL	
TOTAL OF ALL GROUPS	1,953,698,801	100%	INCOME (\$ billions	INCOME \$ per capita	
	35,363,904	1.8%	2007)	2007	
LDC	20,846,232	1.1%			
Afghanistan	74,618	0.2%	10.1	-	
Angola	12,507,550	35.4%	43.6	2,560	
Bangladesh	3,433,231	9.7%	75.1	470	
Benin	5,076	0.0%	5.1	570	
Bhutan*	817	0.0%	0.9	1,430	
Burkina Faso	1,466	0.0%	6.4	430	
Burundi	1,111	0.0%	0.9	110	
Cambodia	2,463,350	7.0%	7.9	540	
Cape Verde*	2,155	0.0%	1.1	2,130	
Chad	2,145,359	6.1%	5.8	540	
Comoros*	543	0.0%	0.4	660	
Congo (DROC)	206,451	0.6%	8.6	140	
Djibouti*	4,505	0.0%	0.9	1,060	
East Timor*	323	0.0%	0.8	840	
Ethiopia	88,236	0.2%	17.6	220	
Gambia*	148	0.0%	0.5	290	
Guinea	98,944	0.3%	3.7	400	
Guinea-Bissau*	38	0.0%	0.3	190	
Haiti	487,792	1.4%	5.4	560	
Kiribati*	1,233	0.0%	0.1	1,240	
Lesotho*	443,048	1.3%	1.9	980	
Liberia	115,303	0.3%	0.6	150	
Madagascar	337,971	1.0%	6.3	320	
Malawi	59,134	0.2%	3.5	250	
Mali	9,712	0.0%	6.1	500	
Mauritania	722	0.0%	2.6	840	
Mozambique	5,356	0.0%	6.8	320	
Nepal	89,883	0.3%	9.7	340	
Niger	9,557	0.0%	4.0	280	
Rwanda	12,675	0.0%	3.1	320	
Samoa*	5,422	0.0%	0.4	2,270	
Sao Tome & Principe*	393	0.0%	0.1	800	
Senegal	18,728	0.1%	10.2	820	
Sierra Leone	48,112	0.1%	1.5	260	
Solomon Is*	1,117	0.0%	0.3	690	
Tanzania	46,221	0.1%	16.3	400	
Togo	5,039	0.0%	2.4	360	
Tuvalu	28	0.0%	-	-	
Uganda	26,707	0.1%	10.5	340	
Vanuatu*	885	0.0%	0.4	1,690	
Yemen	291,942	0.8%	19.4	870	
Zambia	48,780	0.1%	9.5	800	
Other- AGOA eligible	39,594,532	2.0%			
Botswana*	187,453	0.5%	9.9	5570	
Cameroon	297,257	0.8%	19.5	1,050	
Congo (ROC)	3,070,661	8.7%	5.8	1,540	
Gabon*	2,181,808	6.2%	7.5	5,360	
Ghana	198,652	0.6%	13.9	590	
Kenya	325,429	0.9%	25.6	680	
Mauritius*	187,606	0.5%	6.4	5,430	
Namibia*	219,783	0.6%	6.5	3,210	
Nigeria	32,770,232	92.7%	137.1	930	
Seychelles*	10,332	0.0%	0.7	8,870	
Swaziland*	145,319	0.4%	2.7	2,400	
Other LIC+LMIC,GNI < \$100 bi	14,517,349	0.7%			
Albania	9,524	0.0%	10.5	3,290	
Armenia	32,882	0.1%	7.9	2,640	
Bolivia	362,644	1.0%	12	1,260	
Bosnia-Herzegovina	24,907	0.1%	14.3	3,790	
Ecuador	6,135,968	17.4%	41.2	3,080	
Fiji*	152,818	0.4%	3.07	3,720	
Georgia	188,741	0.5%	9.3	2,120	
Guyana*	123,528	0.3%	0.86	1,150	
Jamaica*	728,291	2.1%	9.34	3,560	
Kyrgyzstan	1,733	0.0%	3.1	590	
Macedonia*	72,722	0.2%	6.21	3,070	
Moldova	23,167	0.1%	4.3	1,260	
Mongolia*	83,494	0.2%	3.05	1,000	
Pakistan	3,577,057	10.1%	141	870	
Papua New Guinea	108,516	0.3%	5.4	850	
Paraguay	68,002	0.2%	10.2	1,670	
Sri Lanka	2,065,712	5.8%	30.8	1,540	
Suriname*	129,594	0.4%	2.07	4,210	
Tonga*	5,470	0.0%	0.23	2,250	
Tunisia	457,663	1.3%	32.8	3,200	
Uzbekistan	164,916	0.5%	19.7	730	

* GNI and GNI per capita for 2006.

Note: Sub-Saharan African countries classified as LDCs are also AGOA eligible. Other countries are only GSP eligible.

Annex 2: For more information

Trade Policy for Development: Reforming U.S. Trade Preferences,
<http://www.cgdev.org/content/publications/detail/14348>

U.S. Trade Policy and Global Development,
<http://www.cgdev.org/content/publications/detail/16560>

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