

2005 COMPREHENSIVE REPORT ON U.S. TRADE AND  
INVESTMENT POLICY TOWARD SUB-SAHARAN AFRI-  
CA, ET. AL.

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MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

CONSISTENT WITH TITLE I OF THE TRADE AND DEVELOPMENT  
ACT OF 2000, THE “2005 COMPREHENSIVE REPORT ON U.S.  
TRADE AND INVESTMENT POLICY TOWARD SUB-SAHARAN AFRI-  
CA AND IMPLEMENTATION OF THE AFRICAN GROWTH AND OP-  
PORTUNITY ACT”



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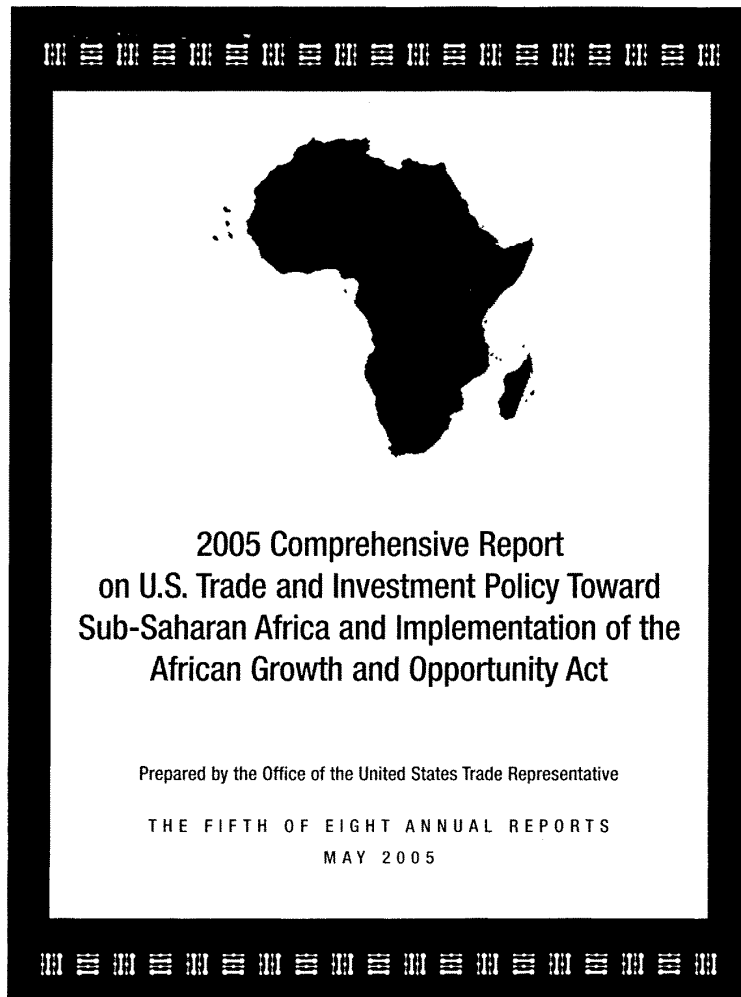
*To the Congress of the United States:*

Consistent with title I of the Trade and Development Act of 2000, I am providing a report prepared by my Administration, the “2005 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act.”

GEORGE W. BUSH.

THE WHITE HOUSE, *May 19, 2005*.





**2005 Comprehensive Report on  
U.S. Trade and Investment Policy Toward Sub-Saharan Africa and  
Implementation of the African Growth and Opportunity Act  
The Fifth of Eight Annual Reports  
May 2005**

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**Foreword**

Section 106 of the African Growth and Opportunity Act (AGOA), Title I of the Trade and Development Act of 2000, states that the President shall submit a report to Congress annually through 2008 on trade and investment policy toward Africa and on implementation of AGOA. The Act also states that the President shall submit a report to Congress on potential free trade agreements with sub-Saharan African countries. These reports under AGOA continue a series of annual Presidential reports to Congress on U.S. trade and investment policy toward Africa under the Uruguay Round Agreements Act of 1994.

This is the fifth of eight annual reports under AGOA. The current report builds on the information provided in previous reports, providing new and updated information on U.S. trade and investment policy toward sub-Saharan Africa, including the implementation of AGOA, the designation of AGOA beneficiary countries, the impact that AGOA has had on U.S. trade and investment with sub-Saharan Africa, and information on reforms being undertaken by AGOA beneficiary countries. It was prepared by the Office of the United States Trade Representative with input from numerous federal agencies and offices including the National Security Council, the Departments of Agriculture, Commerce, Energy, Health and Human Services, Labor, State, Transportation, and Treasury, as well as the African Development Foundation, the Council of Economic Advisors, the Environmental Protection Agency, the Millennium Challenge Corporation, the Overseas Private Investment Corporation, the Small Business Administration, the U.S. Agency for International Development, the U.S. Bureau of Customs and Border Protection, the U.S. Export-Import Bank, the U.S. International Trade Commission, and the U.S. Trade and Development Agency.

**I. U.S.-African Trade and Investment Highlights**

- AGOA has been a measurable success, increasing our two-way trade with sub-Saharan Africa and diversifying the range of products being traded. In 2004, U.S. exports to sub-Saharan Africa increased 25 percent from 2003, to \$8.6 billion. AGOA imports (including GSP) were \$26.6 billion in 2004, an increase of 88 percent over 2003. Non-oil AGOA imports totaled \$3.5 billion, an increase of 22 percent from 2003.
- In July 2004, President Bush signed into law the AGOA Acceleration Act of 2004. This legislation extends AGOA's authorization until 2015, including its special third-country fabric provision until 2007, mandates increased AGOA-related technical assistance, and amends some technical provisions of the Act.
- The United States devoted \$181 million to trade capacity building activities in sub-Saharan Africa in FY04, up 36 percent from FY03. With funding from USAID, in 2004, agricultural standard experts from the U.S. Animal Plant and Health Inspection Service (APHIS) were placed at each of the three regional TRADE Hubs to help eligible African countries to meet U.S. standards and increase their agriculture exports under AGOA.
- The Administration has commissioned a major study to identify potentially competitive export sectors in each of the 37 AGOA-eligible countries, barriers that are impeding growth in these sectors, and to make recommendations to reduce or eliminate these barriers. The study will further contribute to U.S. government efforts to maximize AGOA benefits across a wider range of countries and products. The study will be completed in July 2005.
- Thirty-seven of the 48 sub-Saharan African countries are eligible for AGOA. In December 2004, Burkina Faso was added to the list of eligible countries, and Côte d'Ivoire was removed from the list. Three countries – Benin, Nigeria, and Sierra Leone – became eligible for AGOA's apparel benefits in 2004. As of April 2005, 24 sub-Saharan African countries are eligible to receive AGOA's apparel benefits. Ten of these countries also qualify for AGOA's provisions for handloomed and handmade articles.
- The elimination of global textile and apparel quotas at the end of 2004 presents special challenges to African textile and apparel exporters. To continue to retain and grow their market share in the face of increased global competition, eligible sub-Saharan African countries will need to find ways to reduce relatively high production costs, especially in areas such as electricity, telecommunications, and transport. They will also need to increase their external competitiveness by accelerating vertical integration of the cotton/yarn/textile/apparel value chain, a trend for which AGOA's rules of origin provide incentives by promoting use of regional fabric.

- Negotiations continued on a free trade agreement (FTA) between the United States and the five members of the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, South Africa, and Swaziland. Given divergent views on some critical issues, the United States and SACU continued to work to establish a common vision for the FTA. The U.S.-SACU FTA is expected to create new commercial opportunities for U.S. and SACU companies, farmers, and workers.
- The fourth U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum will be held in Dakar, Senegal in July 2005. Senior Administration officials from the United States are expected to join government ministers from the 37 AGOA-eligible countries at this event. Hundreds of U.S. and African businesses and organizations will participate in the private sector and civil society dialogues to be held at the AGOA Forum.

## II. Executive Summary

AGOA was in 2004 a measurable success – building on increased trade and economic engagement between the United States and the countries of sub-Saharan Africa since AGOA's passage in 2000. AGOA supports the efforts of sub-Saharan African countries undertaking difficult economic, political, and social reforms and provides an incentive for countries considering such reforms.

With the addition of one new AGOA-eligible beneficiary country, and the removal of another country from AGOA beneficiary status, the total number of AGOA beneficiary countries remains 37 in 2005.<sup>1</sup> As of April 2005, 24 countries are eligible to receive AGOA's apparel benefits.<sup>2</sup> The United States maintains an ongoing dialogue with sub-Saharan African countries on topics related to the AGOA eligibility criteria and continues to encourage progress in those countries not yet eligible for AGOA.

AGOA has also generated new trading opportunities and investment, created new jobs, and is promoting economic cooperation and development. In 2004, U.S.-Africa two-way trade increased 37 percent over 2003, with especially noteworthy increases in African exports of agricultural products and value-added products such as apparel and footwear.

As a result of AGOA, substantially all imports from sub-Saharan Africa are eligible to enter the United States duty-free. In 2004, over 98 percent of U.S. imports from AGOA-eligible countries entered duty-free. U.S. imports of AGOA products are growing, with especially notable increases in imports of non-fuel goods. The United States imported more than \$26 billion in merchandise duty-free under AGOA in 2004, an 88 percent increase from 2003, largely due to an increase in oil imports. Non-oil AGOA imports totaled \$3.5 billion in 2004, up 22 percent from 2003. Apparel and agricultural products accounted for more than half of non-oil AGOA imports. The elimination of textile and apparel quotas at the end of 2004 represents a potential source of instability for textile and apparel exporters which have benefited greatly from AGOA. To continue to realize the potential benefits of AGOA in the apparel sector, eligible sub-Saharan African countries need to develop vertically integrated – cotton to textiles to apparel – sectors that are more competitive. But AGOA-eligible countries must move beyond apparel and diversify their exports to maximize AGOA benefits by producing any of the over 6,000 products eligible for duty-free treatment under AGOA.

As sub-Saharan African countries develop trade opportunities under AGOA, they are seeking U.S. inputs, expertise, and joint-venture partnerships. U.S. merchandise exports

<sup>1</sup> The 37 AGOA beneficiary countries are Angola; Benin; Botswana; Burkina Faso; Cameroon; Cape Verde; Chad; Republic of Congo; Democratic Republic of Congo; Djibouti; Ethiopia; Gabon; The Gambia; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Sao Tome and Principe; Senegal; Seychelles; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; and Zambia. In December 2004, Burkina Faso was added to the list of eligible countries, and Côte d'Ivoire was removed from the list.

<sup>2</sup> The 24 countries eligible to receive AGOA apparel benefits are Benin; Botswana; Cameroon; Cape Verde; Ethiopia; Ghana; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Senegal; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; and Zambia.

to sub-Saharan Africa were \$8.6 billion in 2004, up 25 percent from 2003, with notable gains in agricultural goods, machinery, and transportation equipment. The growth in U.S. merchandise exports to sub-Saharan Africa was more than twice the growth in U.S. merchandise exports to the rest of the world. At year-end 2003, the U.S. direct investment position increased 18.7 percent to \$11.5 billion. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships.

The past year also witnessed the passage of the AGOA Acceleration Act of 2004, which extended AGOA's authorization until 2015 and third party fabric provisions until 2007. A number of its provisions aim to provide not only access to the U.S. market but to give AGOA-eligible countries the technical and trade capacity building assistance needed to help eligible countries take full advantage of AGOA.

The Administration views trade capacity building and technical assistance programs as essential components of its trade and investment policy. Sub-Saharan African countries need technical assistance to maximize gains from both AGOA and participation in the WTO. The United States provided \$181 million in trade capacity building assistance to sub-Saharan Africa in FY2004, up 36 percent from FY03.

The Administration also remains committed to helping sub-Saharan Africa address the challenges of debt relief, poverty reduction, infrastructure development, and HIV/AIDS and other infectious diseases. The President's Millennium Challenge Account Initiative (MCA), for which Congress appropriated \$2.5 billion in FY04-05, will invest in areas such as agricultural development, education, private sector development, governance, health, and trade capacity building. While the MCA is a global initiative, eight of the 17 countries selected as eligible to apply for MCA assistance to date are in sub-Saharan Africa. In March 2005, the Millennium Challenge Corporation Board approved a funding compact for Madagascar providing for up to \$110 million over four years. Several other compacts with African countries are expected to move forward in FY05.

The next U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum will be held in Dakar, Senegal in July 2005. The Forum provides an opportunity for high-level U.S. consultations with officials from AGOA-eligible countries and helps to promote the tripartite alliance among U.S. and African governments, businesses, and civil society organizations that is essential for realizing the full potential of the U.S.-sub-Saharan African trade and economic relationship.

By enhancing U.S.-African dialogue on trade and investment issues, AGOA also

facilitates U.S.-African cooperation in the World Trade Organization (WTO), supporting efforts to extend and expand trade liberalization across the globe. The 38 sub-Saharan African members of the WTO constitute the largest regional bloc in that body. Increased and more effective participation of sub-Saharan African countries in WTO's Doha Development Agenda negotiations is an important step toward Africa's integration into the global economy. WTO issues were at the top of the agenda during each of three trips made by former USTR Zoellick to sub-Saharan Africa in 2004. The handling of cotton in the WTO Doha negotiations was of particular importance to sub-Saharan African WTO members and was a major focus of U.S.-African discussions on WTO trade liberalization negotiations. In March 2005, the United States formally submitted to the WTO a request for a waiver from most favored nation rules to cover AGOA's preferential trade provisions.

The United States and the five members of the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, South Africa and Swaziland – continued negotiations toward a free trade agreement. Although six rounds of negotiations were held in 2003 and 2004, progress toward an agreement – which would be the first-ever U.S. free trade agreement with sub-Saharan African countries – is moving more slowly than initially expected, due largely to capacity constraints on the SACU side and divergent views between the parties on some key issues. The United States has underscored the need for a comprehensive FTA that covers all trade-related issues, including investment, intellectual property rights, government procurement, labor, and the environment. In December 2004, then-USTR Zoellick met in Namibia with trade ministers of the five SACU countries in an effort to address outstanding differences and help to move the negotiations forward. In early 2005, the United States continued to work with SACU to reaffirm a common vision and approach for a comprehensive FTA with the expectation that negotiations would resume later in 2005.

### **III. The African Growth and Opportunity Act**

#### **A. AGOA Summary, Eligibility, and Implementation**

This section provides a summary of AGOA, its eligibility requirements, and progress on its implementation. AGOA's trade and investment-centered policy approach is to: (1) reinforce Africa's economic and political reform efforts; (2) provide greater access to U.S. technical assistance and trade finance facilities; and (3) promote high-level U.S.-sub-Saharan African dialogue on trade and investment-related issues. Achieving these policy objectives benefits both the United States and eligible countries in sub-Saharan Africa by creating healthier and more stable economies in sub-Saharan Africa, strengthening democratic governments, and expanding markets for U.S. exports.

#### **AGOA Summary**

AGOA authorized a new U.S. trade and investment policy toward sub-Saharan Africa. It has transformed U.S.-sub-Saharan Africa trade relations by promoting increased trade, investment and economic cooperation between the United States and eligible countries in sub-Saharan Africa.

AGOA:

- Institutionalizes a process for strengthening U.S. trade relations with African countries;
- Provides incentives for African countries to achieve political and economic reform and growth;
- Offers eligible countries in sub-Saharan Africa duty-free U.S. market access for substantially all products;
- Provides additional security for investors and traders in African countries by extending GSP benefits for AGOA beneficiaries through 2015;
- Eliminates the GSP competitive need limitation for beneficiary countries in sub-Saharan Africa;
- Establishes the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum to facilitate regular ministerial-level trade and investment policy discussions; and
- Promotes the use of technical assistance to strengthen economic reforms and development, including assistance to strengthen relations between U.S. firms and firms in sub-Saharan Africa.

#### **AGOA Apparel and Textile Benefits\***

AGOA provides duty-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries. Qualifying articles include:

- Apparel made of U.S. yarns and fabrics;
- Apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a cap;
- Apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap;
- Apparel made of yarns and fabrics not produced in commercial quantities in the United States;

- Certain cashmere and merino wool sweaters; and
- Eligible handloomed, handmade, or folklore articles or ethnic printed fabrics.

\* Note: The AGOA Acceleration Act of 2004 extended and expanded many of the original benefits above, see Section B.

#### Other Textile and Apparel Provisions

The Committee for the Implementation of Textile Agreements (CITA) has the authority to implement certain provisions of the Act's textile and apparel benefits. These provisions include:

- Determination of the annual caps on imports of apparel that is assembled in beneficiary countries from regional and third-country fabrics;
- Determination that yarn or fabric cannot be supplied by the U.S. industry in commercial quantities in a timely manner, and to extend preferential treatment to eligible apparel from such yarn or fabric (commercial availability);
- Determination of eligible handloomed, handmade, or folklore articles, or ethnic printed fabrics; such products may be imported duty-free;
- A "tariff snapback" in the event that a surge in imports of eligible articles causes serious damage or threat thereof to domestic industry;
- Determination of whether U.S. manufacturers produce interlinings in the United States in commercial quantities, thereby rendering articles containing foreign interlinings ineligible for benefits under the Act; and
- Determination of whether exporters have engaged in illegal transshipment and to deny benefits to such exporters for a period of five years.

#### *Regional Caps*

AGOA limits imports of apparel made with regional or third country fabric to a fixed percentage of the aggregate square meter equivalents (SMEs) of all apparel articles imported into the United States. The Trade Act of 2002 increased the quantitative limitation for apparel made with regional fabric but provided that this increase would not apply to apparel imported under the Special Rule for lesser developed countries. The AGOA Acceleration Act of 2004 extended the availability of this third-country fabric option through September 30, 2007. It also further amended the percentages to be used in calculating the quantitative limitations for each 12-month period.

The 2004 Act provides that the quantitative limitation for the twelve-month period beginning October 1, 2004 will be an amount not to exceed 5.31025 percent of the aggregate SMEs of all apparel articles imported into the United States in the preceding 12-month period for which data are available, which equals 1,076,876,652 SMEs. Of this overall amount, apparel imported under the special rule for lesser-developed countries is

limited to an amount not to exceed 2.6428 percent, which is 535,938,914 SMEs. These quantities are recalculated for each subsequent year. Apparel articles entered in excess of these quantities will be subject to otherwise applicable tariffs. The duty-free cap is not allocated among countries. It is filled on a “first-come, first-served” basis.

In addition, the Miscellaneous Trade and Technical Act of 2004 provides that, for the one-year period beginning on October 1, 2004, the term “lesser developed beneficiary sub-Saharan African country” includes Mauritius. Further, it establishes a separate limitation for Mauritius within the quantitative limitation applicable to apparel of third-country fabric. Of the amount established for apparel imported under the special rule for lesser-developed countries, the amount available to Mauritius is five percent, which equals 26,796,946 SMEs. Apparel articles entered in excess of these quantities will be subject to otherwise applicable tariffs. This special provision for Mauritius expires on September 30, 2005.

For the most current data on aggregate imports under the cap, please visit <http://otexa.ita.doc.gov> and click on “AGOA”.

#### *Commercial Availability*

Under AGOA, the President is authorized to proclaim duty-free benefits for apparel that is both cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary countries from fabric or yarns not formed in the United States, if the President has determined that such yarns or fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. In Executive Order 13191, the President delegated to the Committee for the Implementation of Textile Agreements (CITA) the authority to determine whether yarn or fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner.

As of March 2005, eight commercial availability petitions have been approved, five were denied, and two are under consideration. For details on products that receive duty-free treatment under the AGOA, please visit <http://otexa.ita.doc.gov> and click on “Commercial Availability”.

#### *Handloomed, Handmade, and Folklore Articles, and Ethnic Printed Fabrics*

AGOA provides duty-free benefits for handloomed, handmade, or folklore articles made in beneficiary sub-Saharan African countries. This provision is known as “Category 9”. In Executive Order 13191, the President authorized CITA, after consultation with the Commissioner of Customs, to consult with beneficiary sub-Saharan African countries and to determine which, if any, particular textile and apparel goods shall be treated as being handloomed, handmade, or folklore articles. The AGOA Acceleration Act of 2004 expands the current “Category 9” AGOA coverage to include certain machine-made ethnic printed fabrics made from fabrics formed in a sub-Saharan African beneficiary country.

### Implementation of AGOA

USTR and other U.S. government agencies are implementing AGOA through the annual AGOA eligibility review process, ongoing U.S.-SACU FTA negotiations, the AGOA Forum, and trade-related U.S. government technical assistance provided to eligible sub-Saharan African countries. As a result of these implementation efforts, since 2000, AGOA has helped transform the economic landscape of sub-Saharan Africa, stimulated new trading opportunities for U.S. and African businesses, created new jobs, and attracted millions of dollars in new investments to the region. In 2004, AGOA (including GSP) imports exceeded \$26 billion, up 88 percent over 2003, largely due to an increase in oil imports. AGOA also created new commercial opportunities for U.S. exporters, as African exporters explored new input sources in the United States. U.S. exports to the region increased 25 percent in 2004, with notable gains in agricultural goods, machinery, and transportation equipment.

### Country Eligibility

AGOA requires the President to determine annually whether sub-Saharan African countries are, or remain, eligible for benefits based on their progress in meeting criteria set out in the Act. These criteria include continual progress toward the establishment of a market-based economy and the rule of law, the elimination of barriers to U.S. trade and investment, implementation of economic policies to reduce poverty, the protection of internationally recognized worker rights, and establishment of a system to combat corruption. Additionally, countries cannot engage in: i) violations of internationally recognized human rights, ii) support for acts of international terrorism, or iii) activities that undermine U.S. national security or foreign policy interests. The full list of eligibility criteria is contained in Annex B.

An interagency AGOA Implementation TPSC Subcommittee, chaired by USTR, conducts the annual eligibility review, drawing on information from the public, NGOs, the private sector, and prospective beneficiary governments. Following the last eligibility review in December 2004, and based on the recommendation of the U.S. Trade Representative, the President signed a Proclamation on December 21, 2004 stating that 37 sub-Saharan African countries met AGOA's requirements for eligibility. In December 2004, Burkina Faso was designated as a new AGOA beneficiary, while Côte d'Ivoire, previously AGOA-eligible, had its AGOA beneficiary status terminated. The country reports in Chapter IX provide specific information on AGOA beneficiary status and country performance with respect to AGOA eligibility criteria.

AGOA requires that, in order to receive the apparel benefits in the Act, designated beneficiary countries meet certain customs-related requirements, such as the establishment of an effective visa system. As of March 2005, 24 AGOA-eligible countries had instituted acceptable customs measures to prevent illegal transshipment and, accordingly, had been certified for AGOA's textile and apparel benefits. Annex A contains a list of eligible countries for AGOA and of those that had met requirements for textiles and apparel benefits as of April 2005. This information can also be found at <http://www.agoa.gov>. Ten countries – Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania and Zambia – have also been approved for the handloomed and handmade articles provisions. Ghana, Mozambique and Tanzania

are the only countries to be approved for folklore articles. As of April 2005, CITA was reviewing proposals submitted by Ethiopia, Nigeria, Senegal, and Sierra Leone. No countries are yet eligible to benefit from the new ethnic printed fabric provisions.

#### Product Eligibility

Essentially all products of AGOA beneficiary countries may enter the United States duty-free, either under AGOA, GSP, or under a category for which the United States maintains a zero normal-trade-relations rate of duty. In 2004, over 98 percent of U.S. imports from AGOA beneficiary countries entered duty-free. Products are eligible for preferential access to the U.S. market under AGOA in three ways:

- First, AGOA extends the GSP program (which covers 4,650 products) for beneficiary countries through September 30, 2015. For regional exporters, this provides stable, longer-term access to the U.S. market than they enjoyed under the existing GSP program, which applies to developing countries around the world. AGOA also eliminates the GSP's competitive need limitation for beneficiary countries in sub-Saharan Africa.
- Second, AGOA granted the President authority to provide duty-free treatment for certain goods not covered under the existing GSP program. Using his authority to expand GSP, on December 21, 2000, the President proclaimed duty-free treatment for an additional 1,835 items. Certain unwrought manganese was added to the list in January 2003. Agricultural exports under GSP and AGOA's expanded coverage remain subject to any applicable U.S. tariff rate quotas (TRQs). In the few cases where TRQs exist, goods of beneficiary countries enter duty-free within the quota, but remain subject to any over-quota duties for shipments above the applicable quantitative limit.
- Third, separate AGOA provisions grant duty-free treatment to qualifying apparel articles of beneficiary sub-Saharan African countries and to textile or apparel articles that are determined to be handloomed, handmade or folklore items, or ethnic printed fabrics.

As a result of these provisions, very few products of beneficiary countries are not eligible for duty-free treatment under AGOA. Ineligible items currently include flat goods, most textile articles, certain steel products, canned peaches and apricots, and dehydrated garlic. The full list of products that may enter the U.S. duty-free under AGOA may be found at the following website:

[http://www.ustr.gov/Trade\\_Development/Preference\\_Programs/AGOA/AGOA\\_Implementation\\_Guide/Section\\_Index.html](http://www.ustr.gov/Trade_Development/Preference_Programs/AGOA/AGOA_Implementation_Guide/Section_Index.html).

#### **B. AGOA Acceleration Act of 2004**

In July 2004, President Bush signed the AGOA Acceleration Act of 2004, which extends AGOA's authorization, including its special third-country fabric provision, provides additional guidance for AGOA-related technical assistance, and amends some technical

provisions of the Act. Many of the enhancements were revisions to AGOA requested by sub-Saharan African governments. Following are the main amendments under the AGOA Acceleration Act of 2004:

- Generally extends AGOA provisions from 2008 until 2015.
- Extends AGOA's third-country fabric provision for three years, from September 2004 until September 2007. The cap increases in years one and two and is scaled back in the third year.
- Modifies rules of origin to allow certain textiles and apparel articles assembled either in the United States or sub-Saharan Africa to qualify for AGOA treatment (hybrid).
- Expands eligibility to include AGOA-eligible garments made with third-country collars and cuffs (cut or knit-to-shape), drawstrings, padding/shoulder pads, waistbands, belts (attached to the garment), straps with elastic, and elbow patches. Also allows the continued use of fabric from AGOA countries that become free trade partners with the United States.
- Increases the de minimis amount from seven percent to 10 percent. The de minimis rule provides that apparel products assembled in sub-Saharan Africa that would otherwise be considered as eligible for AGOA benefits but for the presence of some fibers or yarns not wholly formed in the United States or the beneficiary sub-Saharan African country will still be eligible for benefits as long as the total weight of all such fibers and yarns is not more than a certain percent (previously seven percent) of the total weight of the article.
- Expands the duty-free treatment for handmade, handloomed, and folklore articles to certain machine-made ethnic printed fabric made in sub-Saharan Africa.

#### Miscellaneous Trade and Technical Correction Act of 2004

The Miscellaneous Trade and Technical Corrections Act of 2004, signed into law on December 3, 2004, grants lesser-developed beneficiary country status to Mauritius, thus providing duty-free treatment for apparel wholly assembled or knit-to-shape (or both) in Mauritius even if third country fabric or yarn is used. The Act limits the quantity of these articles for which Mauritius may receive preferential treatment to 5 percent of the aggregate cap on articles from all lesser-developed countries using third-country fabric or yarn.

#### **C. Outreach**

The Administration recognizes that outreach to the private sector, civil society, and African governments is critical to the success of AGOA. USTR and other U.S. agencies have made outreach on both sides of the Atlantic a priority in their efforts to implement AGOA. In sub-Saharan Africa, outreach efforts have included seminars, speaker programs, media programs, and information dissemination. In the United States, outreach has included meetings with the African diplomatic corps, the private sector, and leading non-governmental organizations. Regional organizations, U.S. and African governments, private sector organizations, and civil society organizations have actively supported outreach efforts.

In speeches and press conferences in 2004, Ambassador Zoellick and other senior USTR officials highlighted AGOA-related opportunities for both sub-Saharan Africa and the United States. In meetings with heads of state, trade ministers, and other government and private sector officials, USTR and other senior U.S. Government officials discussed AGOA implementation and ways in which countries can maximize AGOA benefits. Administration officials also participated in numerous seminars, conferences, and other events in the United States related to AGOA. USTR and Commerce Department officials met with Industry Sector Advisory Committees and companies interested in AGOA. In November 2004, USTR led an AGOA seminar in Nigeria.

U.S. agencies continue to make outreach materials broadly available, including the comprehensive AGOA Implementation Guide and via the official AGOA website ([www.agoa.gov](http://www.agoa.gov)), which is maintained by the Department of Commerce. Information about AGOA is also available at the official USTR and State Department websites. Each of the three USAID regional Missions in Sub-Saharan Africa manages a Hub for Global Competitiveness that aims to connect African business to the global market. Each Hub has developed significant outreach programs to the AGOA African and US private sectors. Each of the Hubs also provides technical assistance in the areas of export development (with a focus on targeting the American market under AGOA), trade policy, regional road transportation, customs reform, and the proper application of sanitary and phyto-sanitary standards. Through its West Africa Regional Program, USAID has established 13 AGOA Resource Centers, including recently opened ones in Cameroon, Chad, Mauritania, and Nigeria. USAID's trade hub in Nairobi conducted AGOA training workshops in Ethiopia, Tanzania, Rwanda, and the Republic of the Congo, training more than 300 people.

The Commerce Department's Trade Information Center (TIC) provides information to U.S. companies on federal government export assistance programs including country specific counseling for sub-Saharan Africa. The TIC participates in trade-related events pertaining to AGOA to encourage broader participation of U.S. companies that are interested in doing business with countries in sub-Saharan Africa. The TIC responds to inquiries on AGOA from U.S. and African companies, commercial attaches from African countries, and trade associations. TIC callers are also referred to appropriate federal agencies for further assistance. The TIC maintains a comprehensive, regularly updated database on how to do business in each African country. The TIC's international trade specialists have made presentations on available U.S. government resources that show how U.S. companies can take advantage of AGOA. TIC specialists provide advice and counsel U.S. companies on export documentation and regulations; sources of market research, trade leads, and export financing; trade promotion events; state and local assistance; and foreign opportunities, regulations, business practices, and tariffs. To contact the TIC and the USA Trade Center, call 1-800-USA-TRAD (E), email [TIC@ita.doc.gov](mailto:TIC@ita.doc.gov), or visit <http://export.gov/tic>.

USTR, Customs and Border Protection, and Commerce have focused special outreach efforts on disseminating information to African government officials on the process of

applying for and meeting the requirements for AGOA apparel benefits. These agencies have developed specific guidance on apparel visa systems and other enforcement and legal requirements, and have worked closely with sub-Saharan African countries that are seeking these benefits to ensure that their proposed visa systems and laws meet AGOA requirements.

In addition to extensive outreach efforts by Washington officials, almost all U.S. embassies in AGOA beneficiary countries have conducted outreach campaigns. The following are examples of outreach efforts undertaken at U.S. embassies in 2004:

- In Rwanda, the U.S. Embassy presented an exhibit at the Rwanda International Trade Fair that showcased AGOA and Rwandan business achievements under AGOA.
- The U.S. Embassy in Tanzania hosted a roundtable discussion focusing on AGOA and Tanzania's export potential, with returned Citizen Exchange grantees as presenters.
- Angolan government and business leaders attended technical presentations presented by the Southern Africa Global Competitiveness Hub in a seminar co-hosted with the U.S. Embassy in Luanda and USAID.
- U.S. embassies in Gabon and Benin presented a series of U.S. Speaker programs on AGOA, addressing government officials and members of the private sector.
- In Yaounde, the U.S. Embassy's commercial office gave a live 30-minute interview on national radio on the benefits of AGOA to Cameroon.
- In collaboration with the U.S. Embassy in N'Djamena, the Chadian Chamber of Commerce organized a program featuring a returned International Visitor from the exchange program, "Small Business and Entrepreneurship in the U.S.," who highlighted access to the U.S. market through AGOA.
- The U.S. Commercial Service promoted AGOA on one of Botswana's most popular independent radio stations, *Gabz FM*.
- In Burkina Faso, the U.S. Embassy organized a roundtable press interview with the U.S. Ambassador to highlight President Bush's designation of Burkina Faso as an AGOA beneficiary.
- The Assistant U.S. Trade Representative for Africa participated in a discussion on AGOA with key members of the Ugandan media in Kampala, organized by the U.S. Embassy.
- The U.S. Embassy in Lesotho facilitated national television coverage of the CEO of the Millennium Challenge Corporation's visit to Lesotho, where he toured business sites that are benefactors of AGOA.

- The U.S. Embassy in Mozambique arranged an on-the-record press briefing for the president of the Corporate Council on Africa, who discussed AGOA and U.S. investment in Africa.

*The Elimination of Global Textile and Apparel Quotas*

On January 1, 2005, the quota system that governed global textile and apparel trade under the WTO's Agreement on Textiles and Clothing ended. With the end of country quotas, competition in the textile and apparel sector has sharpened worldwide. Studies by several organizations, including the U.S. International Trade Commission (USITC), the World Bank, and the World Trade Organization (WTO), have forecast substantial changes in the patterns of textile and apparel trade, predicting that competitive suppliers in Asia, particularly China, could increase their market share substantially as a result of the removal of quotas. Indeed, the Chinese share of the U.S. market in some apparel product areas, such as cotton trousers, increased dramatically in the first few months of 2005.

These developments are of particular concern to apparel producers in AGOA beneficiary countries, many of whom are relatively new to the international apparel trade. Many analysts believe that the heightened competition will force some of the marginal AGOA producers out of the market, and there are reports that factories in some African countries have already closed. Some analysts, however, believe that AGOA's tariff advantage will help some African producers remain competitive and retain their market share in certain apparel products. Several U.S. retailers, including a growing number of small and medium-sized companies, have also indicated their continued commitment to sourcing from Africa. In the longer term, African producers, to remain competitive, will need to find ways to reduce their relatively high production costs, especially in areas such as electricity, telecommunications, and transport. African producers can also increase their competitiveness by accelerating the vertical integration of the cotton/yarn/textile/apparel value chain, a trend for which AGOA's rules of origin provide incentives by promoting use of regional fabric.

The changes in the global apparel trade patterns brought about by the end of quotas also underscores the need for AGOA beneficiary countries to intensify their efforts to diversify their exports, making use of the broad duty-free access to the U.S. market that AGOA affords. U.S. government agencies are providing technical assistance to help eligible sub-Saharan African countries to access AGOA's trade benefits across a wider range of products. As part of the implementation of the AGOA Acceleration Act of 2004, the Administration has commissioned a major study to identify potentially competitive sectors in each of the 37 AGOA-eligible countries, barriers that are impeding growth in these sectors, and to provide recommendations for reducing and/or eliminating these barriers. The study will be completed in July 2005. The AGOA Forum in Dakar, Senegal in July 2005 will provide an opportunity for African and U.S. government and private sector officials to discuss next steps for Africa's apparel sector, and promote the tripartite alliance among U.S. and African businesses, civil society organizations, and governments that is essential for realizing the full potential of the U.S.-sub-Saharan African trade and economic relationship. In the post-quota environment, AGOA will continue to play an important role in diversifying U.S.-Africa trade and supporting sub-Saharan African countries' efforts to address poverty, boost economic development, and participate more fully in the global economy.

#### **IV. Economic and Trade Overview**

##### **A. Economic Growth**

Sub-Saharan Africa continued to experience impressive economic gains, driven by improved policies, high commodity prices, and strong global growth. In 2004, economic growth increased to an eight-year high of 5.0 percent up from 4.1 percent in 2003, and average inflation fell to historic lows despite civil strife in some countries and the negative effects of the HIV/AIDS pandemic. Economic growth was strongest in the oil-producing states at 7.0 percent. Non-oil producing countries experienced fairly strong growth at 4.4 percent. In three countries – Côte d'Ivoire, Zimbabwe, and Seychelles – output continued to decline. Sub-Saharan Africa's real per capita income increased by 2.7 percent, and this growth is expected to continue in 2005.

While growth was relatively strong across the continent, it remains insufficient to realize significant poverty reduction or the Millennium Challenge Goals. Furthermore, there are several constraints to growth. For example, conflict and civil strife in Côte d'Ivoire, the Sudan, and in parts of the Democratic Republic of Congo represent impediments to growth. In addition, the HIV/AIDS crisis continues to take its toll on sub-Saharan Africa's growth prospects. The pandemic seriously erodes human capital formation and productivity. The HIV/AIDS crisis also represents a destabilizing fiscal burden, both on the revenue and expenditure side. The World Bank and IMF estimate that HIV/AIDS reduces economic growth by as much as 1.5 percentage points. South Africa, Botswana, Namibia, Swaziland, and Lesotho have been the most affected in terms of reduced welfare and reduced economic growth.

The elimination of textile and apparel quotas at the end of 2004 represents another potential source of instability for textile and apparel exporters, which have benefited greatly from AGOA. While the impact on the balance of payments may be cushioned by the high import content of garment exports, the effect on economic growth and employment could be significant. To continue to realize the benefits of AGOA, eligible sub-Saharan African countries will need to diversify their exports, develop intra-regional trade linkages to attain economies of scale, and enhance external competitiveness.

##### **B. Africa's Global Trade**

Sub-Saharan Africa's total merchandise imports increased sharply in 2003 (the latest year available), growing 29.5 percent to \$112.4 billion, compared to just 5.1 percent growth in 2002. South Africa and Nigeria accounted for 43.7 percent of sub-Saharan Africa's total imports. In 2003, South Africa's imports increased by 27.6 percent to \$34.2 billion, and Nigeria's imports increased by an impressive 70.2 percent to \$14.9 billion.

Sub-Saharan Africa's total merchandise exports were \$111.3 billion in 2003, a 21.1 percent increase, compared to just a 3.8 percent increase in 2002. In 2003, South Africa and Nigeria accounted for 53.5 percent of sub-Saharan Africa's total exports. South Africa's exports grew by 19.8 percent to \$35.5 billion and Nigeria's exports grew by 31.2

percent to \$24.1 billion.

Sub-Saharan Africa's 21.1 percent increase in exports outpaced both the 16.4 percent increase in total world exports in 2003 and the 19.7 percent increase in developing country exports. However, sub-Saharan Africa accounted for only 1.5 percent of world trade in 2003, virtually unchanged from 2002.

#### Shares of Africa's Import and Export Markets

Sub-Saharan Africa accounts for about one percent of U.S. merchandise exports, and slightly more than two percent of U.S. merchandise imports (of which 70.8 percent is petroleum products). Proportions are similar for sub-Saharan African trade with the European Union. The United States is Africa's largest single country market, purchasing 24.3 percent of the region's exports in 2003. The United Kingdom came in a distant second at 8.2 percent, and France was third at 6.1 percent. The EU purchased 39.1 percent of sub-Saharan Africa's exports, down from 42.4 percent in 2002.

The U.S. market share in sub-Saharan Africa decreased in 2003 to 6.1 percent, from 6.9 percent in 2002, as global competition increased. The market share of all major industrial countries declined from 2002 to 2003. The market share of the EU as a whole decreased to 36.2 percent. Non-traditional trading partners maintained their share of the African market. South Africa continued to export more than Italy or Japan to sub-Saharan Africa, with exports to the region of \$5 billion in 2003. China also continued to be a major supplier to sub-Saharan Africa, with exports of \$7.5 billion in 2003. China increased its share of the African market from 5.8 percent in 2002 to 6.7 percent in 2003. China experienced a 48 percent increase in shipments from 2002, spurred by increases in electrical and other machinery, woven fabrics, motorcycles, and footwear.

#### **C. Trade with the United States**

Two-way goods trade between the United States and Sub-Saharan Africa rose in 2004, as both exports and imports increased. Two-way goods trade increased 37 percent from a year earlier to \$44.4 billion. U.S. exports to sub-Saharan Africa rose 25 percent to \$8.6 billion, due to increased sales of oil field equipment and parts, aircraft, wheat, vehicles, and electrical machinery, including telecommunications equipment. U.S. imports rose 40 percent from 2003 to \$35.9 billion, due to increased imports of crude oil (mainly driven by an increase in oil prices) as well as increased imports of platinum, diamonds, woven and knit apparel, and ferroalloys. Trade between the United States and sub-Saharan Africa is concentrated, with a small, but growing, number of African countries accounting for an overwhelming share of the total for both imports and exports.

| <i>Sub-Saharan Africa's Principal Industrial Country Trading Partners<br/>(\$ Billions and Market Share)</i> |             |                |             |                |
|--------------------------------------------------------------------------------------------------------------|-------------|----------------|-------------|----------------|
|                                                                                                              | <u>2002</u> | <u>% Share</u> | <u>2003</u> | <u>% Share</u> |
| <u><i>Sub-Saharan Africa's Imports</i></u>                                                                   |             |                |             |                |
| <i>France</i>                                                                                                | 8.2         | 9.4%           | 9.5         | 8.4%           |
| <i>Germany</i>                                                                                               | 7.3         | 8.4%           | 8.7         | 7.8%           |
| <i>United States</i>                                                                                         | 6.0         | 6.9%           | 6.8         | 6.1%           |
| <i>United Kingdom</i>                                                                                        | 5.3         | 6.1%           | 6.4         | 5.7%           |
| <i>Japan</i>                                                                                                 | 3.6         | 4.2%           | 4.0         | 3.6%           |
| <i>Italy</i>                                                                                                 | 3.1         | 3.5%           | 3.5         | 3.1%           |
| <i>Total EU</i>                                                                                              | 33.5        | 38.6%          | 40.7        | 36.2%          |
| <u><i>Sub-Saharan Africa's Exports</i></u>                                                                   |             |                |             |                |
| <i>United States</i>                                                                                         | 18.8        | 20.4%          | 27.0        | 24.3%          |
| <i>United Kingdom</i>                                                                                        | 8.1         | 8.8%           | 9.1         | 8.2%           |
| <i>France</i>                                                                                                | 6.0         | 6.5%           | 6.8         | 6.1%           |
| <i>Japan</i>                                                                                                 | 5.2         | 5.7%           | 6.1         | 5.5%           |
| <i>Germany</i>                                                                                               | 6.0         | 6.5%           | 6.0         | 5.4%           |
| <i>Italy</i>                                                                                                 | 4.3         | 4.6%           | 4.4         | 3.9%           |
| <i>Total EU</i>                                                                                              | 39.0        | 42.4%          | 43.5        | 39.1%          |
| <i>Source: Derived from IMF <u>Directions of Trade Statistics Yearbook</u>, 2004</i>                         |             |                |             |                |

| <i>U.S. Trade with Sub-Saharan Africa<br/>(\$ Millions)</i> |             |             |             |             |
|-------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                             | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
| <i>U.S. Exports</i>                                         | 6,941.8     | 6,026.1     | 6,870.9     | 8,565.7     |
| <i>U.S. Imports</i>                                         | 21,286.8    | 17,891.4    | 25,633.3    | 35,874.9    |
| <i>Source: U.S. Dept. of Commerce, Bureau of Census</i>     |             |             |             |             |

- U.S. exports to South Africa grew by 13 percent, to Nigeria by 53 percent, to Angola by 21 percent, to Ethiopia by 12 percent, and Kenya by 100 percent. Aircraft sales to Kenya caused the large increase.
- U.S. imports increased from all of the oil producing countries with imports from Nigeria growing by 56 percent, from Angola by six percent, from Gabon by 25 percent, from Equatorial Guinea by 30 percent, and from the Republic of Congo by 98 percent. Imports from Chad increased at a very high rate resulting from the start

of oil shipments through the Chad-Cameroon pipeline in late 2003. Imports from South Africa increased by 29 percent, with continued growth in imports of platinum, diamonds, ferroalloys, and vehicles and parts.

- In 2004, AGOA imports increased 88 percent to \$26.6 billion.<sup>5</sup> This figure includes duty-free imports from AGOA-eligible countries under the U.S. Generalized System of Preferences (GSP), the additional GSP benefits available only to AGOA beneficiaries, and the textile and apparel imports under AGOA. Note that this total also includes an additional \$4.3 billion in imports from Angola, which became eligible for AGOA benefits for the first time in 2004.
- Petroleum products continued to account for the largest portion of total AGOA imports with an 87 percent share. With these fuel products excluded, AGOA imports were \$3.5 billion, growing by 22 percent in 2004. AGOA textile and apparel imports increased 35 percent to \$1.6 billion and AGOA minerals and metals imports increased 76 percent to \$728.1 million. However, AGOA transportation equipment imports declined by 26 percent to \$539.2 million, due to a decline in AGOA transportation equipment imports from South Africa.
- The elimination of textile and apparel quotas at the end of 2004 presents special challenges to African textile and apparel exporters. To continue to realize the benefits of AGOA, eligible sub-Saharan African countries will need to diversify their exports, develop intra-regional trade linkages to attain economies of scale, and enhance external competitiveness.
- The U.S. merchandise trade deficit with sub-Saharan Africa widened in 2004 to \$27.3 billion, from \$18.8 billion in 2003. Nigeria, Angola, Gabon, and South Africa accounted for 87 percent of the U.S. trade deficit with sub-Saharan Africa in 2004.

#### **D. Investment and Debt**

Foreign direct investment (FDI) consistently flows to those markets that provide the most competitive and investor-friendly environments. Foreign businesses and investors search for dependable and open regulatory regimes, adequate infrastructure, productive human capital, and political and economic stability when making investment decisions. Generally, AGOA-eligible countries are striving to establish these conditions.

##### Investment

Foreign direct investment (FDI) flows into sub-Saharan Africa is estimated to have increased to \$10.6 billion in 2003 from \$8.9 billion in 2002.<sup>6</sup> The further reduction of

<sup>5</sup> Note that the figures for AGOA imports are imports for consumption, while all other import figures are for general imports. Imports for consumption include only those goods designated as entering the U.S. economy for consumption. General imports include all goods that cross the U.S. border, including those destined for bonded warehouses or foreign trade zones.

<sup>6</sup> United Nations, *World Investment Report*, 2004.

intra-regional trade barriers will help sub-Saharan African countries to increase market size and attract more foreign investment. For example, the Southern African Customs Union countries (Botswana, Lesotho, Namibia, South Africa and Swaziland) have reformed and simplified their common tariff structure and intra-SACU trade in goods is nearly free of barriers.

The following are some examples of recent AGOA-related investments:

|           |                                                                                                                                                                                                                                                                                    |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ghana     | <ul style="list-style-type: none"> <li>An apparel company is in the process of expanding production. The expansion is expected to attract an additional \$3 million in investments, increase export revenues to over \$20 million, and create an additional 1,000 jobs.</li> </ul> |
| Kenya     | <ul style="list-style-type: none"> <li>AGOA has stimulated over \$12 million in investments and created over 45,000 new jobs. AGOA is expected to attract an additional \$263 million in new investments and create an additional 7,000 jobs over the next 2 years.</li> </ul>     |
| Malawi    | <ul style="list-style-type: none"> <li>AGOA has increased investment in the textiles and apparel sector and created over 70,000 new jobs.</li> </ul>                                                                                                                               |
| Mauritius | <ul style="list-style-type: none"> <li>AGOA has stimulated about \$78 million in investment in Mauritius.</li> </ul>                                                                                                                                                               |
| Namibia   | <ul style="list-style-type: none"> <li>A textile and apparel company has invested over \$300 million, created 8,000 jobs and exported over \$100 million in apparel products to the United States under AGOA.</li> </ul>                                                           |
| Tanzania  | <ul style="list-style-type: none"> <li>An apparel company invested over \$2 million and created 650 new jobs in 2003. The company expects to expand production, create an additional 350 new jobs and generate over \$4 million in export revenues in 2004.</li> </ul>             |

#### Heavily Indebted Poor Countries Initiative (HIPC)

To date, 23 sub-Saharan African countries (Benin, Burkina Faso, Cameroon, Chad, Democratic Republic of the Congo, Ethiopia, The Gambia, Ghana, Guinea, Guinea Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé & Príncipe, Senegal, Sierra Leone, Tanzania, Uganda and Zambia) have reached their HIPC Decision Points, enabling them to benefit from relief on debt payments. Twelve of these countries have reached the HIPC Completion Point, qualifying for a reduction in their stock of debt. Of the 12, seven (Benin, Burkina Faso, Mali, Mauritania, Mozambique, Tanzania, and Uganda) had qualified previously, and five were added in 2004 (Ethiopia, Ghana, Madagascar, Niger, and Senegal).

Overall debt reduction for these countries, including from traditional mechanisms and additional bilateral relief provided by some creditors, will reduce their debts by about two-thirds. The United States has agreed to provide 100 percent bilateral debt reduction (on debt contracted before the June 1999 Cologne Summit) for qualifying HIPC countries. In addition, the United States has contributed a total of \$600 million to the

HIPC Trust Fund, the multilateral component of the enhanced HIPC initiative. The Trust Fund helps regional development banks and other multilateral institutions (but not the World Bank/IDA or IMF) meet the costs of providing HIPC debt reduction. Following up on the President's commitment at the 2002 G-8 Economic Summit, the United States has pledged an additional \$150 million to help meet the financing shortfall in the HIPC Trust Fund. In FY 2004 Congress appropriated \$74.6 million to meet a portion of the U.S. pledge of \$150 million.

#### **E. Economic Reforms**

In 2004, sub-Saharan Africa continued its positive trend over the past several years, demonstrated by improved GDP growth, progress on economic reforms, and increased political stability. Many sub-Saharan African economies have harnessed the benefits of AGOA and successfully implemented economic reforms with the assistance of the IMF, the World Bank and the African Development Bank. Higher GDP growth, and lower inflation and fiscal deficits reflect improved macroeconomic policies throughout the region. Inflation is expected to continue its downward trend, falling to 10 percent in 2004 from 13.3 percent in 2003. Fiscal deficits (excluding foreign grants) also improved to -2.0 percent of GDP in 2004 from -3.5 percent in 2003.

Efforts to boost growth by improving the composition of public spending, privatizing public sector enterprises, and stimulating private-sector led growth continued to make progress in traditionally good performers such as Senegal, Mali, Mozambique, Cape Verde, Ghana, Tanzania, and Botswana. South Africa, the primary driver of growth in Africa experienced relatively strong growth of 3.7 percent in 2004, led by strong domestic demand and high commodity prices. Higher growth will depend on continued reforms to improve the business climate. Malawi, Cameroon, and Mozambique welcomed new governments in 2004 and economic policies in these countries have continued to improve. São Tomé & Príncipe passed an oil revenue management law which should improve transparency and resource allocation quality.

On the other hand, macroeconomic mismanagement in Zimbabwe continued in 2004, leaving Zimbabwe (not a designated AGOA beneficiary) as one of the few countries on the continent with negative growth and high inflation. Military expenditures increased in DROC, while pro-poor expenditures decreased, representing a hurdle to successful implementation of the IMF PRGF and extension of debt relief. Macroeconomic management worsened in Guinea resulting in larger fiscal deficits, higher inflation, and stagnant growth. Mauritania has failed to address rigidities in the foreign exchange regime and to implement an oil revenue transparency mechanism, sending its IMF program off-track.

#### Worker's Rights, Elimination of Child Labor, and Human Rights

- The government of Mali signed two separate cooperative agreements with the governments of Burkina Faso and Senegal to combat the cross-border trafficking of children. Thus far, the government of Mali has signed agreements with three of its

neighboring countries, including Côte d'Ivoire. Under these agreements, individuals are subject to the criminal code provisions addressing child trafficking of both the source and destination countries.

- In 2004, the government of Mauritania ratified a new labor code, which defines the minimum age for employment as 14 years and identifies the country's worst forms of child labor as called for in ILO Convention No. 182.
- The governments of Benin, Burkina Faso, Côte d'Ivoire, Gabon, Mali, and Togo have committed to participate in a USDOL-funded ILO-IPEC project to combat the trafficking of children for exploitive labor in West and Central Africa through 2007.
- The governments of Ethiopia, Kenya, Rwanda, and Uganda are participating in a new USDOL-funded \$14.5 million Education Initiative project focused on providing education and vocational training to HIV/AIDS-affected children involved in or at-risk of participating in the worst forms of child labor.
- The governments of Uganda and Zambia are participating in an ILO-IPEC HIV/AIDS child labor project that mainstreams HIV/AIDS awareness and directs service activities into existing child labor programs and efforts.
- Botswana, Lesotho, Namibia, Swaziland, and South Africa are participating in a regional Child Labor Education Initiative project that aims to improve awareness of the relationship between HIV/AIDS and child labor; provide direct educational and social services to HIV/AIDS-affected children, street children, and other vulnerable children; and build the capacity of families, communities, and policy makers to combat the worst forms of child labor.
- The governments of Botswana, Lesotho, Malawi, Namibia, Swaziland and Zambia committed to a technical cooperation initiative entitled "Improving Labour Systems in Southern Africa," a \$4 million project funded by the USDOL and implemented by the ILO that will focus on increasing labor law compliance and improving labor-management relations.

#### **F. Regional Economic Integration**

The United States continued to encourage and support regional economic integration efforts in sub-Saharan Africa as a means of stimulating economic growth by improving economies of scale and reducing transaction costs for the region as well as for international businesses.

Regional trade organizations in sub-Saharan Africa continued to focus on reducing tariffs among member countries and adopting common currencies. The result has been an increase in intra-African trade volumes and an increase in the proportion of recorded trade. This is particularly true for regions of relative stability, where political and economic policies of neighboring states are similar.

The United States has supported integration in sub-Saharan Africa through a number of means, including through the provision of technical assistance to build capacity and strengthen trade and investment relations with the region (see Chapter V – USAID Activities for more information). To encourage regional integration, the United States has entered into Trade and Investment Framework Agreements (TIFAs) with COMESA and UEMOA. The next U.S.-COMESA TIFA meeting is to be held in June 2005, and a U.S.-UEMOA TIFA meeting is to be held in July 2005. Both meetings will focus on bilateral trade and AGOA implementation, infrastructure, trade capacity building, and ongoing WTO negotiations. The United States also began negotiations for a free trade agreement (FTA) with SACU in June 2003. An FTA with SACU would deepen U.S. economic and political ties to sub-Saharan Africa and lend momentum to development efforts in the region. (See Chapter VIII for more information on the U.S.-SACU FTA.)

AGOA promotes economic cooperation and trade among the countries of sub-Saharan Africa by allowing cumulation among AGOA beneficiary countries, i.e., AGOA beneficiaries may include inputs from other AGOA beneficiaries in meeting the GSP's 35 percent value-added rule of origin requirement. Beneficiary countries may also use regional yarn and fabric in apparel that qualifies to enter the United States duty-free.

The seven major regional trade organizations in sub-Saharan Africa are: (i) the Central African Economic and Monetary Community (CEMAC), with six members; (ii) the Common Market for Eastern and Southern Africa (COMESA), with 19 members; (iii) the East African Community (EAC), with three members; (iv) the Economic Community of West African States (ECOWAS), with 15 members; (v) the West African Economic and Monetary Union (known by its French acronym, UEMOA) with eight members, all also members of ECOWAS; (vi) the Southern African Development Community (SADC), with 14 members; and (vii) the Southern African Customs Union (SACU), with five members, all also members of SADC.

**CEMAC:** CEMAC members are discussing a possible free trade area but have not yet decided on a timeline. The key challenges to CEMAC's integration continue to be political instability and rivalry among member country leaders. CEMAC continues to focus on regional infrastructure and security. Recorded regional trade remains relatively low because of high tariff rates between member countries. Regulations governing money laundering have been adopted for the financial sector. In 2004 and early 2005, USDA and USAID sponsored a series of seminars in the United States and Africa with CEMAC and its member countries to raise awareness of sanitary and phytosanitary measures and related agricultural export opportunities under AGOA.

**COMESA:** COMESA has taken steps to implement tariff reductions, eliminate non-tariff barriers, apply remedial and safeguard measures, and define rules of origin. Preparatory work continues for a regional competition policy, the COMESA business community forum, the COMESA Common Investment Area, and the Regional Customs Bond Guarantee program. COMESA has adopted a four-phase monetary harmonization program aimed at achieving a full monetary union by 2025. The United States has

provided a variety of assistance to COMESA's integration efforts, including: technical assistance on trade and the WTO; capacity building for institutional strengthening of key management systems within the COMESA Secretariat, including financial, human resources, and information technology; identification of barriers to investment and development of regional solutions; private sector capacity building; telecommunications harmonization; and study of rules of origin as related to the WTO, World Customs Organization, SADC, and other organizations.

**EAC:** The EAC, which is comprised of Kenya, Tanzania, and Uganda, plans to harmonize members' fiscal and monetary policies, take measures to avoid double taxation, and prevent tax evasion through its Monetary Affairs Committee. EAC member countries launched a customs union on January 1, 2005, including a common external tariff, duty-free imports of raw materials, a 10-percent tariff rate on intermediate goods, and a 25-percent tariff rate on finished goods entering the EAC market. The new EAC customs union also involved tariff increases on several goods deemed "sensitive," including used clothing, and batteries, but was reassessing several of these tariffs in early 2005 following concerns expressed by the business community in the region.

**ECOWAS:** The United States continues to support integration in ECOWAS through a number of means, including technical assistance to the West African Power Pool and the West African Gas Pipeline Project (see Chapter VI, Section E). In support of ECOWAS' regional integration efforts, USAID's West Africa Regional Program (WARP) has sponsored programs focused primarily on harmonizing customs and trade regulations within West Africa and removing barriers to intra-regional trade. WARP is also supporting the adoption of a common external tariff throughout West Africa.

**SACU:** SACU is one of the oldest regional economic groupings in the world, dating back to 1910. In 1994, negotiations began to reform the SACU agreement, and SACU Heads of State signed a new agreement in 2002. The new agreement entered into force on July 15, 2004, and reflects a more democratic structure to reduce reliance on South Africa for administrative decisions. The agreement also set up a Council of Ministers (COM) as the supreme decision making body for SACU. The COM is supported by the Commission of Senior Officials (a group of technical experts) and a SACU Secretariat, located in Windhoek, Namibia. Under the new agreement, a new revenue-sharing formula incorporates separate customs, excise and development components and is designed to stabilize revenue flows at current levels. The new revenue sharing formula attempts to ensure that revenue flows to each member country are stable and do not fall below current levels. This is important for smaller countries like Lesotho and Swaziland, for which customs revenue makes up at least half of government income. The new agreement also commits SACU to coordinate and harmonize trade policy, including on services, investment, and bilateral trade negotiations.

In June 2003, the United States began negotiations for a free trade agreement (FTA) with SACU, the first FTA initiative between the United States and countries in sub-Saharan Africa (see Chapter VIII for additional information on the U.S.-SACU FTA). SACU signed a preferential trade agreement with Mercosur in December 2004, and it is close to

concluding an FTA with EFTA countries that would liberalize trade in certain sectors. The preferential trade agreement with Mercosur is limited in specific areas such as agriculture, manufacturing and textiles and does not include labor and environmental issues. SACU is also engaged in preliminary discussions about possible future FTAs with India and China.

**SADC:** The institutional framework for the SADC Free Trade Area continues to evolve. The SADC Trade Protocol, signed in 1996, aims to create an FTA by 2008 and a common market by 2012. A mid-term review of the implementation of the SADC Trade Protocol is underway and draft reports have been submitted. Initial recommendations indicate that rules of origin should be revised to make them easier to use. This review is aimed at evaluating how each SADC member state has implemented the trade protocol and what needs to be done in order to accelerate its implementation. To date, all 14 member countries have reduced tariffs under the trade protocol. SADC is involved in negotiations with the EU for a European Partnership Agreement (EPA) under the ACP-EU framework, as a follow-up to the Cotonou Agreement. The EPA will cover seven SADC member states: Angola, Botswana, Lesotho, Mozambique, Namibia, Tanzania and Swaziland.

**UEMOA:** The eight members of UEMOA are working toward greater regional integration with unified external tariffs. UEMOA has established a common accounting system, periodic reviews of member countries' macroeconomic policies based on convergence criteria, a regional stock exchange, and the legal and regulatory framework for a regional banking system. In addition, UEMOA and ECOWAS have determined a number of measures that will help harmonize the two regional blocs. Both have agreed to adopt new common rules of origin to enhance the flow of trade and implement a universal customs declaration form.

#### **G. Africa and the WTO**

Supporting Africa's integration into the global economy is one of the key elements of the Administration's Africa trade policy. Increased and more effective participation of sub-Saharan African countries in multilateral trade discussions is an important step toward this end. Accordingly, the United States continues to consult closely with sub-Saharan African Members of the WTO and is providing technical assistance to help facilitate African participation in the WTO.

WTO issues were at or near the top of the agenda during each of former USTR Zoellick's three trips to sub-Saharan Africa in 2004 – to South Africa and Kenya in February, to Mauritius in July, and to Senegal, Benin, Mali, Namibia, and Lesotho in December. Extensive consultations on WTO topics were also held in Geneva, Washington, and African capitals. Thirty-eight sub-Saharan African countries are WTO members, representing 26 percent of all WTO membership. Seven other sub-Saharan African countries have observer status.

The handling of cotton in the Doha Round was one of the most important WTO issues for

key West African cotton producers Benin, Burkina Faso, Mali, and Chad (informally known as “the Cotton-4”). These and other African countries sought special attention for cotton in the Doha Round as an issue separate and apart from the agriculture negotiations, although cotton was not a specific agenda point on the Doha Development Agenda. Following lengthy negotiations prior to and at the July 2004 WTO General Council meeting, the Cotton-4, the United States, and other WTO Members agreed on a framework to guide further progress in the agriculture negotiations, while at the same time allowing cotton to be addressed “ambitiously, expeditiously, and specifically,” within the agriculture negotiations. (See Chapter V, Section B for more information on efforts being undertaken to address the cotton-related development concerns of the Cotton-4.)

Among other WTO topics that the United States and the Africa Group consulted closely on in 2004 were non-agricultural market access, trade facilitation, development issues, and TRIPS and public health.

AGOA helps to promote sub-Saharan Africa’s integration into the multilateral trading system by strengthening Africa’s trade and investment linkages with the United States and the world and underscoring the importance of trade liberalization for African growth and development. The AGOA Forum (see Section VII) also provides an opportunity for senior U.S. officials to discuss WTO and other trade issues with their African counterparts.

USTR, USAID, and the Departments of State, Treasury, and Agriculture, as well as other agencies, have provided technical assistance to African governments to increase their capacity to deal with issues related to the WTO. (See Chapter V for more information on U.S. training and trade capacity building programs that support WTO agreements and activities.)

In March 2005, the United States formally submitted a waiver request for AGOA to the WTO. The request asks WTO Members to waive certain U.S. obligations under the 1994 General Agreement on Tariffs and Trade in order to permit the United States to provide duty-free treatment to certain eligible products from AGOA beneficiary countries. Other WTO Members have the opportunity to consult with the United States on the waiver request prior to its being considered by the General Council, probably in the second half of 2005.

## V. Trade Capacity Building

### A. Overview

Trade Capacity Building (TCB) is a critical part of the U.S. Government's strategy of enabling developing countries to negotiate and implement market-opening and reform-oriented trade agreements. TCB helps to improve the linkage between trade and development by providing developing countries with the tools to maximize trade opportunities. Many developing countries lack a framework for understanding how agreements to lower trade barriers reciprocally serve their development interests. Furthermore, they may need assistance to implement their trade commitments in a full and timely manner. They also need assistance to build the physical, human and institutional capacity necessary to take full advantage of trade opportunities and to increase growth and reduce poverty.

The United States devoted \$181 million to TCB activities in sub-Saharan Africa in FY04, up 36 percent from FY03. These activities are implemented by several U.S. agencies, including USAID, the Bureau of Customs and Border Protection, and the Departments of State, Agriculture and Commerce. USTR works closely with all of these agencies to ensure that U.S.-sponsored TCB assistance is comprehensive and responsive to both African needs and U.S. trade policy objectives. Helping AGOA beneficiary countries to improve their capacity to trade and to make the most of the opportunities afforded under AGOA has been a major focus of U.S. TCB programs. This goal is reinforced by the activities of the three Regional Hubs for Global Competitiveness in sub-Saharan Africa – covering East and Central Africa, Southern Africa, and West Africa – which are funded under USAID's Trade for African Development and Enterprise (TRADE) project, a Presidential initiative. The United States is the largest single-country contributor to the World Bank and other multilateral development banks, and is a major contributor to other international organizations, which together provide an increasingly broad range of TCB assistance to sub-Saharan African countries and to other developing countries worldwide.

The United States directly supports WTO programs on trade-related technical assistance (TRTA). For example, in May of 2004, then-U.S. Trade Representative Zoellick announced that the United States would contribute an additional sum of approximately \$1 million to the WTO for TRTA. This latest contribution brought total U.S. TRTA to the WTO for the Doha Development Agenda to almost \$4 million since the launch of negotiations in November 2001. These funds are in direct support of programs such as the annual WTO Technical Assistance Plan. Sub-Saharan African Members of the WTO are among the leading beneficiaries of WTO TRTA. The United States also provided bilateral assistance to Cape Verde and Ethiopia in support of their efforts to accede to the WTO.

As part of its response to the WTO Doha Development Agenda, the United States, through USAID, is providing a wide range of support for the Integrated Framework (IF) initiative, a multi-agency, multi-donor program that helps least developed countries to expand their participation in the global economy and to enhance their economic growth

and poverty reduction strategies. Twenty-one sub-Saharan African countries have benefited from the IF or are targeted for assistance under it: Angola, Benin, Burkina Faso, Burundi, Chad, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, and Zambia. The United States is a strong supporter of the IF and, along with Switzerland, serves as one of the two bilateral donor coordinators in the Integrated Framework Working Group (IFWG). In addition, the USAID missions in Mali and Mozambique are currently serving as IF donor facilitators in the field, and several other missions have offered to assume this role in other IF countries. The United States has contributed funds for the past few years to the Integrated Framework Trust Fund to finance Diagnostic Trade Integration Studies (DTIS) and Window II projects. The DTIS identifies constraints to trade in the targeted country, sectors with export potential, and a plan of action to integrate the country into the global trading system. Window II projects are transitional, priority projects funded by the IF trust fund to bridge the time it takes donors to get their trade integration programs running. Further, USAID's bilateral assistance to LDC participants supports initiatives both to integrate trade into national economic and development strategies and to address high priority "behind-the-border" capacity building needs designed to accelerate integration into the global trading system. In FY04, U.S. trade capacity building assistance to the 21 sub-Saharan African countries participating in the IF exceeded \$42 million, a 16 percent increase from \$36 million in FY03.

Trade capacity building is also an important element of U.S. engagement with West African countries to address concerns related to the international cotton trade. U.S.-Africa work on the cotton issue is proceeding on two tracks – a trade track handled in the WTO negotiations and a development track. In 2004, the United States fully mobilized its development agencies to support the development track and to address the obstacles faced by West African countries in the cotton sector, particularly Benin, Burkina Faso, Chad, Mali, and Senegal. The Millennium Challenge Corporation, USAID, the Department of Agriculture, and the United States Trade and Development Agency have been working together to devise a coherent long-term development program based on West African needs. The United States will continue to coordinate with the WTO, World Bank, the African Development Bank, and others on the multilateral effort to address the development aspects of cotton. The United States actively participates in the WTO Secretariat's monthly meetings with donors and recipient countries to discuss the development aspects of cotton.

In the past year, U.S. agencies have carried out a number of activities related to the development aspects of cotton, including:

- In March 2004, a U.S. delegation including representatives from USAID, USTR, and USDA participated in the WTO African Regional Workshop on Cotton in Cotonou, Benin. At this meeting, the United States committed to support the efforts of African countries, in particular the West African countries, as they seek to address development obstacles in their cotton sectors and participate more fully in world agricultural trade.

- In support of the momentum created at Cotonou, USDA and the government of Burkina Faso co-sponsored a June 2004 ministerial conference on science and technology at which heads of West African regional agricultural research centers and representatives from West African universities and intergovernmental organizations met with U.S. technical experts to discuss technology, water and soil management, and policy frameworks.
- In July 2004, USDA sponsored a U.S. cotton industry orientation program for agriculture, commerce and environment ministers from Benin, Burkina Faso, Chad, Mali, and Senegal. During this ten-day tour, the ministers gained valuable exposure to the National Cotton Council, research universities engaged in world-class cotton and agricultural research, and U.S. corporations doing business across the entire cotton value chain.
- In September/October 2004, an assessment team led by USAID and including USDA, Tuskegee University, the National Cotton Council, and private consultants visited Benin, Mali, and Chad to assess the qualities and constraints of cotton production, transformation, utilization, and commercialization in these countries.
- In December 2004, then-U.S. Trade Representative Zoellick traveled to Senegal, Benin, and Mali to learn more about the factors affecting the cotton sector in West Africa.
- In January 2005, a high-level U.S. delegation including officials from USDA, USAID, the State Department, and the National Cotton Council traveled to Bamako, Mali to discuss with West African trade and agriculture ministers a preliminary assessment of problems and issues with respect to the cotton sectors in West African countries.

In addition, the selection of Benin, Mali, and Senegal for prospective FY04 and FY05 funding under the Millennium Challenge Account (MCA) initiative provides an opportunity for these countries to address development constraints in their cotton sectors. Burkina Faso was selected as an FY05 MCA Threshold Country, entitling it to submit a proposal to improve performance on indicators affecting its eligibility for future MCA funding. (See Chapter VI, Section A for more on the MCA.)

#### **B. USTR Activities**

USTR coordinates closely with Federal development assistance agencies on the trade capacity building activities described above. In addition, USTR is actively involved in the planning and implementation of many U.S. trade capacity building programs in sub-Saharan Africa, especially those related to AGOA, the WTO, and the FTA negotiations with the Southern African Customs Union (SACU). (See Chapter VIII for more on the FTA.)

USTR leads U.S. participation in the Cooperative Group on Trade Capacity Building established to support the U.S.-SACU FTA. The objective of the Cooperative Group is to help identify and address the needs of the SACU countries in preparing for the negotiations, implementing the eventual agreement, and making the transition to free trade. The Cooperative Group is not a negotiating group, but meets at each negotiating round to discuss means to address TCB needs as they arise. TCB in the SACU process has included: buying computers for the trade ministries of Botswana, Lesotho, Namibia, and Swaziland (informally known as “the BLNS countries”) to facilitate intra-SACU coordination; hiring and supporting a Trade Capacity Building Facilitator in each BLNS country trade ministry to work with the negotiators, other ministries, the private sector, and civil society to identify needs and coordinate assistance; using BLNS country experts to support workshops and studies in areas such as general trade policy, services, tariff setting, rules of origin, and environmental negotiations; and supporting the BLNS countries to complete in-depth TCB needs assessments for each individual country.

In FY04, the U.S. Government provided \$6.7 million in trade-related technical assistance to SACU countries, up from \$6.6 million in FY03. SACU members also had access to part of \$34.3 million in regional funding, which is the source of most TCB support in southern Africa.

### **C. USAID Activities**

USAID is the primary U.S. Government agency involved in delivering development assistance to sub-Saharan Africa and has field offices throughout the region. These offices operate 29 bilateral assistance programs and three regional programs managing more than \$1.9 billion in activities annually. The regional programs – in Eastern, Southern, and West Africa – work with African organizations responsible for activities that are multinational in nature. In addition, USAID supports global programs, managed from Washington, that help to bring the capacity of and linkages with global partners and centers of excellence to bear on African issues.

In support of AGOA, USAID’s technical assistance promotes African economic growth, trade, and competitiveness in the global economy so as to increase household incomes and reduce poverty. USAID’s many programs support African trade and investment policy, institutional analysis and reform, trade capacity building and technical training, and the promotion of U.S.-Africa private sector development. These programs help to create a supportive environment for trade and investment. USAID’s bilateral and regional missions play an important role in the Administration’s efforts to assist countries in the region to develop AGOA strategies and strengthen their capacities to respond to trade opportunities. In FY04 USAID provided \$105 million in trade capacity building funds for sub-Saharan Africa.

Many of USAID’s programs to promote economic growth and reduce poverty in Africa are conducted through its economic growth portfolio and through the Presidential Initiative on Trade for African Development and Enterprise (TRADE). The principal

goals are to increase the engagement of African countries in the world trading system and to stimulate and increase African exports and investment flows into – and within – the continent. These goals will be accomplished by focusing on increasing African exports to the United States; promotion of U.S.-African business linkages; enhancement of the competitiveness of African products and services; expansion of the role of trade in African poverty reduction strategies; improvement of the delivery of public services that support trade; building African capacity for trade policy formulation; and strengthening the enabling environment for African businesses. The TRADE Initiative, which is USAID's flagship TCB program for Africa, helps African countries to take advantage of increased trade opportunities with the US provided by AGOA.

In 2002, USAID began implementation of the TRADE initiative with the opening of three regional Hubs for Global Competitiveness, in Botswana, Kenya, and Ghana. Each Hub serves as a technical assistance platform for a cadre of technical experts in support of trade and development. Further information about the Hubs can be found on the Web at [www.satradehub.org](http://www.satradehub.org) (for Southern Africa), [www.watradehub.com](http://www.watradehub.com) (for West Africa), and [www.ecatradehub.com](http://www.ecatradehub.com) (for Eastern and Central Africa). The Hubs and USAID bilateral missions have built strong working relationships with their regional partners to expand export opportunities and to promote increased international and regional trade

At the AGOA Forum in January 2003, President Bush announced that each Hub will support a technical expert from the U.S. Animal and Plant Health Inspection Service (APHIS) to help sub-Saharan African countries address challenges related to meeting sanitary and phytosanitary requirements for the U.S. market. With funding from USAID, in 2004 APHIS placed risk assessment advisors at each of the three Hubs. (See the USDA section below for more information on this program.)

The Southern Africa Global Competitiveness Trade Hub, based in Gaborone, Botswana, carried out a range of services to support of AGOA in 2004, including assistance to countries in developing national AGOA export strategies, firm-level export assistance, and a wide range of training programs. The AGOA export strategies are a result of a Hub initiative to support regional governments in export diversification strategies under AGOA. Botswana, Swaziland and Malawi are incorporating their respective AGOA export strategies into existing national economic planning programs. In each of these countries, working groups composed of the public and private sector will identify short-term and long-term strategies to take full advantage of AGOA. The Hub provided training in 2004 to over 500 small to medium-sized enterprises in Botswana, Mozambique, Lesotho, Swaziland, Malawi, Namibia and Zambia. The seminars improved understanding of U.S. market requirements, helped exporters to organize themselves to meet large marketing orders, and led to export contracts for producers. The Hub also focused on sending export-ready companies to trade shows in the United States, resulting in an increase in AGOA exports from the region in the apparel, handicraft, and processed food sectors. In the agriculture sector, the Hub is prioritizing agricultural products based upon market potential in the United States with the aim of increasing AGOA exports in the medium term. The Hub also plans to focus on opportunities in the seafood sector, particularly in shrimp from Mozambique.

The Southern Africa Hub continued capacity building programs in the apparel sector in the context of the expiration of global apparel quotas. It produced reports for Lesotho and Swaziland, highlighting the implications of quota expiration, and the resulting impact on AGOA apparel exports in both countries. As a result of the analysis conducted in Swaziland, the Swaziland Investment Promotion Agency launched an AGOA export diversification strategy, which will incorporate an investor roadmap produced by the Hub. In addition, the Hub is identifying apparel producers in Lesotho and Swaziland as part of a cluster approach to improve competitiveness and maintain AGOA exports in niche apparel markets. The Hub will continue to work with Swaziland to implement the recommendations from the Investor Roadmap and also plans to facilitate Investor Roadmaps for Namibia and Lesotho.

The Southern Africa Hub is the focal point for many trade facilitation and capacity building programs in the region. Hub activities in these areas fall into four categories: capacity building and policy reform for trade and competitiveness; financial services for trade and competitiveness; customs modernization and transport facilitation; and building private sector advocacy and outreach. A pillar of the trade capacity building work is support of the free trade agreement negotiations between the United States and the Southern Africa Customs Union. (See also Chapter VIII.) A key objective of this assistance is to improve the SACU negotiators' understanding of the components of a free trade agreement and the actions necessary to comply with WTO agreements. The Hub organized workshops for SACU country negotiators on trade in services, rules of origin, environmental trade issues, and tariff policy. It also funded trade facilitators at the trade ministries in Botswana, Lesotho, Namibia, and Swaziland. The Hub assisted the SACU Secretariat to develop an operational plan to facilitate implementation of the new 2002 SACU agreement. At the request of the SACU Secretariat and the South Africa Department of Treasury, the Hub is helping to resolve inconsistencies in intra-SACU trade data that have implications on the implementation of the new SACU Revenue Sharing Formula.

As part of its activities supporting the Southern Africa Hub, USAID's Regional Center for Southern Africa (RCSA), also located in Gaborone, launched the Trade Competitiveness Component in 2004. The six-year project seeks to improve the capacity of regional business to produce and market competitive goods and services. It also aims to develop value-added export relationships within the region and internationally by providing enhanced access to technical assistance. Much of the work planned under the Trade Competitiveness Component ultimately aims to assist producers, exporters and countries to maximize benefits from AGOA opportunities. Priority target sectors include agribusiness, apparel and tourism.

RCSA continues to assist customs agencies in Botswana, Malawi, Namibia, Tanzania and Zambia as they introduce risk management practices. Use of these practices facilitates faster clearance of goods since only targeted consignments are subjected to physical examination. RCSA is also assisting the stakeholders in the Trans Kalahari Corridor (Botswana, Namibia, and South Africa) and the Dar es Salaam corridor

(Malawi, Tanzania, and Zambia) to implement agreements for the joint public/private sector management of each corridor. The objectives are to reduce transaction costs, stimulate economic activities, enhance regional integration, and promote global competitiveness for the region.

The East and Central Africa (ECA) Hub – based in Nairobi, Kenya – conducted several AGOA-related programs to strengthen the capacity of East and Central African countries to participate more effectively in the multilateral trading system, including the WTO Doha Development Agenda negotiations. The Hub program has four components: trade capacity building, AGOA, transport, and customs. AGOA activities center on increasing business linkages, on business development assistance, and on knowledge-sharing about AGOA opportunities.

The ECA Hub carried out a wide range of TCB activities in 2004. It conducted country-specific AGOA training workshops for the private sector in Ethiopia, Tanzania, Rwanda and the Republic of Congo for over 300 business persons. It also helped public and private sector representatives in these countries to develop national AGOA export strategies that identify key constraints and opportunities under AGOA and provide country-specific action plans. The EAC Hub organized three trade missions to the United States for handicrafts/gifts and textile/apparel manufacturers. Twenty-three companies from the region participated in these shows, which led to exports of \$3.5 million worth of products to the United States. The Hub provided firm-level technical assistance, chiefly through International Executive Service Corps Volunteer Experts, to several export-ready firms in three priority sectors: textiles/apparel, handicrafts, and leather/leather goods. The technical assistance provided specialized support in such areas as design, pricing and marketing for penetration of the U.S. market under AGOA. The ECA Hub also conducted sector-specific workshops in handicrafts and leather/leather goods for companies in the region, the latter in collaboration with the COMESA/Leather and Leather Products Training Institute (LLPI) in Ethiopia. An in-depth analysis completed by the Hub examined the implications for the subregion of the end of global apparel quotas and made recommendations for how apparel firms in the region can remain competitive in the new post-quota environment. Finally, the Hub also provided direct technical assistance to COMESA and the Transit Transport Coordination Authority of the Northern Corridor, including a business plan for a one-stop border post between Kenya and Uganda to expedite the transit of goods. As a result of the Hub's plan, the governments of Kenya and Uganda back the initiative and the World Bank has pledged approximately \$6 million.

The EAC Hub staff includes a business-development specialist based at COMESA headquarters in Lusaka, Zambia as part of the partnership between USAID, the COMESA Secretariat and the U.S.-based Corporate Council on Africa. In the area of trade capacity building and policy formation, the Hub's emphasis is on assistance related to WTO, COMESA, and SPS issues, as well as export strategy development and policy analysis. The Hub effort in the area of customs harmonization and trade facilitation is directed toward enhancing customs capabilities so as to facilitate trade. The Hub's work on transport and trade efficiency is focused on the development of a commercially viable transport corridor that links Kenya, Uganda, Rwanda, Burundi and the Democratic

Republic of Congo, with offshoots toward Sudan and Ethiopia.

USAID's Regional Economic Development Services Office for Eastern and Southern Africa (REDSO/ESA), also based in Nairobi, continues to support the AGOA Linkages in COMESA (ALINC) project begun in October 2002. ALINC is an export assistance program designed to accelerate completion of trade transactions under AGOA between U.S. buyers and export-ready companies in COMESA countries. ALINC provides technical assistance to firms in specific AGOA commodity areas, such as textiles, handicrafts and leather goods. In addition, ALINC provides valuable feedback to policymakers in COMESA and the United States on the special challenges and constraints firms face in making the most of AGOA. For example, ALINC continues to coordinate closely with USDA and APHIS on SPS requirements for agricultural exports to the United States.

REDSO/ESA is also implementing several other trade-related assistance projects. To improve trade and food security in the region, REDSO/ESA is supporting the provision of technical assistance to regional African institutions to improve performance in governance, program management, external relations and outreach and information technology. USAID is working with COMESA to reduce trade barriers within COMESA and track progress on policy reform and trade volumes. Training is being provided to more than 200 private and public sector representatives on trade in services and to over 350 entrepreneurs on accessing trade under the WTO and AGOA. REDSO/ESA also supports analysis, advocacy and dialogue to advance policies to enhance trade and food security in the region. Technical assistance is being provided to develop biotechnology regulations, streamline customs procedures, and harmonize regional policies in investment, trade in commodities, seeds, services and telecommunications.

The West Africa Hub – located in Accra, Ghana – has several AGOA-related programs. The Hub has developed nine specific training modules which it has shared with its regional partners, providing guidelines about how to engage the U.S. market. New AGOA resource centers were opened in Cameroon, Chad, Mauritania, and Nigeria in 2004, bringing the total to 13 in West Africa. The Hub is exploring new products for promotion under AGOA, and working with two regional intergovernmental organizations in western Africa to set up monitoring mechanisms to track and report on corrupt practices on key interstate trucking routes. The Hub sponsored West African participation in two trade missions to the United States in 2004 with a special focus on opportunities under AGOA. Since its establishment in 2003, the West Africa Hub has trained more than 3,000 West African entrepreneurs on the requirements for exporting to the United States. It has also sponsored focus groups for women entrepreneurs in Guinea, Niger, Nigeria and Sierra Leone and an in-depth study of Women Doing Business in Mali.

USAID's West Africa Regional Program (WARP), also located in Accra, supports the West Africa Hub to work with host governments, USAID country missions, and partners throughout the region to increase the outreach and use of AGOA resource centers. WARP has launched the start of a regional market information system that will further

increase intra-regional trade of agricultural goods. In 2004, WARP supported the West Africa Businesswomen's Network (WABNET), a network of businesswomen who collaborate to promote regional trade and the growth of their enterprises. WABNET's membership-based network includes nearly 300 members from 12 West African countries.

The WARP-funded West African International Business Linkages (WAIBL) project, administered by the U.S.-based Corporate Council on Africa, has completed over 400 transactions and generated over \$130 million in trade and investment between the United States and Africa since its inception in 1998. Some recent transactions include projects involving construction of greenhouses in West Africa, a Ghanaian company that produces shea butter, and another Ghanaian firm that is cultivating California-grown orchids.

The following are some additional examples of USAID trade capacity building activities in support of AGOA:

-- Ghana: USAID/Ghana has begun implementing a project, called the Trade and Investment Program for a Competitive Export Economy, focused on increasing the competitiveness of Ghana's goods and services in world markets. The emphasis is on creating an enabling policy and regulatory environment for the private sector and increasing the capacity of private sector firms to respond to export opportunities. USAID/Ghana is experimenting with different approaches to help overcome some Ghanaian firms' lack of experience in the EU and U.S. markets.

-- Madagascar: USAID/Madagascar is increasing awareness within the Malagasy private and public sectors of the benefits and challenges of preferential trade arrangements such as AGOA and of greater integration into the regional and global economy through the WTO and regional organizations such as COMESA and SADC. Technical assistance has been provided to the Ministry of Trade on WTO compliance issues and implementation of WTO commitments, as well as on the WTO Services Agreement. In collaboration with USDA/APHIS and REDSO/ESA, the Mission is providing technical assistance to the Ministry of Agriculture in conducting a Pathway Initiated Pest Risk Assessment (PRA) for Malagasy Litchi. The fulfillment of the PRA will open the US market, not only for the Litchi, but also to other fresh fruits and vegetables.

-- Malawi: USAID/Malawi, in conjunction with the Southern Africa Hub, organized two workshops for Malawians interested in exporting handicrafts, including handcrafted fabrics covered under AGOA's Category 9 provisions. The Mission and the Hub also provided technical assistance for the development of a National AGOA Strategy. This included discussions with government officials on including a National AGOA Strategy in Malawi's overall trade strategy and assessing the technical assistance needs for Malawi to launch and follow through on developing a strategy in conjunction with stakeholders, including the private sector.

-- Mali: USAID/Mali new TradeMali project, begun in September 2003, aims to increase the export of agricultural products for which Mali has a comparative advantage.

The project is organized around two vital campaigns. The first, “Prepare Mali for the World”, assists Mali to create an inspiring trade policy environment and provide technical and managerial training to associations, agribusinesses, and selected government trade promotion units to take advantage of potential opportunities. TradeMali and the Mission facilitated donor coordination and consultations with the government in the Integrated Framework (IF) development process. This process resulted in the creation of a national steering committee of the IF process, the validation of the DTIS report, the preparation of the action matrix, the formulation of projects for the UNDP Window II funding. The donors’ roundtable for the definition of priority activities and funding issues is currently under preparation. The second campaign of TradeMali, “Bring the World to Mali”, is striving to generate real trade prospects by linking products and buyers. Targeted products include mango, potato, red meat, rice and other agricultural-based products. Regional West African markets and European markets are the main focus of TradeMali.

-- Mozambique: USAID/Mozambique has provided assistance for the Confederation of Mozambican Business Associations (CTA) to advocate for reforms to liberalize trade and improve the business climate. USAID is also providing long- and short-term technical assistance to the Ministry of Industry and Commerce to conduct trade analysis and to formulate and implement better trade strategies. Positive outputs include greater understanding and appreciation among influential Mozambicans of the benefits of market openness, and increased awareness within government that successful exports are the cornerstone of growth, poverty reduction, and prosperity.

-- Nigeria: In November 2003, USAID Administrator Natsios announced a \$5 million USAID contribution to a sustainable development program in Nigeria, leveraging a \$15 million contribution from the Shell Petroleum Development Company. The partnership is one of the largest country-specific agreements under USAID’s new Global Development Alliance business model, which promotes public-private partnerships. Initially, the program is focusing on food security, economic growth and health activities such as cassava cultivation, prevention and treatment of malaria, and support for the shrimp industry. The first project is a \$4.2 million four-year, integrated initiative to provide income for cassava farmers in 11 Nigerian states by increasing production, expanding post-harvest, value-added processing, and identifying commercial markets for cassava within various industries.

-- Rwanda: USAID/Rwanda in collaboration with other USAID offices and the International Executive Service Corps (IESC) has deployed a steady stream of technical assistance to handicraft and textile operators. The ECA Hub and IESC’s Fast Track program have sponsored Rwanda participation in leading craft and textile trade shows. As a result, Rwanda has launched its first electronic-commerce site for handicrafts. The Mission is also supporting highly profitable, trial exports of specialty coffee to the U.S. and U.K. markets.

-- Senegal: USAID/Senegal’s Integrated Framework implementation program emphasizes AGOA export promotion and includes an AGOA export information

campaign; training seminars to assist particular sub sectors in understanding export procedures; technical assistance in the areas of inspections, customs, transportation, packaging, fumigation and marketing. USAID/Senegal's Agriculture and Natural Resource Management program helped make baobab fruit an attractive new export for the cosmetic market.

-- South Africa: USAID/South Africa is building on a successful business linkages programs to increase market opportunities within South Africa and internationally. USAID-funded technical assistance and business advisory services are helping small and medium businesses in South Africa to develop the capacity for further tapping into AGOA and regional markets. As a result, opportunities to link with Africa-wide and U.S.-based regional trade initiatives are expanding to benefit South African small businesses.

-- Uganda: USAID/Uganda continues to work with the Ugandan government, the Cotton Development Organization, ginners and producers to help Uganda make use of AGOA rules of origin and become a significant supplier of cotton lint, and perhaps cloth, to textile manufacturers in Africa. The Mission is also providing technical assistance and training to help Uganda develop a strong trade policy and investment strategy and to strengthen private sector competitiveness in order to increase the volume and value of Ugandan exports.

-- Zambia: The Zambia Trade and Investment Enhancement (ZAMTIE) project, managed by USAID/Zambia, assisted Zambia's Ministry of Commerce, Trade and Industry to set up a new Department of Foreign Trade, which now leads government activity on all trade matters. The Mission also supported the Zambia Business Forum and the government prepare the country's Private Sector Development Action Plan.

Under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE) program USAID's Economic Growth and Agricultural Trade Bureau has launched a three year \$5.6 million project entitled Trade Capacity Building that Supports Application of Sanitary and Phytosanitary Measures. Sanitary (food safety and animal health) and phytosanitary (plant health) measures protect consumers and agri-food systems from human, plant, and animal health hazards.

USAID also provides significant support related to the Integrated Framework initiative described in Chapter V, Section A.

See Chapter VI, Sections B-E for additional information on USAID programs that relate to trade and development.

#### **D. U.S. Department of Commerce Programs**

The U.S. Department of Commerce administers the Commercial Law Development Program (CLDP). For over three years, CLDP has been assisting the government of Angola to improve its judicial system in order to reduce the cost of doing business in the

country. Improving the efficiency and credibility of the Angolan judiciary will promote a more conducive business climate in the country. In 2004, CLDP continued to provide technical assistance to the Angolan judiciary through consultations and implementation programs on case management techniques in the Angolan Civil Courts. CLDP also assessed the possibility of using the automated Portuguese case management system as a model for the Angolan courts. As a result of a CLDP initiative, the Vice Ministers of Justice from Portugal and Angola agreed to cooperate on developing an automated system for the Angolan courts in 2005.

CLDP future programs will include: (1) mediation for small claims, (2) time standards for judges, and (3) development of a work plan for the introduction of automation in the courts. The continuation of CLDP activities in Angola will serve to strengthen the Angolan judicial system, improve access to courts for Angolan citizens, increase court speed and efficiency, as well as restore the credibility of the judiciary.

Commerce's U.S. Patent and Trademark Office (USPTO) conducted a number of activities with AGOA eligible-countries in 2004, including the following:

- Intellectual Property Rights (IPR) Enforcement: In August 2004, USPTO held a workshop on IPR enforcement in Johannesburg, South Africa for South African judges, prosecutors and customs officials.
- Intellectual Property Rights (IPR) Conference: Also in August 2004, USPTO and the Commercial Service convened a conference in Kampala, Uganda to discuss how IPR and IPR enforcement leads to economic development and protects public health and safety. Ugandan judges, members of Parliament, prosecutors, customs officials and police attended.
- Academy on the Enforcement of Intellectual Property Rights: The USPTO Academy on the Enforcement of Intellectual Property Rights held a seminar in Virginia in October 2004, which was attended by officials from Mauritius, South Africa and Swaziland.
- West Africa Regional Conference: In December 2004, USPTO and the International Intellectual Property Institute organized a West Africa regional conference in Dakar, Senegal entitled "Africa and Intellectual Property: Policy Priorities to Foster Economic Growth, Public Health and Culture." Officials from Ethiopia, The Gambia, Ghana, Guinea-Bissau, Nigeria and Senegal attended.

#### **E. U.S. Department of Agriculture**

The U.S. Department of Agriculture (USDA) is actively involved in planning, coordinating and funding trade capacity building programs in sub-Saharan Africa. USDA projects provide technical assistance and training in the following areas:

WTO/SPS Seminar Series: In 2004, USDA conducted a series of three seminars on

sanitary and phytosanitary (SPS) issues for member countries of the Central African Economic and Monetary Community (known by the French acronym, CEMAC). This effort was a continuation of a series of Africa-based regional workshops in which USDA has trained officials from over 30 sub-Saharan African countries on SPS issues as they relate to African trade. The project aims to help African countries to meet international SPS standards, thereby enabling them to increase their participation in global trade.

**SPS Work and the Africa Global Competitiveness Hubs:** A USDA technical expert from the Animal and Plant Health Inspection Service (APHIS) was assigned to each of the three USAID-managed Global Competitiveness Hubs in Africa in 2004. The experts – who are resident in Botswana, Uganda and Ghana -- work closely with countries in the region to conduct pest risk assessments for agricultural plant products potentially destined for the U.S. market and provide training on risk assessment and other areas of phytosanitary capacity. They are also helping to advance the pest risk assessment process for products from several African countries. To complement the work of the experts, USDA has provided additional technical assistance in market access development through the Cochran Fellowship Program. Two permanent APHIS administrative offices are located in Senegal and South Africa. USDA/APHIS and Tuskegee University completed a two-year project providing SPS capacity-building training in 15 African countries. Over the course of the program, approximately 65 government and university personnel received in-depth training in risk analysis. The training culminated in a workshop and Pan-African conference on SPS regulation and risk assessment in Ethiopia in September 2004.

**Science and Technology Conferences:** The Secretary of Agriculture sponsored a science and technology conference in Burkina Faso in June 2004. Heads of State from Burkina Faso, Ghana, Mali and Niger attended, along with 18 ministers from 14 West African countries and delegates from 22 countries. The conference focused on water management, biotechnology, policy and regulatory frameworks, and public/private partnerships. USDA agreed to help facilitate a follow-up conference, the Bamako Biotechnology Conference, scheduled for June 2005. The purpose of the Bamako conference is to encourage regional harmonization of biotechnology research, regulations, and public outreach.

**Biotechnology Outreach Activities:** The goal of this broad group of activities is to encourage African scientists and their institutions to provide science-based information to the general public on technical matters that impact trade, agricultural production, and food security. For FY2005, USDA has allocated over \$100,000 for biotechnology outreach activities in sub-Saharan Africa. Activities will be closely coordinated with ongoing U.S. government outreach programs (primarily through USAID) and will support training of African scientists/policymakers with a view to field testing of biotech crops. The safe conduct of field trials will facilitate the development of biotechnology products relevant to African agriculture, encourage African ownership and acceptance of agricultural biotechnology and help jumpstart functioning regulatory systems. These activities are a collaborative effort among key U.S. regulatory agencies (APHIS, FDA, & EPA), the USDA/Biotech Group, USDA overseas posts, private industry, and the

International Center for Food Information. In addition, USDA biotechnology capacity efforts in Africa are coordinated with USAID's Agricultural Biotechnology Support Project II and Program for Biosafety Systems, which have a number of regulatory and public outreach activities that support specific crop improvement programs.

**West African Cotton Program:** In collaboration with the National Cotton Council of America, in July 2004 USDA organized a U.S. cotton industry tour for government ministers and Washington-based ambassadors from Chad, Mali, Burkina Faso, and Benin. The officials visited North Carolina, Tennessee, and Texas to learn about the key components of the U.S. cotton sector, including promotion and marketing, research, and ginning. The tour helped the officials to better understand the complexities of the U.S. cotton industry and the challenges faced by all cotton producers. In October 2004, USDA participated in a fact-finding assessment of the West African cotton sector. The 15 key recommendations were presented to the West African Agriculture and Trade Ministers by a high-level U.S. delegation that met with West African trade and agriculture ministers in Bamako, Mali in January 2005. As part of this effort, the Cochran Fellowship Program is implementing courses in cotton classification and soil degradation/extension technologies in June 2005.

**Staff Training on Donated Grain Testing Equipment:** In 2004, USDA calibrated grain-inspection equipment and conducted staff training for the Bureaus of Standards in Kenya, Uganda, and Tanzania. The U.S. Federal Grain Inspection Service donated \$50,000 worth of grain-inspection equipment to these countries. Utilization of the equipment will enable the three bureaus of standards to develop standard testing methodologies and measure grain quality consistently. This mutually beneficial activity is a direct outcome of the USDA/USAID "East Africa: Transportation Management and Harmonization of Standards to Foster Agricultural Trade" project implemented in 2000-2001.

**Norman E. Borlaug International Science and Technology Fellows Program:** Ghana was selected as one of the first countries to participate in the Borlaug Fellows Program, a new USDA program begun in 2004. The program offers short-term training and collaborative research opportunities in international agricultural science and policy through exchanges of entry-level scientists, academics, policymakers, and regulators from developing and middle-income countries.

**Cochran Fellowship Program:** This program provides short-term technical training in the United States for mid- to senior-level public or private professionals from eligible countries in areas that include agricultural trade, marketing, management, policy and technology transfer. Cochran is currently active in 13 countries in sub-Saharan Africa, including four SACU member countries. In FY 2004, there were 106 participants from sub-Saharan Africa.

#### **F. U.S. Trade and Development Agency**

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle-income countries. The agency

funds various forms of technical assistance, feasibility studies, training, orientation visits, and business workshops that support the development of a modern infrastructure and fair and open trading environment. USTDA's strategic use of foreign assistance funds directly supports AGOA implementation by helping to create an enabling environment for increased U.S.-Africa trade and investment.

As part of its mission to support priority trade policies, USTDA funds and carries out a trade capacity building mandate. In FY04, the USTDA program in TCB was an important part of the agency's overseas development work, funding a number of priority TCB efforts around the world in a wide variety of sectors and regions. USTDA's TCB activities in FY04 amounted to more than \$18.6 million, including almost \$4 million in sub-Saharan Africa alone. The following is a sampling of recent USTDA trade capacity building activities:

- West Africa Port Orientation Visit: USTDA is providing funding to bring key decision makers from West and Central African countries to the United States for a port sector orientation visit. The orientation visit will introduce the African delegates to U.S. port sector suppliers and U.S. standards of practice. The orientation visit will include stops at three different U.S. port facilities in late spring/early summer 2005.
- Kenya Revenue Authority Integrated Taxation System: USTDA approved funding for a \$344,000 technical assistance that will benefit the Kenya Revenue Authority's development of an integrated computerized tax system. The project is expected to modernize revenue administration in order to enhance and streamline revenue collection and administration for the Kenyan Government.
- Uganda National ICT Master Plan and E-Government Network Project: USTDA is funding a feasibility study for Uganda's Ministry of Works, Housing, and Communications to develop and support e-governance and e-business in Uganda. The study will develop the basis for a wider integrated network by reviewing a set of key Ministries' requirements, developing a set of action plans, and assisting in the development of a set of national standards and the architecture for e-government in Uganda.

USTDA is dedicated to promoting public-private partnerships in all of its work. Through the provision of grant funding, USTDA assists AGOA partners in the critical planning phase of priority infrastructure and manufacturing projects. In the past year, USTDA funded numerous projects designed to expand African capacity to maximize economic growth under the AGOA framework.

See Chapter VI, Sections C, D, and E for information on some of these projects, many of which are directly related to trade capacity building.

#### **G. Small Business Administration**

The U.S. Small Business Administration (SBA) continues to support AGOA through

technical assistance and transfer of technology and information. The SBA has hosted African officials from 30 sub-Saharan African countries that were interested in gaining an understanding of how SBA develops technical assistance and finance programs and distributes those services to the business communities throughout the United States. SBA is working especially closely with Nigeria and Botswana.

In FY04, SBA and Nigeria's Small and Medium Entrepreneur Development Agency signed an External Cooperative Agreement. This agreement authorizes the continued development of the Business Information Center project begun in 2003, as well as the exchange of technology and information and the development of a system to educate and inform businesses in both the United States and Nigeria of trade opportunities.

Since July 2004, SBA has been working with Botswana's Citizen Entrepreneurial Development Agency (CEDA) to help it to streamline its organization and to improve its effectiveness.

#### **H. African Development Foundation**

The African Development Foundation (ADF) is a U.S. Government corporation that delivers direct capital investment to African micro-, small-, and medium-scale enterprises. ADF also supports the activities of non-governmental organizations that work at the community level. The Foundation is the only U. S. government agency wholly dedicated to the promotion of economic development in Africa. ADF operated in 15 sub-Saharan African nations in FY 2004: Benin, Botswana, Cape Verde, Guinea, Ghana, Mali, Namibia, Niger, Nigeria, Senegal, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

The Foundation responds to unsolicited funding proposals from African small companies, producer groups, non-governmental organizations, and community-based organizations. ADF helps its grantees develop business plans to support commercially viable activities that generate income for owners, employees, and agricultural suppliers. ADF grantees receive up to \$250,000 in financing for fixed capital, working capital, and technical and managerial assistance.

AGOA notes the important role ADF plays in helping small-scale African enterprises take advantage of new opportunities for trade and investment. ADF has contributed to the advancement of AGOA goals through its trade and investment (T&I) program, which provides small- and medium-sized African enterprises with expansion capital to finance the development, production, and marketing of high-quality, value-added products for sale to regional markets in Africa and to overseas markets in the United States, Europe, and Asia. The value of ADF's obligations to 16 newly funded T&I projects during FY 2004 was nearly \$4 million.

ADF's T&I program helps smaller-scale African enterprises develop new links to international markets by:

- Promoting the production by small-scale producer groups and agro-businesses of high-value, non-traditional crops that are in demand in world markets;
- Supporting the development and international marketing of value-added processed goods;
- Providing producers with the technical assistance, training, and technology they need to make and market goods that meet international quality standards; and
- Assisting small businesses in establishing trading partnerships with international buyers.

ADF's T&I program also helps African small- and medium-scale businesses secure access to new streams of private investment by providing them with the catalyst capital they need to achieve profitability and advance to new levels of performance as reliable providers of goods to international supply chains.

To support export production that yields direct benefits to low-income small producers, ADF often provides funding to producer associations or cooperatives that bulk up the production of small-scale producers and carry out processing and marketing activities on their behalf. Producer associations and cooperatives channel support to small-scale producers through bulk purchases, extension services, market and price information, and greater bargaining power in price negotiations.

In FY04, ADF supported 36 export-earning projects in 10 African countries: Benin, Botswana, Cape Verde, Ghana, Mali, Namibia, Senegal, Tanzania, Uganda, and Zimbabwe. Products exported by these businesses included chilled and frozen fish; frozen and vacuum-packed beef; chilled and frozen rock lobster; cured vanilla; fresh, dried, and candied fruit; processed fruit drinks and organic juices; essential oils; herbal teas; cured paprika; ostrich meat; and sea salt.

The T&I program is ADF's fastest growing program area, and the Foundation's investments in T&I projects have generated rapid and impressive impact over the past four years. ADF's T&I and export-earning micro- and small-enterprise (MSE) projects have generated \$21.5 million in export revenues since ADF support began. Altogether, ADF's active T&I and MSE projects generated more than \$39 million in revenues in FY04.

Three recent ADF-funded projects stand out in demonstrating the capacity of African small-scale enterprises to expand production and meet stringent international quality specifications:

- The Uganda Marine Processing, Ltd. (UMPL), a T&I project that received \$250,000 in financing from ADF in FY01, has continued to demonstrate strong performance as a producer of processed exports that meet the highest international quality standards. UMPL is the smallest of the eight formal-sector fish processing companies in Uganda and one of only two with majority ownership by indigenous Ugandans. It was the first company in east Africa to receive the International Standards Organization (ISO) 9001 quality certification. UMPL processes Nile

Perch into fresh and frozen fillets for export to the EU, the Middle East, and the United States. In FY04, UMPL earned \$5.1 million in exports, a 364 percent increase in export sales since the first year of the project.

- The Tanzania Mtibwa Sugar project has demonstrated an impressive capacity to scale up its production to meet the demands of the export market through its support for the production of small-scale sugar growers. First funded in FY02, Tanzania Mtibwa has increased its gross export revenues by 262 percent over the past two years, from \$1.2 million during FY02 to \$3.1 million in FY04.
- The Godisa Solar Hearing Aids project in Botswana has delivered significant social benefits to its employees – most of whom are deaf – and to hearing-disabled consumers throughout the developing world by producing and marketing a low-cost, solar-charged hearing aid. Whereas most hearing aids cost an average of \$600 to own and operate over five years, Godisa's unit costs \$75 over the same period. Godisa has earned numerous international quality awards and currently sells its product to buyers in more than 20 nations in Africa and globally.

ADF's T&I program has also demonstrated the valuable role that export-oriented agricultural production can play in helping producer groups respond to instability in the domestic economy. In FY04, ADF-assisted paprika farming projects in Zimbabwe generated more than \$1.1 million in sales at a time when Zimbabwe's annual inflation rate stood at 384 percent and Zimbabwe's national unemployment was extremely high. This revenue provided critical cash income to more than 2,800 rural Zimbabwean families at a time of deep economic uncertainty.

#### **I. Other TCB Activities**

Several other U.S. agencies carry out trade capacity building activities in sub-Saharan Africa, including the Departments of Labor, State, Transportation, and Treasury, as well as the Bureau of Customs and Border Protection, the Environmental Protection Agency, the Federal Trade Commission, and the Peace Corps. Some of the activities described in Chapter VI, especially in Sections C, D, E, G, and J, can also be considered as trade capacity building.

For more information about trade capacity building activities by U.S. agencies see the Trade Capacity Building Database maintained by USAID at the following web site: <http://qesdb.cdie.org/tcb/index.html>.

## **VI. Other Assistance Supportive of AGOA Objectives**

### **A. Millennium Challenge Account**

In March 2002, President Bush announced his intent to establish a special development assistance program, the Millennium Challenge Account (MCA), designed to help spur economic growth in developing nations that are taking greater responsibility for their own development. Congress appropriated \$1 billion for FY04, and \$1.5 billion for FY05. The President has requested \$3 billion for FY06. While the MCA is a global initiative, eight of the 17 countries eligible to receive MCA funding are in sub-Saharan Africa.

The MCA is a new approach to development assistance. First, it rewards pro-growth development policies by assisting those countries that have demonstrated a commitment to ruling justly, investing in their people, and promoting economic freedom. Second, the MCA establishes a partnership in which the developing country, with the participation of its citizens, proposes its own priorities and plans for MCA funding. Finally, the MCA places a strong focus on results and transparency. Funds will go only to those countries with well-implemented programs that have clear objectives and measurable benchmarks.

To reflect and carry out this innovative strategy, the Millennium Challenge Corporation (MCC) developed a set of quantifiable indicators to measure performance. The selection process includes the use of 16 “indicators” to measure policies in three categories: Ruling Justly, Investing in People, and Encouraging Economic Freedom. In May 2004, MCC’s Board of Directors selected 16 countries eligible to apply for MCA assistance for FY04. Of these, eight are sub-Saharan African countries: Benin, Cape Verde, Ghana, Lesotho, Madagascar, Mali, Mozambique, and Senegal. With the exception of Cape Verde, which was not an FY 05 candidate, these countries were also named as eligible to apply for MCA funding from FY05 resources. One additional country was also selected as eligible for FY05 assistance, bringing the global total to 17 eligible countries. Cape Verde continues to work on a compact proposal that, if approved, will be funded from FY04 resources.

In September 2004, the MCC Board selected seven countries for the FY04 MCC Threshold Program. Six additional countries were later chosen to be included as Threshold Program Countries for FY05, for a total of 13 countries. Seven of these are in sub-Saharan Africa: Burkina Faso, Kenya, Malawi, Sao Tomé and Príncipe, Tanzania, Uganda, and Zambia. The MCC Board established the Threshold Program to recognize countries that, while not having met the criteria to be selected as MCA eligible countries, have demonstrated the potential to undertake the reforms necessary to improve policy performance and qualify for future MCA assistance.

As of April 2005, the MCC continued to work with all of the eligible African countries on the development of their proposals for MCA assistance. In March 2005, the MCC Board approved the funding compact for Madagascar, which was signed in April. Several other compacts with African countries are expected to move forward in FY05. In 2005, the MCC will also work with Threshold Program countries on proposals submitted

under that MCA program.

The MCC's Board of Directors is chaired by the Secretary of State, and includes the Secretary of Treasury, the U.S. Trade Representative, the USAID Administrator, and the CEO of the MCC. In April 2004, the Senate approved the President's nomination of Paul V. Applegarth as CEO of the MCC. In July 2004, the Senate approved the nominations of two public members of the Board, Kenneth Hackett and Christine Todd Whitman, each for a three-year term.

#### **B. USAID Programs**

The President's Initiative to End Hunger in Africa (IEHA), managed by USAID's Africa Bureau, focuses on promoting agricultural growth and building an African-led partnership to cut hunger and poverty. The primary objective of the initiative is to promote a rapid and sustainable increase in agricultural growth and rural incomes in sub-Saharan Africa. To grow out of poverty, smallholder farmers and agricultural firms need to generate profits and income from their products and services.

The Initiative partnership is empowering African farmers in key countries and regions by increasing their access to both new technology and markets. The U.S. is contributing to the Initiative's efforts to harness science and technology for African farmers, and to unleash the power of markets for Africa's small farmers.

IEHA investments fall under six thematic areas: science and technology, agriculture trade and market systems, community-based producer organizations, human and institutional capacity building, environmental management, and vulnerable groups/transition countries. Between these areas, IEHA promotes a value-added approach that addresses constraints along the supply chain and results in measurable increases in smallholder incomes.

IEHA is focused on African countries that have made agriculture a development priority and that have an appropriate policy environment, institutions and systems in place, and committed leadership. These countries are committed to improving smallholder livelihood, and they are chosen to serve as regional growth poles, tying regional trading partners into their increasingly vibrant economies.

Initiated in FY03, IEHA developed regional platforms through USAID's offices in sub-Saharan Africa, helped focus country Missions in Mozambique, Uganda and Mali to develop action plans, and provided funding to launch IEHA-consistent programs. Zambia, Kenya and Ghana were added in FY04, and South Africa, Tanzania and Nigeria are slated for FY06. For FY05, USAID committed \$44.5 million for IEHA.

Noteworthy achievements under IEHA in 2004 included:

-- 136 public and private partnerships have been formed, facilitating access to knowledge, markets, and improved technologies for its member organizations, as well as improved

consultation to improve strategic planning and management.

-- 353,586 rural households have received direct benefits from IEHA investments, including improved market access, increased on-farm production, and increased household incomes.

-- Trade in selected commodities has increased by 41 percent in East Africa through technological improvements and efforts to improve access to market information.

-- 132 new technologies have been shared with smallholder farmers across Africa.

-- 112,632 men and 94,002 women have received training in a broad range of topics, including biosafety, market analyses and development, record keeping, crop quality control, post harvest handling, product grading and aggregation of commodities, among others.

-- 3,626 producer associations, water user associations, trade and business associations and community-based organizations have received technical assistance and support to strengthen their organizations.

-- A Strategic Analysis and Knowledge Support System was established in each of the African sub-regions.

Further information about the IEHA is available at: [www.usaid.gov/locations/sub-saharan\\_africa/initiatives/ieha.html](http://www.usaid.gov/locations/sub-saharan_africa/initiatives/ieha.html)

The President's Africa Education Initiative, managed by USAID's Africa Bureau, began implementation in 2003 and is providing \$200 million over four years to address the immediate learning needs of African children. With increased levels of education, rich and poor countries become more productive, leading to higher rates of growth that in turn allow for improved standards of living. AEI focuses on teacher training; providing textbooks and other learning tools for children; providing scholarships for girls and other vulnerable children; increasing parents' involvement in their children's education by working to make school systems more transparent and open to reforms proposed by parents; and mitigating the impacts of HIV/AIDS on the education sector. Forty percent of school-aged children in Africa do not attend primary school and 46 million African children have never stepped foot in a classroom. USAID's goal is education for all, with every child having access to a basic education by 2015. To help meet this goal, the AEI supports education programs in Benin, Democratic Republic of the Congo, Djibouti, Ethiopia, Ghana, Guinea, Kenya, Malawi, Mali, Namibia, Nigeria, Senegal, South Africa, Sudan, Uganda and Zambia. Further information about the AEI is available at: [www.usaid.gov/locations.sub-saharan\\_africa/initiatives/aei.html](http://www.usaid.gov/locations.sub-saharan_africa/initiatives/aei.html)

The Anti-Corruption Initiative of USAID's Africa Bureau is designed to reduce corruption in sub-Saharan Africa and to lend specific support to recent efforts by African leaders to link good governance performance with sustainable development practices.

There is an emerging consensus that fighting corruption and building good governance are essential for the development of people, markets and nations. Corruption undermines sub-Saharan Africa's economic and political foundations and hinders the growth of trade and investment needed for development. USAID has historically focused on reducing opportunities for corruption by promoting transparency and accountability, establishing checks and balances, strengthening civil society, and developing the rule of law in emerging democracies.

The ACI supports multi-year anti-corruption programs in Benin, Kenya, Madagascar, Mozambique, Nigeria, Rwanda, Tanzania, Zambia, South Africa, and the three USAID regional missions. For example, USAID is one of the primary supporters of Madagascar's anti-corruption efforts. Key technical and financial support to the country's new anti-corruption agencies has led to the first-ever national plan to fight corruption. Work is currently underway to establish a national anti-corruption baseline against which government progress will be measured. In South Africa, the ACI is funding a variety of activities, including the creation of commercial crimes courts, forensic auditing units in the Department of Justice, and training for provincial Public Accounts Committees. USAID's Regional Economic Development Office for East and Southern Africa is also developing an activity that will boost economic activity by reducing corruption along the Northern Corridor, a road network that runs from Mombassa, Kenya, through Uganda, Rwanda, Burundi, and Tanzania and has an impact on other countries in the region as well.

Further information about the ACI is available at: [www.usaid.gov/locations/sub-saharan\\_africa/initiatives/anti\\_corruption.html](http://www.usaid.gov/locations/sub-saharan_africa/initiatives/anti_corruption.html)

See also Sections C, D, and E below for information on additional USAID programs.

### **C. Sustainable Development, the Environment, and Labor**

U.S. agencies – including USAID, the Environmental Protection Agency (EPA), the U.S. Fish and Wildlife Service, and the Departments of State, Commerce, Agriculture, and Interior – are implementing projects and initiatives to assist African countries in protecting the environment and promoting sustainable economic development. Key programs include:

- **Congo Basin Forest Partnership:** The U.S. contributions to the Partnership's natural resource conservation programs promote economic development, alleviate poverty, and improve local governance. U.S. activities focus on 11 key landscapes in Cameroon, Central African Republic, DROC, Equatorial Guinea, Gabon, and the Republic of the Congo. The partnership provides support for a network of national parks and protected areas, well-managed forestry concessions, and creation of economic opportunities for communities that depend on the conservation of the outstanding forest and wildlife resources of the Congo Basin. The U.S. plans to invest up to \$53 million dollars in the Partnership through the year 2005.

- **Community-Based Natural Resource Management:** For over a decade, USAID has been a leading donor partner in the environment sector in Africa, with an emphasis on promoting community-based natural resource management. Many USAID environment programs in sub-Saharan Africa focus on preserving the continent's rare and endangered wildlife species and ecosystems while promoting rural economic growth. Such programs support the transfer of central government authority in natural resources management to sub-national governments and local communities in order to foster eco-tourism, eco-enterprise, and other means of generating income that do not harm wildlife or the environment. These efforts help alleviate environmental pressures on land and other resources important for food production and sustainable development and help build local networks to share agricultural and food security information and expertise.
- **Phase-out of Lead in Gasoline:** Under the World Summit on Sustainable Development's Partnership on Clean Fuels and Vehicles, EPA and its partners have supported regional workshops throughout sub-Saharan Africa to assist countries in developing regional and national action plans for lead phase-out. In addition, EPA has provided technical assistance and public outreach support to South Africa on lead phase-out.
- **Promotion of Sound Pesticide and Chemical Management:** EPA is working with the UN Environment Program to implement the Chemicals Information Exchange and Networking Project which provides computers, Internet access, and training to chemicals management officials and other stakeholders. The project has been implemented throughout west and southern Africa, and other countries in Africa are under consideration for inclusion in the project.
- **Urban Safe Drinking Water:** In October 2000, EPA and Water for People launched the Water for Africa program, which aims to help the growing number of urban poor in the unplanned and informal settlements of African cities obtain safe drinking water. The program supports innovative approaches to serving underserved populations, fosters water sector reform, strengthens local water associations, and disseminates lessons learned. In February 2005, a workshop was held in Kampala, Uganda, to share lessons learned from Phase 1 of this program and to plan for Phase 2 implementation.
- **Urban Air Quality Management:** USAID and EPA are working to assist governments in monitoring and managing their urban air quality. They are working with South Africa's Department of Environmental Affairs and Tourism on the start-up implementation of their new air quality legislation, and with national and municipal authorities in Accra and Dar es Salaam to establish urban air quality monitoring programs.

The U.S. Trade and Development Agency has funded several projects in sub-Saharan Africa that contribute to environmental protection and sustainable economic development, including the following:

- **Gabon National Park Transportation Development:** This \$162,000 technical assistance grant will provide advice to the government of Gabon on developing needed transportation infrastructure improvements for its national park system. The assistance, provided to the National Parks Council, will help Gabon's tourism sector and support the goals of the Congo Basin Forest Partnership initiative.
- **Petroleum Product Storage Depot:** USTDA has committed \$393,978 towards a cost-shared feasibility study for the establishment of a new petroleum products depot in The Gambia. The existing facility is outdated and presents significant environmental risks at its current location in Banjul's city center.
- **Kenyatta National Hospital Resource Management and Infrastructure Project:** USTDA is providing a \$396,125 grant to Kenyatta National Hospital to assist with the hospital's resource management plan. Under this grant, the selected U.S. consultant team will work with hospital staff and management to carry out an organization and human resource analysis, a business requirements analysis, a hospital medical equipment strategic plan, and a hospital automation strategic plan.
- **Port Harcourt Hospital:** This \$284,215 feasibility study will support the establishment of a private sector hospital that seeks to spur critically needed healthcare sector development. Port Harcourt is a major city in Nigeria's underdeveloped delta region. The project will benefit Nigerian social development and increase private sector participation.

#### Labor

The Department of Labor (DOL) funds and implements a number of international development projects aimed at assisting sub-Saharan African countries in addressing labor-related issues, such as strengthening industrial relations, assisting dislocated workers, improving mine safety, and combating child labor. Since 1995, DOL has funded \$566 million for projects in developing countries, with sub-Saharan Africa receiving over \$148 million for 58 projects covering 27 countries. DOL funds a wide range of projects in Africa in four basic areas:

- **Combating Exploitative Child Labor:** These projects benefit children involved in, or at risk of involvement in commercial sexual exploitation, armed conflict, trafficking, forced labor, and other hazardous work such as mining, domestic service, tourism, street work, and commercial agriculture. Activities under these projects are designed to build capacity among local NGOs and governments, gather information, raise awareness about child labor, improve access to education and health services, and provide alternative income generation for families.
- **Improving Economic Opportunities and Income Security for Workers:** This program area seeks to promote workforce development, strengthen social safety nets, and improve workplace safety and health, thereby strengthening support for

economic reform and trade liberalization.

- **Protecting the Basic Rights of Workers:** Projects in this program area assist developing countries to put in place basic protections so that workers everywhere can enjoy fundamental worker rights (including freedom of association and the right to bargain collectively), non-discrimination, and workplace safety.
- **Combating HIV/AIDS Through Workplace Education:** This initiative seeks to reduce the incidence of HIV/AIDS infection through workplace-based education and prevention programs, and to improve the workplace environment for people living with HIV/AIDS.

#### **D. Transportation and Communication Infrastructure Development**

Inadequate physical and regulatory infrastructure in areas such as transportation and communications has been a major impediment to sustainable economic growth and development in sub-Saharan Africa and has hindered the region's international competitiveness. Several U.S. agencies have been working to assist African countries in their efforts to improve infrastructure in these sectors.

##### Transportation

The U.S. Department of Transportation (DOT) is engaged in several activities intended to enhance the transportation capacity and infrastructure of sub-Saharan Africa. Many of DOT's activities are in partnership with other U.S. agencies, such as the Department of State, USAID, the U.S. Trade and Development Agency (USTDA), the Department of Defense, and the Export-Import Bank, as well as multilateral funding agencies such as the World Bank.

DOT's Safe Skies for Africa program seeks to enhance aviation safety and air navigation capacity-building on the continent. In 2004, DOT worked closely with USTDA to identify opportunities for the U.S. aviation industry to participate in Safe Skies-related projects. To enhance air navigation services in the East Africa Community (EAC) states (Kenya, Tanzania, and Uganda), DOT partnered with USTDA and a U.S. firm to develop Global Navigation Satellite System procedures leading to safer, more efficient, and unified use of airspace in the region. The Safe Skies program is an integral component of the President's East Africa Counterterrorism Initiative. With the guidance and assistance of the Transportation Security Administration (TSA), DOT purchased and installed in the Safe Skies countries U.S.-manufactured, TSA-approved aviation security equipment and services valued at over \$8 million dollars. In October 2004, DOT, in partnership with TSA, hosted a Workshop on Aviation Security in Johannesburg, South Africa. Representatives of U.S. firms that manufacture aviation security equipment and provide aviation services attended, and many took the opportunity to showcase their goods and services for the senior African aviation officials who participated.

In 2004, the Safe Skies program sponsored a learning mission to Central America for

aviation officials from the EAC countries to examine models of regional cooperation in aviation safety oversight. Following this mission, EAC transportation ministers signed a memorandum of understanding to create an agency to promote regional aviation safety oversight and to enhance aviation security, air navigation, and capacity building on a regional basis. By the close of 2005, it is anticipated that the EAC will have the first functioning regional safety oversight organization in Africa.

In partnership with the Federal Aviation Administration (FAA) and the International Civil Aviation Organization (ICAO), ICAO-approved training has been provided regionally across Africa in Global Navigation Satellite System procedures development, development of Notices to Airmen, airport certification, and flight inspection procedures. This training will lead to improvements in air navigation services across the sub-region. In 2004, DOT – in partnership with the FAA Academy, the Federal Highway Administration (FHWA), and the Consortium for Aviation Technology Transfer Centers Support (CATTSS) – developed a framework to expand the use of the FHWA-developed Technology Transfer Center in Dar es Salaam, Tanzania as a prototype Center of Excellence in aviation. In 2004, members of the consortium traveled to Tanzania to perform a joint assessment and to develop recommendations.

Over the last several years, DOT has been working closely with Nigerian authorities to support their efforts to improve the Nigerian transportation system, with special attention to improvements in aviation safety and security, privatization of port services, port training, and technical assistance to develop a multi-modal oversight system. In 2000 and 2003 DOT received two USAID grants amounting to \$6.8 million to implement the program. In 2004 DOT trained 40 maritime personnel in maritime security, provided aviation training to 100 aviation personnel, trained 50 rail staff in rail security, and assessed the eastern corridor of the Nigerian rail system.

The FAA is also involved in technical assistance efforts to bring the Nigerian Civil Aviation Authority into compliance with ICAO standards in the area of safety oversight and is providing training to Nigerian civil aviation officials. These efforts have paved the way for new direct service between the United States and Nigeria.

DOT also provided training for Nigerian port staff trainees at the U.S. Merchant Marine Academy. In 2004, DOT's Maritime Administration provided port-development and privatization guidance to Nigeria. The DOT also sent an evaluation team to Nigeria to assess the western and eastern lines of Nigeria's rail system and is assisting the World Bank to determine the amount of funding needed to rehabilitate the rail system.

The Federal Transit Administration, in collaboration with the Nigerian Ministry of Transport, sponsored a Public Transportation Infrastructure Development Conference in Abuja, Nigeria in July 2004. Experts from the United States exchanged information with 300 of their counterparts from throughout Nigeria on planning, financing, and implementation of efficient public transport systems. As a result of the conference, Florida A&M University is preparing a training program for public transportation officials of the Federal Capital Territory of Abuja. The Federal Transit Administration is

also working with Houston Metro to develop a technical assistance program that will support efforts by Abuja and other Nigerian cities to improve their public transportation systems. In September 2004, DOT sponsored a five-person reverse trade and fact-finding mission for transport officials from the Federal Capital Territory of Abuja. The delegation examined the structure and function of the Federal Transit Administration and its relationship with state and local public transportation agencies in the U.S, visited transit projects, and discussed project development and implementation with U.S. transportation officials. The delegation also met with potential contractors that can assist in designing, building and operating three new express busways in Abuja.

#### USTDA Transportation Activities

USTDA's work in sub-Saharan Africa includes projects in the rail and port, telecommunications, and aviation sectors. The following is a sampling of USTDA projects in the transport sector:

**Cape Verde Transshipment Port Development:** This \$420,432 feasibility study will support the establishment of a major transshipment port in Cape Verde. The new port facility would use Cape Verde's strategic geographic location to take advantage of trans-Atlantic and Europe-Africa shipping routes. The project would have substantial developmental impacts for Cape Verde by providing modern infrastructure, lowering transportation costs, and creating substantial local employment.

**Cameroon Airport Security:** This \$237,178 Technical Assistance grant will help the government of Cameroon to analyze needed airport security improvements in its civil aviation system. This assistance is vitally important as Cameroon attempts to satisfy ICAO and U.S. FAA airport security requirements.

**Port of Doraleh Container Terminal:** USTDA is providing a \$372,976 grant to partially fund a feasibility study for the Port of Doraleh in Djibouti. The study will investigate the feasibility of constructing a container terminal at this location. This project is a high development priority for Djibouti and the region.

**Mahajanga Barge Lightering:** USTDA approved a \$374,250 grant to the Madagascar Ministry of Transportation to determine the feasibility of implementing a barge-lightering system to improve efficiency and capacity at the country's second largest port. Such a system potentially offers a cost-effective and more environmentally friendly alternative to dredging a deep-water port at this location.

**Trans-Kalahari Corridor Orientation Visit:** USTDA sponsored a visit by a delegation from Namibia to meet with U.S. companies that could supply equipment for the build-out of the Trans-Kalahari Corridor. This activity is a follow-up to an earlier USTDA feasibility study that assisted with the development of a business plan for the Walvis Bay Corridor Group.

**Sao Tome Island Airport Development:** This \$350,000 technical assistance grant will be

used to identify and provide economic analysis of needed improvements for Sao Tome Island's airport. The project will investigate airport-related revenue streams and financing options for needed improvement projects.

#### Communications Infrastructure

The Digital Freedom Initiative (DFI) is a five-year program organized by the Departments of Commerce and State, USAID, USA Freedom Corps, and the Peace Corps. The goal of DFI is to promote economic growth by transferring the benefits of information and communication technology to entrepreneurs and small businesses in the developing world. DFI leverages the leadership of the U.S. government, the creativity and resources of America's leading companies, and the vision and energy of entrepreneurs throughout the developing world. Key elements of the DFI are: (1) placing volunteers in small businesses to share business knowledge and technology expertise; (2) promoting pro-growth regulatory and legal structures to enhance business competitiveness; and (3) leveraging existing technology and communications infrastructure in new ways to help entrepreneurs and small businesses better compete in both the regional and global market place. In March 2003, Senegal was selected as the first DFI country to pilot the approach. Since then, a total of 50 U.S. specialists and Senegalese volunteers have developed a variety of digital training materials to help small businesses in Senegal. These materials are helping to improve cybercafe operations, small-business management and market access in Senegal, and their use has extended to a variety of countries as far flung as Afghanistan, Mali and Honduras. In partnership with a local merchant association, DFI/Senegal sponsored the creation of an Internet access and training center in Dakar's Sandaga Market. The center has helped over a dozen small merchants integrate the power of information technology into their businesses to track accounts, make orders, and build new trade relationships with the U.S. and in the region.

The National Telecommunications and Information Administration (NTIA) also assists in human capacity-building efforts with African Information and Communications Technology (ICT) policy-makers and regulators. NTIA is a participant in the DFI Initiative, meeting bilaterally with African regulators and policy-makers during Washington visits. In 2004, NTIA provided training in spectrum management, universal access, and Internet policy issues. In March 2005, NTIA provided hands-on training to African mid-level policy/regulatory staff in three U.S. Telecommunications Training Institute (USTTI) courses on spectrum management and on ICT policy-making. Representatives included staff from a number of developing countries including Liberia, Kenya, Nigeria, Uganda, South Africa, Senegal, and Zambia.

The USAID Leland Initiative and the Federal Communications Commission (FCC) have continued their fruitful collaboration to strengthen telecommunications policy and build African regulatory capacity. The program strengthens associations of African regulators; uses experts from the FCC and state level regulatory bodies to help U.S. and African university programs on effective regulation; and provides technical assistance to regulators in more than 20 countries. In the past year, this effort has provided direct assistance to six countries. The program has also provided technical assistance for regional efforts to promote communications market integration in West Africa. A portion

of USAID funding and technical support from the FCC were key inputs into the African Internet and Telecommunications summit, hosted by the Nigerian Communications Commission in February 2005. With Leland and FCC input, constituencies for policy reform are growing in the region. In the coming year this effort will seek to facilitate private-sector led efforts at regional market integration, and begin to expand the lessons to Eastern and Southern Africa.

The Leland Initiative's NetTel@Africa program is an African-led network for capacity building and knowledge exchange in the African telecommunications sector. It has four primary components: training, a knowledge exchange network, a community-to-community service, and research. NetTel in partnership with seven African universities, the NetTel@Africa program has developed ten learning modules for regulators. The course content is delivered both online and by a professor at participating African universities, which include the Universities of Zambia, Botswana, Dar es Salaam, West Cape Town, South Africa, Fort Hare, and Witwatersrand, and Makerere University in Uganda. U.S. universities including Washington State University, the University of Colorado-Boulder, the University of Florida-Gainesville, University of Maryland-College Park, and Michigan State University have made significant contributions. In partnership with Cheik Anta Diop University in Dakar, Senegal, NetTel is adapting its content to French-language courses focused on delivery across West Africa.

The Leland Initiative is managing and implementing the USAID Administrator's Last Mile Initiative, which in the last year saw the beginning of program activities in three African countries. The Initiative seeks to stimulate innovation and expand rural telecommunications access. Alliances with the private sector in Africa and the U.S. enhance the impact of the program. In Nigeria, an American trade association, the National Telecommunications Cooperative Association, provided key support to establish a Universal Service Fund, and helped develop the business and technology models to expand access to communications and transaction services across the country and region. The NTCA is also providing key assistance to the government of Ethiopia, which is moving towards liberalization of value-added services and seeking to promote viable small business models for rural access. In the coming year the Last Mile Initiative is expected to move forward in at least five additional African countries.

## **E. Energy Infrastructure Development**

### Department of Energy

The Department of Energy (DOE) continues to work with sub-Saharan Africa countries, both through its own programs and via partnerships with USAID and other U.S. agencies, in support of energy projects for AGOA-eligible countries. Activities support infrastructure development, economic empowerment, and the facilitation of private investment.

DOE leads the U.S.-African Energy Ministerial process that provides an important forum for U.S. and African energy ministers, businesses, academia, and NGOs to meet and

explore ways to enhance cooperation on oil, gas and power development; energy security and regional integration; clean energy development and deployment; energy information collection and analysis; and expansion of private sector investment in Africa. The next Ministerial will likely take place in Africa in the first half of 2006.

Over the past three years (2001 – 2004), through an interagency agreement with USAID, DOE provided energy sector assistance to Nigeria. During 2004, DOE advised on liberalization of the oil and gas sectors.

DOE has been working with the Angolan Government to develop a program that would focus on a national energy strategy to promote increased oil, gas and power development.

In December 2004, a DOE team visited Equatorial Guinea and initiated consultations on power sector issues. In August 2004, DOE signed a bilateral Memorandum of Understanding in support of energy policy, science and technology with the Government of Equatorial Guinea.

DOE represents the USG on the steering committee of the World Bank's Global Gas Flaring Reduction Initiative (GGFR), a leveraged multi-year, multi-million dollar public-private partnership. The GGFR focuses on policy, regulatory assistance, data development and reporting, and research and development activities to promote natural gas use. The participating sub-Saharan countries are Angola, Cameroon, and Nigeria.

DOE and the State Department co-chair a broad interagency process in support of the UN Environment Program and the World Bank's Global Environment Facility's, multi-million dollar, 10-year geothermal initiative. The Initiative would promote the development of 1,000 megawatts of power in East Africa (Kenya, Ethiopia, Djibouti in 2006 and Uganda, Eritrea, and Tanzania starting in 2008) and create significant economic and social development opportunities. During 2005, DOE is planning the deployment in Djibouti of an econometric model developed in part with DOE funding. The dual purpose model is capable of quantifying the physical characteristics of an energy resource while simultaneously determining the financial sustainability of the proposed geothermal energy systems.

DOE participated in Chad's First International Oil and Gas Conference (October 2004, in N'Djamena), and consultations with the President of Chad's Revenue Management College. DOE will continue to monitor activities of the College; identify lessons learned from the project, support the revenue management model that could be replicated in other emerging energy producing countries; and coordinate with the World Bank and other stakeholders to facilitate training for governmental officials on oil and gas value chain and electricity issues.

#### USAID

USAID provides capacity building and advocacy support for the West African Gas Pipeline (WAGP) project, a 630-mile, \$550 million natural gas transmission pipeline

project that will connect Nigeria's gas reserves to markets in Nigeria, Benin, Togo and Ghana. In January 2003, the Presidents of these four countries signed an Intergovernmental Agreement to establish a harmonized legal and regulatory framework for the WAGP. In May 2003, another major accomplishment was achieved with the signing of the WAGP International Project Agreement by the four countries and the developer, the WAGP Company and witnessed by the ECOWAS Secretariat. In November 2004, the ground was broken and the construction phase began. The pipeline, anticipated to be operational in 2007, will facilitate the commercialization of much of the region's natural gas resources, eliminate environmental degradation from existing gas flaring, allow substitution of crude oil burned in the countries' power plants with cleaner gas, promote growth through access to cheaper, more reliably sustainable energy, and facilitate ECOWAS integration.

#### U.S. Trade and Development Agency

The following is a sampling of USTDA projects in the energy sector:

**Aluto Langano Geothermal Plant:** This \$85,591 technical assistance grant is intended to support the Ethiopian Electric Power Company (EEPCO) as it seeks professional assistance to repair the Aluto Langano Geothermal Plant. The project team will provide EEPCO with advisory assistance as it prepares tender documents, ranks bidders, and negotiates a contract with the winning team. The project will support geothermal energy development in Ethiopia and the Rift Valley Region of Africa.

**Rural Electrification Certification Technical Assistance:** USTDA provided a \$246,875 technical assistance grant to fund the development and begin implementation of a rural electrification certification program in Ghana. The program will enable small and medium enterprises in rural and peri-urban communities in Ghana to be localized electricity distributors for the Electricity Company of Ghana.

**Zambia-Kenya-Tanzania Power Interconnector:** USTDA funded an orientation visit for 10 key decision makers from Zambia, Kenya, and Tanzania to travel to the United States to review regulatory and legal structures used in the United States for regional power interconnector projects. This activity supports a regional 400 MW interconnector project currently being planned by the three countries.

**Nigeria Coal Resource Development:** This \$410,800 feasibility study grant will assist the Ministry of Solid Minerals Development by providing U.S. mining sector expertise for the technical analysis of the rehabilitation and development of the country's underutilized coal resources. The Nigerian government, in cooperation with the World Bank, wants to redevelop this sector to alleviate power shortages in the country.

#### **F. HIV/AIDS**

HIV/AIDS continues to be a serious threat to economic growth and development in sub-Saharan Africa. The devastating impact of the HIV/AIDS pandemic not only makes the

achievement of Africa's development goals more difficult, but also undermines the hard-won development gains made over the past decades. For example, in the hardest-hit countries life expectancy has fallen by as much as 30 years, which in turn will make it more difficult for African countries to benefit fully from programs like AGOA.

President Bush considers the HIV/AIDS pandemic a U.S. foreign policy priority. In this spirit, in January 2003, the President announced a \$15 billion, five-year initiative known as the President's Emergency Plan for AIDS Relief. Approximately \$9 billion in new funding under this program will focus on 15 of the hardest-hit countries, 12 of which are in sub-Saharan Africa (Botswana, Côte d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia). In these countries, the goals of the President's Emergency Plan are to support treatment for two million people infected with HIV/AIDS, prevent seven million new HIV infections, and support care for 10 million people infected and affected by HIV/AIDS. Significant bilateral programs continue and are also being strengthened in many other sub-Saharan African countries. Under the President's Emergency Plan, the U.S. Government is working collaboratively within the national strategies of the host countries, while coordinating and combining U.S. efforts with those of other donors.

The Departments of State, Defense, Health and Human Services, Commerce and Labor, as well as USAID and the Peace Corps, have come together in the common cause of turning the tide against the HIV/AIDS pandemic. In 2004, the President's Emergency Plan reached 155,000 people with treatment support in just eight months, 151,000 of them in sub-Saharan Africa. In those same eight months, 1.2 million women benefited from services to prevent transmission of HIV from mother to child. The Emergency Plan also supported care for more than 1.7 million people infected and affected by HIV/AIDS, including 630,200 orphans and vulnerable children.

The President's Emergency Plan is also making substantial investment outside the focus countries. The Plan maintains active HIV/AIDS programs in an additional 96 countries beyond the 15 focus countries and encourages bold leadership, innovation, and accountability in the fight against the HIV/AIDS pandemic. It also supports key multilateral organizations, including the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Joint United Nations Program on HIV/AIDS (UNAIDS). The Plan's historic increase in resources for HIV/AIDS -- with the United States contributing more than all other donor governments combined -- mandates a U.S. leadership role in donor coordination.

For more detail on the President's Emergency plan, see the following website:  
<http://www.state.gov/s/gac/>.

#### **G. Overseas Private Investment Corporation**

The Overseas Private Investment Corporation (OPIC) fosters economic development in sub-Saharan Africa by providing project financing, direct loans and loan guarantees, and political risk insurance to eligible U.S. investors. In addition, OPIC provides support to

independently-managed private equity funds.

OPIC is currently providing over \$1.6 billion in financing and political risk insurance to 60 projects in sub-Saharan Africa. These projects include:

- Poultry Production in Ghana: OPIC is providing \$16.9 million in political risk insurance to support the renovation and expansion of a commercial poultry farm in Ghana. The poultry farm is expected to generate employment while helping to improve the amount and quality of protein available in local diets.
- Electricity in Botswana: An \$8.5 million investment guaranty will help Botswana take advantage of its natural gas reserves by financing equipment purchases and the drilling of coal bed methane wells. Only 22 percent of Botswana's population currently has access to electricity. This project will provide a vital step toward the country's economic development by accelerating power generation in a way that is both environmentally friendly and efficient.
- Tea Plantation in Rwanda: OPIC will provide \$1.5 million in financing to support the expansion of the SORWATHE Tea Plantation in Rwanda. Tea is Rwanda's second most important export product after coffee, representing 36 percent of foreign exchange earnings. SORWATHE is currently the largest employer in Rwanda, employing over 2,500 Rwandans.
- Leather Processing in Mali: OPIC will provide \$1 million in financing to enable a U.S. small business to expand its rawhide leather processing operation in Mali. This will allow the company to raise its annual production capacity to 1.5 million skins.
- West Africa Gas Pipeline: OPIC will provide \$45 million in political risk insurance to a project that will enable Benin, Ghana and Togo to meet their demand for natural gas for the next two decades. The pipeline project is the largest single foreign investment to date for those countries. In addition to the significant economic benefits, this project will benefit West Africa's environment by using natural gas that would otherwise be flared.

In September 2004, OPIC's board of directors approved \$250 million in financing for the establishment of two private equity investment funds designed to support the growth of businesses in sub-Saharan Africa. Establishment of the funds will fulfill a goal of AGOA.

In May 2004, OPIC, in partnership with the U.S. State Department's Bureau of Oceans, International Environment and Scientific Affairs, hosted an Investor's Conference on Ecotourism in Gabon. The conference was held to support Gabon's strong commitment to conservation and economic growth based on "enjoying, not extracting, natural resources." The conference also reinforced the Bush Administration's commitment to the Congo Basin Forest Partnership.

## H. Export-Import Bank Initiatives

As an official export credit agency of the United States, the Export-Import Bank of the United States (Ex-Im Bank) assists in financing the export of U.S. goods and services to international markets. As part of its mission, the Bank helps facilitate trade between African countries and the United States by financing the sale of U.S. exports needed to take advantage of AGOA. With the support of Ex-Im Bank financing:

- U.S. manufacturing equipment can be exported to African producers who need to upgrade their facilities;
- U.S. fabric, yarn, and thread can be exported for production of apparel, qualifying such apparel for unlimited duty-free U.S. market access; and
- U.S. raw materials can be exported for the production of qualified non-apparel goods.

AGOA creates new sales opportunities in the United States for sub-Saharan African countries. More sales will require additional manufacturing equipment. Ex-Im Bank is ready to help sub-Saharan African manufacturers take advantage of AGOA and grow their businesses by financing U.S. exports of manufacturing equipment, products, and services.

When reauthorized by Congress in 1997, the Bank was mandated to increase its business in sub-Saharan Africa in a manner consistent with its reasonable assurance of repayment standard. Congress reaffirmed this mandate in the Bank's most recent reauthorization in June 2002.

In FY04, Ex-Im Bank authorized 160 transactions totaling \$383 million in 20 sub-Saharan African countries. This was Ex-Im Bank's most active year ever in terms of transactions supported in the region. Much of this success can be attributed to Ex-Im Bank's strategic marketing efforts, including the strengthening of relationships with African banks. Ex-Im Bank is accomplishing this through Master Guarantee Agreements (MGAs) with local lenders, which improves Bank visibility and activity in African countries.

In 2001, Ex-Im Bank began increasing its marketing efforts in Nigeria. These efforts have paid off as Ex-Im Bank authorizations increased from just 8 transactions for \$15 million in FY00 to 52 transactions for \$190 million in FY04. Ex-Im Bank now has MGAs with six Nigerian banks.

Ex-Im Bank's Sub-Saharan Africa Advisory Committee, appointed by the Board of Directors, brings practitioners from the field to advise Ex-Im Bank in its efforts to fulfill the Congressional mandate. In 2004 the committee reaffirmed its recommendations from the previous year, including a recommendation that Ex-Im Bank direct greater attention to the region by expanding its business development program and revise its policy to

accept more risk with respect to transactions in sub-Saharan Africa.

While not specifically addressed to transactions in sub-Saharan Africa, Ex-Im Bank has revised and more clearly outlined the borrowing requirements for Ex-Im Bank participation in what are considered to be “higher risk” countries. The Bank believes that, in doing so, prospective borrowers and their chosen commercial banks will be better served with more precise information and that transactions presented to Ex-Im Bank can be more easily facilitated.

Over the last six fiscal years, Ex-Im Bank has authorized transactions supporting nearly \$2.4 billion in U.S. exports to sub-Saharan African countries.

Highlights of the Bank’s efforts in support of sub-Saharan Africa during FY2004 include:

- “Increasing Capital Flows to Africa” Conference: Ex-Im Bank, working with the Corporate Council on Africa, organized this September 2004 conference in Johannesburg, South Africa which was attended by the Ex-Im Bank Vice Chair and almost 400 business leaders.
- Line of Credit to Standard Trust Bank: Ex-Im Bank approved a \$30 million credit guaranty facility to Standard Trust Bank of Nigeria, the first such facility by Ex-Im Bank in Nigeria. This line of credit gives Standard Trust Bank extra liquidity to support transactions involving U.S. exports.
- Additional African Banks Added to MGA Program: The Bank added five additional MGA bank relationships with sub-Saharan African banks in FY04 -- in Gambia, Tanzania, Togo, and two in Uganda -- bringing the number of Ex-Im’s MGA bank relationships with the region to 22. MGAs enhance the ability of African banks to lend money to local businesses for transactions involving the purchase of U.S. goods or services.
- Special Workshop on Africa at Ex-Im Bank’s Annual Conference: A special workshop was held at the Bank’s Annual Conference highlighting the U.S.-Africa commercial relationship. The workshop attracted 150 attendees.
- Marketing Materials Developed in Portuguese: A special brochure on Ex-Im Bank’s programs was created in Portuguese to assist with outreach in the five Lusophone countries in sub-Saharan Africa.

#### **I. U.S. Department of Commerce Initiatives**

The U.S. Department of Commerce’s International Trade Administration created the Management Training for Africa (MTA) Program as a pilot initiative in 2003. In July 2003, the Department sponsored 19 participants from Botswana, Lesotho, Namibia, South Africa and Swaziland to visit the United States for a two-week training opportunity focused on transportation infrastructure, with a specific emphasis on inter-modal

logistics. In August 2004, the Department continued the MTA initiative by hosting a group of 15 medical doctors and hospital administrators from Benin, Cameroon, Democratic Republic of Congo, Ethiopia, Kenya, Swaziland and Zambia. The participants trained as a group for two weeks and had an opportunity to visit a number of healthcare technology and equipment companies, attend a telemedicine symposium at Johns Hopkins Hospital and visit several other prestigious medical institutions throughout the United States. Additionally, the delegates received hands-on training highlighting human resource and financial management, employee morale and a host of other critical management issues.

The Department of Commerce's Commercial Service (CS) Strategic Alliance Program coordinates business contacts among host country government agencies, local industry associations, and multiplier organizations to highlight business opportunities of interest to American companies. Those contacts are then sent to American companies interested in taking advantage of the business opportunities gained from expanded use of the BuyUSA program. Identified firms are then pre-qualified for financing with the Ex-Im Bank, which in turn makes them more attractive as business partners for American firms. The "Outreach Seminars to BuyUSA Registrants" Program introduces pre-screened import-export ready members to CS programs and services. "Interests" surveys are conducted to gauge the commercial interest of the members. CS posts use BuyUSA as a tool to help focus the interest of the registrants to AGOA-related business opportunities with American companies.

Expansion of Commercial Service (CS) Operation's in Africa: The Commercial Service opened a new office in Dakar, Senegal in the spring of 2005, with a staffing complement of one American officer and two local employees. With the opening of this office, Senegal will replace Côte d'Ivoire as the West African regional office for the CS.

Commerce's Minority Business Development Agency (MBDA) is working to build commercial capacity between minority communities in the United States and businesses in sub-Saharan Africa. The MBDA Dallas National Enterprise Center co-sponsored a trade mission to Nigeria in July 2004 with the Dallas/Fort Worth African Chamber of Commerce and the City of Dallas. Nine participants had an opportunity to meet with government officials and businesspeople in Lagos, Abuja and Oudo. The MBDA Dallas National Enterprise Center is also working with the Dallas/Fort Worth African Chamber of Commerce on a trade mission to Ghana scheduled for July 2005.

#### **J. U.S. Bureau of Customs & Border Protection**

U.S. Customs and Border Protection (CBP) continued to provide assistance and technical training for sub-Saharan African officials in 2004 and is continuing this work in 2005. CBP visited four countries in 2004: Lesotho, South Africa, Madagascar, and Swaziland. In each of the four countries, CBP officials also included their African host-country counterparts in Textile Production Verification Team visits. During these visits, the officials received practical, on-site training in the production verification process, thereby strengthening their knowledge of the steps involved in ensuring that the various

requirements of the AGOA for wearing apparel were met. In addition to this training, separate seminars were held for larger audiences of customs officials in Madagascar and Swaziland, covering topics including visa system enforcement and general AGOA requirements for wearing apparel.

For all of the AGOA beneficiary countries with apparel benefits, CBP remains vigilant in attempting to augment the ability of its counterpart agencies to properly implement and enforce the requirements of AGOA. It is important to ensure that AGOA's rules are properly administered and utilized so that the program's benefits accrue to the governments and citizenry of the beneficiary countries rather than to ineligible third parties potentially involved in illegal trade practices.

CBP's Office of Field Operations and Office of Regulations and Rulings continue to assist the U.S. Department of Commerce by participating in the folklore consultation process that takes place with beneficiary countries prior to the granting of eligibility to ship textile and/or apparel goods to the United States as folklore within the terms of the legislation.

**VII. U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum**

The U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum is one of the cornerstones of AGOA. Known informally as “the AGOA Forum,” this event, held in accordance with Section 105 of AGOA, establishes a high-level dialogue between officials of the United States and AGOA-eligible sub-Saharan African countries to help strengthen cooperation on trade and investment matters. The AGOA Forum is the Administration’s premier platform to articulate and advance its trade and economic policy toward Africa and to foster closer economic ties between the United States and the region.

Three AGOA Forums have been held to date: in Washington in October 2001, in Mauritius in January 2003, and again in Washington in December 2003. President Bush participated in all three events, speaking in person at the two events held in Washington and by video link at the event held in Mauritius. Former USTR Zoellick and several of his Cabinet colleagues also participated in past Forums along with ministerial or other senior-level participants from the AGOA-eligible countries. Parallel events organized by the private sector and civil society attracted hundreds of representatives of those two communities. (See previous reports for additional information on past AGOA Forums.)

The next AGOA Forum is to be held in July 2005 in Dakar, Senegal.

### **VIII. Free Trade Agreement with the Southern African Customs Union**

On November 4, 2002, U.S. Trade Representative Robert B. Zoellick notified Congress of President Bush's decision to negotiate a free trade agreement (FTA) with the five member countries of the Southern African Customs Union (SACU). These nations – Botswana, Lesotho, Namibia, South Africa, and Swaziland – comprise the largest U.S. export market in sub-Saharan Africa, with \$3.3 billion in U.S. exports in 2004. Total two-way U.S.-SACU trade was valued at \$10.2 billion in 2004.

The negotiations began in Pretoria, South Africa in June 2003, and five subsequent rounds were held in August 2003 (in Johannesburg), October 2003 (in Washington, DC), February 2004 (in Walvis Bay, Namibia), May 2004 (in Maseru, Lesotho), and June 2004 (Atlanta, Georgia). During these negotiations, both sides have exchanged relevant information on its respective trade policies and regimes, held detailed discussions on the full range of FTA issues, and submitted texts covering almost all negotiating areas.

Since the last full round of negotiations in June 2004, there have been several high-level discussions and meetings on the FTA, including a December 2004 Ministerial meeting in Walvis Bay, Namibia in which Ambassador Zoellick participated. At that meeting, ministers agreed to establish a deputy-level group that will provide political-level guidance to resolve problems and address deadlocks as the negotiations move forward. The group will also establish a timeframe for completing the negotiations and a schedule for future rounds. In early 2005, the United States continued to work with SACU to reaffirm a common vision and approach for a comprehensive FTA with the expectation that negotiations would resume later in 2005.

The United States and SACU have been working together to resolve divergent views on some areas of the negotiations, including the scope and level of ambition of the FTA. The United States has underscored the need for a comprehensive FTA that covers all subjects, including investment, intellectual property rights, government procurement, labor, and the environment. Concluding the first-ever U.S. FTA in sub-Saharan Africa will take longer than initially expected (the previous deadline was December 2004), largely due to capacity constraints and divergent views on certain FTA issues. The United States and SACU are committed to building momentum in the negotiations and working towards the completion of the FTA as soon as possible.

The FTA – the first with any sub-Saharan African country – would significantly enhance the U.S.-SACU trade and investment relationship. The FTA offers an opportunity to craft a groundbreaking agreement that could serve as a model for similar efforts in sub-Saharan Africa. Through potential significant increases in trade and investment, and related job creation, the FTA would expand reciprocal market access for U.S. and African firms, contribute to southern Africa's economic development, encourage greater foreign investment in southern Africa, and promote regional economic integration and growth. The SACU countries are strong economic reformers and leading AGOA beneficiaries. These countries have seen the positive role that trade can play in promoting economic growth and development and, through the FTA negotiations, are taking an important step

toward deeper economic engagement with the United States. The FTA would also move the U.S.-SACU trade relationship from one-way preferences to a full two-way reciprocal partnership. By building on the success of AGOA with an FTA, SACU and the United States would secure the kind of guaranteed access to each other's markets that would support long-term investment and economic prosperity.

Trade capacity building technical assistance is a fundamental element of bilateral cooperation in support of the FTA. Trade capacity building efforts are being undertaken to help Botswana, Lesotho, Namibia, and Swaziland (BLNS) participate in the negotiations more effectively. These efforts will be critical to helping the BLNS implement their commitments under the agreement and benefit from free trade. The United States and SACU have established a Cooperative Group on Trade Capacity Building that meets on the side of the negotiations and helps to identify and define the priority trade capacity needs of the SACU governments. See Section V for more information on Trade Capacity Building related to the U.S.-SACU FTA.

## IX. AGOA Country Reports

This chapter contains information on all countries that have been reviewed for eligibility under AGOA by the interagency Trade Policy Staff Committee. Three countries – Comoros, Somalia, and Sudan – have not expressed an interest in receiving the benefits of AGOA and therefore have not been reviewed. A list of all 37 countries eligible for AGOA as of May 2005 is contained in Annex A.

Detailed information on the human rights situations in these countries can be found in the State Department's *Country Reports on Human Rights Practices* publication, which can be accessed at <http://www.state.gov/g/drl/rls/hrrpt/2004/index.htm>

### Country Summaries:

#### ANGOLA

**Status:** AGOA eligible as of January 1, 2004.

**AGOA Trade and Investment:** Angola's exports under AGOA and its GSP provisions in 2004 – almost entirely oil and energy products – were valued at \$4.3 billion, representing 96 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Since the end of the civil war in 2002, the government has accelerated development of a market-based economy and improved its fiscal management. In 2003, a new law on private investment was passed to provide tax incentives for potential investors and establish the National Agency on Private Investment to facilitate the investment process. In February 2005, the government approved a memorandum that calls for privatization of dysfunctional state-owned enterprises. Angola is benefiting from greater macroeconomic stability, having cut annual inflation from 77 percent in 2003 to 31 percent at end 2004 and achieved 11 percent GDP growth. Efforts are underway to reach agreement with the IMF on a Staff Monitored Program. A new customs regime came into effect March 2005, lowering many tariffs by 5 to 10 percent. The government officially promulgated a law banning biotechnology food products in January 2005. A Voluntary Arbitration Law, which provides the legal framework for non-judicial dispute resolution, has been approved but not yet implemented.

**Rule of Law/Political Pluralism/Anti-Corruption:** Power is concentrated in the presidency and the Council of Ministers appointed by the president. The 220-member National Assembly generally endorses executive efforts. Presidential and legislative elections are expected to take place in 2006 with the active participation of opposition parties. The Audit Court established in 2001 has found several government officials guilty of embezzlement and ordered them to return misappropriated funds. Petty corruption is a problem among poorly paid civil servants, particularly teachers and law enforcement officials. New, stricter budget controls are designed to prevent off-budget

spending by government agencies.

**Poverty Reduction:** The Council of Ministers approved a Poverty Reduction Strategy Paper, and the World Bank requested additional information and consultations with Angolan civil society groups. The government is working with donors to address areas needing improvement. Although the 2005 budget earmarked an increase of 2.9 percent for social spending, total government spending in health and education remains low and poverty is widespread. In February 2005, the World Bank approved a grant and credit amounting to \$51 million for the first phase of its Emergency Multi-sector Recovery Program, which aims to increase transparency, rehabilitate infrastructure, and deliver basic services.

**Labor/Child Labor:** The constitution provides for the right to form and join trade unions, engage in union activities, and strike. However, Angola's labor laws prohibit employee lockouts and worker occupation of places of employment, as well as strikes by military and police personnel, prison workers, and firemen. Despite severe resource limitations, the government is making efforts to comply with the minimum standards for the elimination of trafficking, although greater emphasis is needed to protect street children from becoming victims of trafficking. Angola has ratified ILO Conventions 138 on the minimum age for work and 182 on the worst forms of child labor.

## BENIN

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Benin had \$215,000 in exports under AGOA and its GSP provisions in 2004, representing 14 percent of total exports to the United States. Benin qualified for AGOA's textile and apparel benefits in January 2004.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Benin has adopted market-oriented economic policies and has had sustained robust economic growth over the past decade. However, a poor cotton crop and an intensification of import restrictions from a major trading partner, which contributed to a revenue shortfall, adversely affected economic performance in 2004. Little progress has been made on privatization and other economic reforms. Benin qualified for both HIPC debt relief and the Millennium Challenge Account in 2004. The legal system recognizes and protects property rights. Benin has new business and investment codes and a court of arbitration of business disputes. The budget is subject to spending pressures, which could lead to deficits.

**Rule of Law/Political Pluralism/Anti-Corruption:** The formal structures for rule of law are in place. The rights to due process and a fair trial are respected; however, there are serious administrative delays in criminal cases. The government respects equal protection under the law. The judiciary is independent but inefficient and subject to corruption. Efforts were made to improve the performance of the judiciary in 2004; over 25 judges were convicted for fraud. Significant donor resources are going into

reinforcement of the judicial sector. Benin held generally free and fair elections for the National Assembly in March 2003. Presidential elections are scheduled for March 2006.

**Poverty Reduction:** The government finalized its PRSP in late 2002, thus paving the way for completion point debt relief under the HIPC initiative in 2003. Sustained economic growth over the last ten years allowed Benin's per capita income to rise and most social indicators to improve steadily. However, these achievements have not translated into significant progress in poverty reduction. In March 2004, the World Bank approved a Poverty Reduction Strategy Credit (PRSC) of \$20 million to support government policy measures for implementing the poverty reduction strategy. This credit focused on the key sectors of health, water, and education. A second PRSC is now pending, which would provide a total of \$30 million to support reforms in justice, public administration, and finance.

**Labor/Child Labor:** Benin's labor code recognizes the right to form unions and engage in collective bargaining. Several generally independent union confederations operate in Benin, but there is some anti-union discrimination. There were several strikes in 2004. The government has ratified ILO Convention 182 on the worst forms of child labor and signed a memorandum of understanding with the ILO on the topic. Nevertheless, child labor remains widespread. Domestic and international trafficking of children also remains a problem. In 2002, the governments of Benin and Gabon signed an agreement on the repatriation and reintegration of trafficked children. Benin is participating in two U.S. DOL-funded projects to combat child trafficking. In 2005, USAID will launch a child trafficking activity that will target new areas in the northern region. Over the past year, the government continued to work with various NGOs and stepped up efforts to intercept smugglers transporting children abroad for labor. Benin has drafted legislation that would subject child trafficking to criminal penalties, but the legislation has not yet been passed.

## BOTSWANA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Botswana's exports to the United States under AGOA and its GSP provisions increased by nearly 220 percent in 2004 to a total of \$20.1 million. This increase is a result of expanded AGOA output and investments in apparel production. AGOA represents 28 percent of Botswana's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Botswana has a stable, market-oriented economy. There are few trade or investment barriers apart from some restrictions on licensing for some business operations that are reserved for citizen-owned and -operated companies. Botswana maintains investment grade sovereign credit ratings from Standard and Poor's and Moodys. Government policy is geared toward diversifying the economy away from dependence on the mineral sector, which accounts for 34 percent of GDP. The private sector is small, but is gradually expanding.

Government still plays a dominant role in the economy but is actively advancing new policies to clarify the rules for investors and to encourage foreign direct investment and expansion of trade. Plans are proceeding to privatize some parastatal companies in the airline, telecommunications, and banking sectors. Reforms in the capital markets are ongoing, including proposals to create an autonomous regulatory authority for non-bank financial institutions and to reform the Botswana Stock Exchange Act of 1994.

**Rule of Law/Political Pluralism/Anti-Corruption:** Botswana is a long-standing, multi-party democracy. In 2004, the country held its ninth general election, which was generally viewed as free and fair. The judiciary in Botswana operates independently and impartially. A shortage of judges, however, results in lengthy delays in processing cases. Transparency International has ranked Botswana as the least corrupt country in Africa.

**Poverty Reduction:** The government estimated the national poverty level at 30 percent in 2003-04, representing a drop from the 47 percent estimated in 1993-4. The UN Development Program is currently coordinating a trial program for poverty reduction to implement the government's National Strategy for Poverty Reduction, which was adopted in 2003. Government spending on education and healthcare is nearly 36 percent of the government's projected 2005-06 budget expenditure. Access to primary and junior secondary education is currently universal, although access to senior secondary school remains at only 50 percent.

**Labor/Child Labor:** The government respects worker rights and has ratified all core ILO conventions. In April 2004, new legislation went into effect to bring Botswana into compliance with its ILO commitments. The government has approved legislation allowing civil servants, except those in security-related agencies, to organize trade unions. The right to strike is still restricted; consequently, few strikes in the history of Botswana have been lawful. The Children's Act bars children under 14 from working outside the home; however, some child labor does occur. The government has ratified ILO Convention 182 on the worst forms of child labor. The government is participating in three U.S. DOL-funded projects, two for the elimination of child labor and one to improve compliance with the labor law.

## BURKINA FASO

**Status:** AGOA eligible as of January 1, 2005.

**AGOA Trade and Investment:** Burkina Faso was not AGOA eligible in 2004.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Burkina Faso is one of the poorest countries in the world, with a per capita GDP of \$300. More than 80 percent of the population relies on subsistence agriculture, with only a small fraction directly involved in industry and services. Drought, poor soil, lack of adequate communications and other infrastructure, a low literacy rate, and an economy vulnerable to external shocks are all long-standing problems. The government is moving ahead with efforts to open the economy to private sector involvement. In 2004, two cotton

parastatals completed their privatization processes. The privatization procedures for the electricity parastatal were being reviewed during 2004, and new procedures were announced in early 2005. The government developed plans for the sale of a portion of its share in the petroleum parastatal. Good economic performance and macroeconomic policy in 2004 under an IMF program provided the basis for coping with the adverse external shocks of a sharp fall in world cotton prices and rise in oil prices.

**Rule of Law/Political Pluralism/Anti-Corruption:** Burkina Faso is a parliamentary republic with a strong presidency. Multiple political parties participated in the 2002 parliamentary elections and opposition parties hold nearly half of the seats in parliament. Corruption is a growing problem, particularly among the police and customs. The government is responding through initiatives such as the creation of several commissions and a new anti-corruption task force within the police service. The High Authority to Fight Corruption issued a report in January 2004 that presented 40 dossiers concerning corruption within the government and civil society requiring action. The government has begun preparations for the 2005 presidential elections by providing funding for a computerized electoral list, something long demanded by opposition groups.

**Poverty Reduction:** Donors, civil society, and the government approved a revised PRSP after rigorous review. The revised PRSP for 2004-2006 is scheduled to be presented to the IMF/World Bank Boards in May 2005. In 2004, school enrollment increased five percent to more than 57 percent (51 percent for girls). The government devoted over 40 percent of its 2004 budget to social spending.

**Labor/Child Labor:** The law recognizes the right to organize and to strike, but civil servants can be requisitioned in the event of a strike. In 2004, the government adopted a law that makes it illegal for unions to strike for purely political reasons or to strike in support of other unions. Burkina Faso has ratified all eight of the ILO's core conventions, including those on child labor. The government classifies child labor as a problem and works with donors to eliminate child labor and to improve enforcement of labor standards. Burkina Faso participates in several U.S. DOL-funded child labor projects.

## BURUNDI

**Status:** Not eligible, due to concerns about lack of economic and fiscal reform and continued serious human rights abuses.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Burundi has a nominally open, rules-based trading system and provides protection for private property. However, in practice, the government plays a large role in the economy. The government's privatization program, which stalled over ten years ago, is scheduled to resume in 2005 with the privatization of government assets in the financial sector. Prices for some key items are still controlled. Burundi's economy is estimated to have grown more than five percent in 2004, owing in large part to a recovery in coffee production. Stimulating further growth will depend on efforts to reform state-owned sectors, in

particular coffee and sugar. The Central Bank and commercial banks reportedly collude to set exchange rates favorable to commercial interests. Domestic/external financial imbalances, weak tax revenue performance, foreign exchange shortages, and depreciating currency hinder economic growth. The World Bank, EU, and other international donors are providing assistance to support a disarmament, demobilization, and reintegration program for former rebels and soldiers. Physical insecurity continues to discourage economic activity in some parts of the country. Adequate laws exist for the protection of intellectual property.

**Rule of Law/Political Pluralism/Anti-Corruption:** As part of the Arusha Peace process, a transitional government was established in November 2001. President Buyoya handed over power to Vice President Ndayizeye in May 2003. In October 2003, the government signed a political/military integration agreement with the largest rebel group, which subsequently joined the transitional government in both the executive and legislative branches, including the security services. A nationwide referendum held in February 2005 approved a permanent post-transition constitution. Planning for local and national elections is ongoing, although no schedule for these elections has been set. The legal system is inefficient and subject to considerable corruption. The court system suffers from long pretrial delays and does not ensure due process. The government has established a state auditing agency, but it is not yet functional.

**Poverty Reduction:** The World Bank and the IMF have approved an interim PRSP for Burundi. At a January 2004 donors' forum held in Brussels, 25 bilateral and multilateral donors pledged more than \$1 billion to finance Burundi's recovery over the following three years.

**Labor/Child Labor:** Workers have the right of association, the right to organize, bargain collectively, and strike. Although it has ratified all core ILO labor conventions, Burundi has had a history of hostility towards free and democratic trade unions in the small formal sector of the economy. However, the release of two detained trade union leaders and their subsequent meeting with the President is an encouraging start to improving labor relations in Burundi. Laws are in place prohibiting forced or compulsory labor, as well as all forms of child labor. Child labor in the informal sector is a problem. The World Bank has funded a child soldier demobilization program that demobilized 2,920 child soldiers.

## CAMEROON

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Cameroon's 2004 exports under AGOA and its GSP provisions were valued at \$243 million – almost all of which was oil or energy-related products – representing 74 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Cameroon is implementing macroeconomic reforms, including fiscal reforms and privatization of state-owned companies, in consultation with the World Bank and the IMF. In December

2004, Cameroon's IMF program lapsed due to continuing problems related to achievement of program goals. Cameroon's privatization program continues to move forward, but at a slow pace. The nascent Douala Stock Exchange became operational in November 2004. Difficulties in resolving commercial disputes, particularly the enforcement of contractual rights, remain a serious obstacle to attracting new investment. U.S. claimants are often frustrated with the slow pace of the Cameroon legal system. The government has harmonized tariffs with other members of the Economic and Monetary Community of Central Africa. Price controls are minimal and decreasing.

**Rule of Law/Political Pluralism/Anti-Corruption:** Cameroon is a multi-party democracy controlled by a strong presidency. Opposition parties have been legal since 1990, and four major opposition parties are represented in the National Assembly. In October 2004, President Biya was re-elected in an election in which primary opposition parties fielded candidates. However, there were flaws in the electoral process, particularly in voter registration. The 2002 legislative and municipal elections likewise suffered from irregularities. In 2000, the government created the National Elections Observatory (NEO) to oversee and monitor elections. In November 2003, in anticipation of the October 2004 presidential elections, the National Assembly strengthened the NEO by making it a semi-permanent body and requiring that the President consult NGOs and civil society when appointing new NEO members. The government has taken steps to improve transparency in public expenditures by improving the public procurement system and modernizing its taxation system, both of which have suffered from widespread corruption. In March 2003, the government established an Audit Chamber of the Supreme Court to review government spending and accounting practices. In April 2004, the president appointed its presiding senior magistrate.

**Poverty Reduction:** In August 2003, the IMF and World Bank approved Cameroon's PRSP. As a result of Cameroon's falling "off track" with respect to its commitments under its IMF program, it did not reach completion point under the HIPC initiative within the expected timeframe, and interim debt relief under HIPC was suspended. The 2004 budget contained provisions to monitor government spending and focused on education, health, and basic infrastructure. In January 2005, Cameroon began negotiating an IMF Staff Monitored Program, the sustained implementation of which could pave the way to a new disbursing program and debt reduction under the HIPC initiative.

**Labor/Child Labor:** In general, workers suffer from inadequate protection against anti-union discrimination and poor enforcement of labor codes. Workers may form and join trade unions. However, government authorities have restricted registration and supported minority factions, as well as harassed, arrested, and sacked union members and officers. Strikes organized by both public sector and private sector unions throughout 2004 were generally free of government interference. The law prohibits forced and bonded labor, though there are allegations that authorities contract out prison inmates to work for private employers or for municipal public works. The law sets a minimum age of 14 for child employment and limits a child's workday to eight hours, but child labor and child trafficking remains problems. The government has started building public awareness of the problem. Cameroon is an associated member of ILO-IPEC and is currently

participating in a regional ILO-IPEC program to combat child trafficking.

#### CAPE VERDE

**Status:** AGOA eligible, including for textiles and apparel.

**AGOA Trade and Investment:** Cape Verde's 2004 exports under AGOA and its GSP provisions were valued at \$2.9 million, representing 79 percent of total exports to the United States. Several joint ventures between Cape Verdean and Portuguese investors have begun to export apparel and shoes to the United States under AGOA.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government's development strategy is focused on growth of the tourism sector, the promotion of Cape Verde as a shipping and airline hub, and, in its structural reform agenda, promoting private sector-led growth. In 2002 and 2003, the government liquidated two large public enterprises: the public urban transportation company and the food import and distribution company. Other privatizations are scheduled over the next few years. The government lifted price controls for petroleum products in 2002 and liberalized its external tariff regime in 2003. It also passed a new central bank law that strengthened the central bank's autonomy and supervisory function. In December 2004, Cape Verde concluded its second working party towards accession to the WTO. In February 2005, the United States and Cape Verde began intensified negotiations on an agreement for reciprocal exemption of income taxes from aviation and maritime operations. In March 2005, the U.S. Export-Import Bank concluded a Master Guarantee Agreement with Cape Verde's largest bank to facilitate affordable financing of U.S.-manufactured goods and services for creditworthy Cape Verdean buyers.

**Rule of Law/Political Pluralism/Anti-Corruption:** The constitution provides for the rule of law, the right to due process, a fair trial, and equal protection under the law. The judiciary generally operates independently. However, the right to an expeditious trial is constrained by an overburdened and understaffed judicial system. Corruption is not a major problem.

**Poverty Reduction:** Cape Verde's strategic approach to reducing poverty includes the renewal of economic growth with equity; the linkage between poverty reduction strategies and macroeconomic and sectoral policies; and the improvement in the productive capacities of the poor, by focusing on the need to improve micro-finance policy and training. Under a new World Bank-funded Growth and Competitiveness Project, the government seeks to broaden the base of private participation in Cape Verde's economic growth and enhance private sector competitiveness, as well as further develop its financial sector. Cape Verde is performing well under its IMF PRGF, covering the period of April 2002 to July 2005. Literacy rates, life expectancy, and gender equality are relatively high, and child mortality rates are relatively low. According to IMF reports, Cape Verde has either attained or is within reach of a number of Millennium Development Goals.

**Labor/Child Labor:** The constitution allows workers to form and join unions without government authorization or restriction. Union members have the right to strike, and the government generally respects this right. Forced labor is prohibited, and anti-union discrimination by employers is against the law. With the development of tourism, there is growing concern over juvenile prostitution in some parts of the country. Child labor is a problem in the informal sector. Cape Verde has ratified ILO Convention 182 on the worst forms of child labor.

#### CENTRAL AFRICAN REPUBLIC

**Status:** Effective January 1, 2004, the AGOA beneficiary status of the Central African Republic (CAR) was terminated, for reasons largely related to the March 2003 military coup d'etat.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Since assuming power in a March 2003 coup d'etat, President Bozize has pursued market-oriented policies and launched a battle against corruption. His finance minister has initiated an ambitious campaign to reform public finances. Nonetheless, misappropriation of public funds and corruption continue to be serious problems. Due to the extremely low level of receipts, the government has chronic difficulty in meeting the monthly wage bill. In July 2004, the IMF approved \$8.2 million for emergency post-conflict assistance to stabilize the macroeconomic situation, support the ongoing reform process, and catalyze external assistance. Efforts to improve fiscal oversight and transparency are ongoing, but progress is slow due to weak capacity and resource constraints. As a member of the Economic and Monetary Community of Central Africa, the CAR is slowly strengthening its regional economic integration and coordinating macroeconomic policies.

**Rule of Law/Political Pluralism/Anti-Corruption:** Then-General Bozize seized power in March 2003 from the democratically elected President Patasse, suspended the constitution, and declared himself president. Bozize has since made significant progress in restoring order to Bangui and parts of the country. He has also professed a desire to promote national reconciliation, strengthen the economy, and hold elections. However, progress in these areas is precarious and could easily be derailed. Bozize has appointed people from across the political spectrum to his government and launched a National Dialogue. Bozize's government has repeatedly affirmed its commitment to restoring democratic processes and appears to be taking some steps in that direction. The government has affirmed its desire to decrease corruption in all aspects of society and has actively pursued anti-corruption campaigns in the diamond and timber industries. The March 2005 presidential elections, in which Bozize was one of 11 candidates, was peaceful and deemed by observers to be relatively free and fair. A second-round runoff between Bozize and former Prime Minister Ziguele is to be held on May 8, 2005.

**Poverty Reduction:** Poverty, chronic insecurity and instability, corruption, and mismanagement are among the government's many challenges. The CAR is one of the world's least developed countries, with an annual per capita income of \$260. The timber and diamond industries represent the primary sources of export earnings, but are

vulnerable to corrupt practices, including false customs declarations and illegal re-exportation. Since taking power in March 2003, the Bozize government has taken some steps toward improving public finances such as suspending mining and timber concessions granted by the former government, disbanding the Tax Brigade, and promising judicial reform. The government is working on an interim PRSP, but it is unclear when it will be completed. International assistance from France, Japan, China, and the EU funds the majority of infrastructure development programs.

**Labor/Child Labor:** Relations between labor and the government are strained. The government has chronic salary arrears for public servants. The right to strike is limited by complicated procedures for mandatory arbitration and conciliation. In the event of a strike, the government has the right to requisition workers for the general interest. The CAR has ratified ILO Convention 182 on child labor. Although legislation prohibits forced labor and employment of children under 14 years old, enforcement is lax and an estimated 63 percent of children between five and 15 years old work. There is some forced labor, especially of the Ba'Aka people. The government lacks the resources to enforce the laws against child labor and trafficking.

## CHAD

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Chad's exports under AGOA and its GSP provisions increased dramatically in 2004 – to \$569 million from just \$14.5 million in 2003 – as a result of the full coming on-line of the Chad-Cameroon petroleum pipeline. AGOA/GSP exports represented 81 percent of Chad's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government has privatized state-owned enterprises in the sugar and insurance sectors. Although no parastatals were privatized in 2004, the government developed plans to privatize cotton, telecommunications, and energy parastatals. A new investment code is being drafted. Chad has no price controls or currency restrictions. The government is implementing a civil service reform strategy aimed at enhancing personnel management. In 2004, a computerized system for revenue expenditures was put in place. The Chad-Cameroon Pipeline and other petroleum development is enhancing Chad's capacity for trade and attracting increasing foreign interest.

**Political Pluralism/Rule of Law/Anti-Corruption:** Chad's democratic institutions remain weak. Irregularities have occurred in past elections. A public referendum to remove presidential term limits will be held in 2005. Long-delayed municipal elections had still not been held in 2004. Numerous political opposition parties and human rights groups operate. Rule of law remains weak, and the judiciary is vulnerable to executive branch interference. However, the government is taking some steps to increase the capacity of the judiciary. In December 2004, magistrates were named to the newly created commercial court to handle investment disputes. A judicial oversight body has removed and fined judges for corrupt activities. Corruption continues to hinder economic

growth, but in July 2004, the president created a new ministry responsible for monitoring and curbing corruption. The Ministry of Finance also began cracking down on corruption, primarily in the customs service.

**Poverty Reduction:** The IMF approved a new PRGF arrangement in early 2005. The World Bank approved an interim PRSP in July 2000; the final PRSP has not yet been approved. Data on poverty are difficult to collect given the lack of infrastructure. The 2005 budget provides for the use of oil revenues in the priority development sectors of education, health care, infrastructure, and rural development, with an emphasis on poverty reduction. The first oil revenues were repatriated to Chad from a London escrow account in June 2004. An oversight body comprised of government and non-government representatives began reviewing project proposals for the expenditure of the oil revenues in the priority sectors.

**Labor/Child Labor:** Organized labor is recognized and active and numerous unions went on strike in 2004, most notably teachers. Labor unions continued to play an important role in promoting worker rights and promoting government reform. The national labor union holds one of the nine seats on Chad's oil revenue oversight committee. Child labor, largely poverty driven, remains a problem in the informal sector. There are reports that some children are trafficked into situations of forced labor. The government is involved in efforts to raise public awareness of the problem, assist children found in these situations, and punish offenders. Several ministries, in collaboration with UNICEF, are taking steps to combat the worst forms of child labor. The government has ratified ILO Conventions 29 and 105 on forced labor and Convention 182 on the worst forms of child labor.

## REPUBLIC OF CONGO

**Status:** AGOA eligible.

**AGOA Trade and Investment:** The Republic of Congo's 2004 exports under AGOA and its GSP provisions were valued at \$345 million, consisting mostly of petroleum products and representing 41 percent of the country's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The Republic of Congo (ROC) continues its transition to a full market economy. Efforts to privatize government-owned enterprises are ongoing. However, commercialization of the country's moribund and inefficient railroad remains a challenge. There are signs of new economic and commercial growth as developers and investors regain confidence in the country's post-conflict business environment. The last government-owned bank was privatized in mid 2004 as part of the ROC's efforts to meet IMF targets and to advance its market economy. Governance has improved at some levels, e.g. on transparency of oil revenues and better budgeting and accounting practices. The government is on track to meet its arrears payments to all multilateral and bilateral creditors, as well as domestic salary payments. The government has sought to address several outstanding trade-related issues raised by U.S. firms operating in the country.

**Rule of Law/Political Pluralism/Anti-Corruption:** President Sassou-Nguesso was elected in 2002 in elections deemed “not to contradict the will of the people” by independent monitors. The president’s Congolese Workers’ Party also won the legislative elections and controls 121 seats in the 137-seat National Assembly. Although opposition parties exist and are represented in the assembly, they lack political credibility. The judiciary is overburdened and subject to corruption and outside influence. The government has put in place two new courts, the Constitutional Court and the High Court, as well as a Human Rights Commission, to assist with addressing judicial branch issues and human rights complaints. Transparency and governance remain serious problems. Although the government has strong laws and policy against corruption, enforcement is lax.

**Poverty Reduction:** The ROC qualified for an IMF PRGF in December 2004. In addition, the government has an inter-ministerial poverty reduction committee and an interim PRSP, which still needs substantial work. NGOs and civil society contributed to the draft interim PRSP. In early January 2005, an inter-ministerial committee and technical working group under the leadership of the Planning Ministry were established to promote effective PRGF implementation and to rework the interim PRSP. The group has yet to meet.

**Labor/Child Labor:** The government recognizes worker rights, including the right of association and to organize, strike, and bargain collectively, and there are constitutional prohibitions on forced or compulsory labor. Children under age 16 are not permitted to work; however, in practice, this law is not widely enforced, particularly in rural areas and in the informal sector. Congo has ratified ILO Conventions 29 and 105 on forced labor and Convention 182 on the worst forms of child labor.

## CÔTE D’IVOIRE

**Status:** Effective January 1, 2005, Côte d’Ivoire’s beneficiary status was terminated for reasons related to lack of progress on key economic reforms and the Ivoirian government’s decision to unilaterally violate the UN monitored cease-fire in November 2004.

**AGOA Trade and Investment:** Prior to losing its AGOA beneficiary status in 2005, Côte d’Ivoire’s 2004 exports under AGOA and its GSP provisions totaled \$127 million, representing 18 percent of its total exports to the United States. AGOA/GSP exports included energy products, cocoa products, nuts and apparel. Cote d’Ivoire remains eligible for GSP benefits.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Despite economic setbacks over the last few years and the ongoing political/military crisis, Côte d’Ivoire still has the fourth largest economy in sub-Saharan Africa. The economy is market-based and is largely free and open to foreign investment. Côte d’Ivoire continues to apply minimum import prices (MIPs) on certain products, despite the expiration of its

WTO waiver for MIPs in 2003. The MIPs in force include products that were never covered by the waiver. The government's privatization program has come to a standstill. However, in January the Council of Ministers approved a new draft telecommunications bill that, if approved by the National Assembly, would end Côte d'Ivoire Telecom's monopoly on fixed line and international long distance service. The parliament is expected to begin debating this draft law in 2005.

**Rule of Law/Political Pluralism/Anticorruption:** The country remains divided into the government-controlled south and the rebel-controlled north, despite the January 2003 Linas-Marcoussis peace accord (LMA), and the July 2004 Accra III agreement. A power-sharing government remains in place but is unable to operate normally. In February 2005, in the wake of further violence, the rebel New Forces declared the LMA to be dead. The threat of further violence, even a return to civil war, threatens to completely undermine the power-sharing agreement and the entire LMA framework. At the behest of the African Union, South African President Mbeki has launched a mediation effort. Presidential and parliamentary elections are scheduled for October 2005. Many companies continue to cite corruption as a significant obstacle to doing business in Côte d'Ivoire. Corruption has its greatest impact in government procurement, the conduct of judicial proceedings, and in the levying of taxes by the customs and tax authorities. The government has taken some minor steps to reduce corruption, but much remains to be done. In July 2004, the governing body of the Ivoirian Arbitration Board was strengthened and its rules were modified to allow for quicker enforcement of awards. The business community welcomed the 2004 revisions and hopes that the Arbitration Board can act as an alternative vehicle to the plodding and often-corrupt judicial system.

**Poverty Reduction:** In early 2002, the government agreed to a poverty reduction strategy in cooperation with the World Bank, IMF, and the African Development Bank. The focus was on decentralization, good governance, transparency, private sector development, promotion of women, and accelerated regional integration. However, these projects have all stalled due to budget constraints, security concerns, and the withdrawal of World Bank and IMF funding in 2004. Côte d'Ivoire remains in non-accrual status with the World Bank due to non-payment of interest arrears. All Bank and Fund projects will remain suspended until the non-accrual status is removed. With negative or zero economic growth in 2003 and 2004, social and economic indicators have declined. In December 2004, citing security concerns, the Ministry of Education closed the schools in the northern half of the country and cancelled national exams in that region. This was the second time since the outbreak of the civil war in 2002 that schools in the north have been closed, and the UN and many NGOs continue to appeal for the government to reopen them.

**Labor/Child Labor:** Côte d'Ivoire's labor laws guarantee the right to unionize, strike, and bargain collectively. Trade unions remain active and often strike peacefully. However, labor laws apply only to workers in the formal sector. Child labor remains a problem, reinforced by both tradition and poverty, especially in rural areas. The government has begun cracking down on child labor, partly in response to international attention and threats of sanctions against coffee and cocoa products produced with child

labor. Côte d'Ivoire participates in two U.S. DOL-funded projects to combat child labor in the cocoa sector and child trafficking. Côte d'Ivoire has ratified ILO Convention 182 on the worst forms of child labor.

#### DEMOCRATIC REPUBLIC OF THE CONGO

**Status:** AGOA eligible.

**AGOA Trade and Investment:** The Democratic Republic of the Congo (DROC) exported \$79 million under AGOA and its GSP provisions in 2004, mainly oil, representing 71 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The DROC is a market economy that continues to struggle through an ambitious reform program. Private sector development is growing, due mostly to reforms supported by the World Bank and IMF. The government has, for the most part, remained within IMF program targets. It is currently working with the IMF to improve transparency in budgeting and expenditures. Cooperation with the IMF has also helped stabilize inflation and the exchange rate while fueling economic growth, which has averaged six percent over the last three years. The IMF is working with the government to reform the complex tax codes, government agencies, and the heavy-handed, regulatory environment. There are no legal barriers to trade or trade barriers directed against U.S. imports. Intellectual property rights are not strongly protected due to the weakness of the judicial system. Investment and trade disputes with U.S. companies are governed by the U.S.-Zaire bilateral investment treaty.

**Rule of Law/Pluralism/Anti-Corruption:** After one and a half years, the transitional government continues to struggle to complete the necessary legislation and preparations for elections in 2005. The transitional constitution's guarantees of political and civil liberties have generally been respected. Political pluralism is rebounding. A variety of print and electronic news sources provide for a broad range of political debate. The government is making an effort to work with bilateral and multilateral donors to improve the judicial system, which remains controlled and manipulated by government officials and is subject to corruption. New courts have been established for commercial and labor disputes with the aim of developing a corps of specialized judges and reducing caseloads in each docket. Corruption remains widespread due to excessively low salaries, a cultural acceptance of petty corruption, and an overly bureaucratic regulatory system.

**Poverty Reduction:** With the assistance of the World Bank, the DROC is writing a PRSP to be completed in the fall of 2005. Until the PRSP is completed, an emergency, multi-sectoral reconstruction and rehabilitation program is guiding efforts to alleviate poverty. Currently, international non-governmental organizations and the World Bank implement most poverty-reduction programs. However, the government has included \$120 million for education and \$83 million for health in its draft 2005 budget.

**Labor/Child Labor:** While the 2002 labor code protected worker rights, these rights are

not enforced in practice, a situation exacerbated by war and economic collapse. The rights of unions are often repressed. The right to bargain collectively is recognized, but private employers frequently refuse to meet with trade union representatives, and anti-union discrimination is not effectively enforced. Employers rarely apply collective bargaining agreements and sometimes flatly deny workers' right to form a union. Public sector unions are freer to exercise their rights and have done so increasingly since 2003. Strikes and collective bargaining are becoming more frequent as civil service unions attempt to obtain better salaries and benefits under government reform programs. The government has ratified ILO Conventions 138 and 182 on minimum working age and the worst forms of child labor, respectively. While child labor and forced and bonded labor occur, particularly in conflict areas, a foundation for more effective implementation of existing laws is now in place thanks to international pressure, government cooperation, and the presence of various children's rights NGOs.

#### **DJIBOUTI**

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Djibouti's 2004 exports under AGOA and its GSP provisions were valued at \$63,000, representing seven percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Djibouti has a market-based economic system with minimal interference from the government. There are no price controls except on wheat. In 2004, the government initiated the Djibouti Free Zone to encourage export production. The government plans to privatize Djibouti Telecom, which is now contracted to foreign management in order to improve its financial and technical viability. Djibouti and Ethiopia, co-owners of the Railway Company, have pre-selected six international companies in the tender for privatizing the railway.

**Rule of Law/Political Pluralism/Anti-Corruption:** Since 2002, eight political parties have operated in Djibouti. During 2003 legislative elections, these parties were grouped in ruling and opposition coalitions. The opposition coalition decided to boycott the April 2005 presidential elections, accusing the ruling coalition of preparing for fraudulent elections. The judiciary system in Djibouti is complex and government interference is common. The State Inspector General (IGE), a governmental agency created in 2001, became operational in November 2004. It is designed to complement the work of the Chamber of Accounts and Fiscal Discipline (CAFD), which focuses on financial audits of the public sector, and to ensure that human and material resources in the public sector are properly utilized. The IGE remains accountable only to the president or the prime minister, who have the authority to request special investigations if deemed necessary. A November 2004 report by the CAFD documented anomalies in the national budget for several previous fiscal years as well as a lack of transparency in public firms and government projects.

**Poverty Reduction:** The poverty rate exceeds 40 percent while unemployment is at 70

percent among those less than 30 years of age. The government has finalized a long-term poverty reduction strategy through 2015 that promotes economic growth, human resources development, social safety nets, and good governance. The government is planning to present the strategy to donors in 2005.

**Labor/Child Labor:** The Constitution provides for the right to join unions. However, the government continues to interfere with union activities and to suppress independent unions by firing their leaders, preventing them from holding congresses, and creating government-sponsored shadow unions to replace them. The law prohibits anti-union discrimination, and employers found guilty of discrimination are required to reinstate workers fired for union activities. However, the government neither enforced nor complied with the law. Unions are critical of a proposed Labor Code currently under review by parliament that would reportedly make it more difficult for employees to form unions. The law provides for collective bargaining, but it does not occur. Relationships between employers and workers were informal and paternalistic. The law provides for the right to strike and requires representatives of employees who plan to strike to contact the Ministry of Interior 48 hours in advance. The law prohibits all labor by children under the age of 14, but the government did not always enforce this prohibition effectively. In 2004, Djibouti ratified ILO Convention 182 on the worst forms of child labor.

#### EQUATORIAL GUINEA

**Status:** AGOA ineligible, largely because of concerns related to economic reform, rule of law, political pluralism, and labor and human rights.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Major oil discoveries have sparked dramatic economic growth and substantially increased U.S. investment in Equatorial Guinea. The government has begun to invest in projects designed for the public good, although not at levels expected by the international community. It has also undertaken reforms to reduce its role in the economy, including privatizing the distribution of petroleum products. Preliminary reports indicate that additional progress has been made in accounting for government revenues and expenditures. Equatorial Guinea's economic policies, as defined by law, provide for an open investment regime. The government adopted a public investment program endorsed by the World Bank, which provides legal guarantees to investors and unrestricted foreign equity ownership. The investment code contains incentives for job creation, training, promotion of nontraditional exports, support of development projects and indigenous capital participation, freedom for repatriation of profits, exemption from certain taxes and capital, and other benefits. While business laws promote a liberalized economy, the business climate remains difficult. Application of the laws remains selective. On paper, the laws do not discriminate against foreign firms; however, in practice, courts and administrative agencies often grant preferential treatment to domestic firms and have been accused of corrupt practices.

**Rule of Law/Political Pluralism/Anti-Corruption:** Equatorial Guinea has nominally had a multi-party political system since 1991. President Obiang was re-elected with 97

percent of the vote in a December 2002 election marred by extensive fraud and intimidation. Legislative elections in April 2004 were marred by irregularities but did result, for the first time, in two real (as opposed to co-opted or inauthentic) opposition seats in the 100-seat parliament. Observers estimated that the real opposition actually won about 15 percent of the vote. The president's party controls the judiciary and the legislature. The judicial system is slow and fraught with administrative and legal bottlenecks. Investors may have difficulty obtaining a fair hearing in the courts. The government is attempting to modernize its institutions and legal codes. The Minister of Justice has pledged to purge the judicial system of unqualified judges. A training program for judges has recently begun, funded by the EU. Official corruption remains a significant problem. In 2004, a U.S. Senate investigation of Riggs Bank reported a number of irregularities in the government's handling of oil revenues. In 2004, the government made some limited progress toward creating greater transparency, reducing levels of corruption, improving the rule of law, and broadening legislative representation. The government has requested to participate in the Extractive Industries Transparency Initiative, which will require it to declare payments received from oil companies.

**Poverty Reduction:** The past two years have seen remarkable progress in infrastructure development, such as roads, bridges, airports, schoolrooms, and construction of two hospitals. The government is actively participating in a program coordinated by the U.S. non-governmental organization, Business for Social Responsibility, to more quickly address public needs in the priority sectors of health and education. Although some citizens are enjoying the benefits of new oil wealth, poverty remains a significant problem. The government has begun to budget a more significant portion of its oil revenues for improving living conditions for the vast majority of its citizens, but the process of implementation is slow and unpredictable. Access to potable water, electricity, and health care is still limited for the majority of the population.

**Labor/Child Labor:** Despite legislation legalizing trade unions, only one union has been registered; others have been denied registration; one unregistered union still operates in secret. The 1992 Labor Code recognizes the right to strike, to collective bargaining, and freedom of association; however, these rights are not enforced by the government, nor does the government protect workers from anti-union discrimination. Employment, especially for highly desirable jobs in the petroleum industry, is often conditioned upon being a member in good standing of the ruling political party or the dominant ethnic group. Child labor remains common in the informal sector, though children are required to attend school through the primary level. Children from other countries reportedly are trafficked for commercial and agricultural labor. In September 2004, the parliament adopted national legislation pertaining to smuggling migrants and trafficking in persons that meets international standards. A publicity campaign to educate various segments of society about the law's content and intent was initiated. Equatorial Guinea has ratified ILO Convention 105 on the abolition of forced labor and Convention 182 on the worst forms of child labor.

## ERITREA

**Status:** Effective January 1, 2004, Eritrea's AGOA beneficiary status was terminated for reasons related to human rights and economic and political reform.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** One of the world's poorest countries, Eritrea continues to implement policies contrary to free-market principles. The government, military, and ruling party continue to exert a dominant influence on the economy. In 2003, two U.S. investment groups that faced mounting difficulties with the government abandoned their projects. The government closed all registered private exchange bureaus, stopped providing foreign exchange to private businesses, and slashed by roughly 90 percent the number of private import licenses made available. The government restricted all imports except those considered essential goods, while party-affiliated enterprises monopolized the importation of all construction materials. In late 2004, the government severely restricted access by private citizens to gasoline and diesel. In early 2005, regulations were promulgated that prevent Eritreans from withdrawing foreign currency from their foreign currency denominated accounts. A temporary moratorium on all importation by private businesses was also announced.

**Rule of Law/Political Pluralism/Anti-Corruption:** National elections, scheduled to take place in 1998, were postponed due to the outbreak of the war with Ethiopia and have yet to be rescheduled. The constitution, ratified in 1997, provides for democratic freedoms, but its provisions have yet to be implemented. The ruling party is the country's sole political party. In the fall of 2001, the government shut down the independent press and arrested a number of journalists, editors, and prominent political dissidents, who are still being held without charges. The government continues to detain two Eritrean employees of the U.S. Embassy who were arrested without charge in October 2001. Corruption is not a serious problem, but the judiciary is weak and subject to executive influence. The government argues that the failure to complete the Eritrea-Ethiopia boundary demarcation, which it attributes to Ethiopia's rejection of the final and binding boundary decision, has forced it to delay economic reforms and political liberalization.

**Poverty Reduction:** Poverty is widespread in Eritrea, affecting 80 percent of the population. The government has poverty reduction, school building, health, and infrastructure development programs in place, and has made progress toward improving living standards. Despite scarce resources, exacerbated by the strain of maintaining a very large army, the government appears committed to poverty reduction and increased spending on health and basic education. Eritrea is working closely with aid donors and NGOs to design and implement poverty reduction programs.

**Labor/Child Labor:** There are no formal government restrictions on the formation of unions. In practice, however, labor unions do not exist independently of the government or ruling party since there is no freedom of association. The constitution prohibits forced or compulsory labor, but all males aged 18 to 40, and single women aged 18 to 27 who do not have children, are required to participate in the national service program. Many

national service inductees are required to work in civilian jobs at a significantly reduced salary, even while nominally members of the military. In cities, some children work in manufacturing or in the informal sector. Child labor and child prostitution remain problems. The government has ratified seven basic ILO conventions, but not ILO Convention 182 on child labor.

## ETHIOPIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Ethiopia's 2004 exports under AGOA and its GSP provisions were valued at \$5.3 million, representing 13 percent of total Ethiopian exports to the United States. AGOA/GSP exports included apparel and a variety of agricultural products.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Ethiopia has pursued a market-oriented economic development strategy since the early 1990s. Although the 1998-2000 war with Eritrea interrupted progress in economic reforms, the government has resumed economic and structural reforms in cooperation with international financial institutions. Since 1994, Ethiopia has privatized approximately 220 enterprises and there are plans to privatize 115 state enterprises in fiscal year 2004/05. In June 2004, parliament passed a new copyright and intellectual property rights bill that has now entered into force. With U.S. Government assistance, important progress was made in the areas of tax administration and operations reform, business registration, and land certification. Ethiopia reached the HIPC completion point in April 2004. In October 2004, the Paris Club member countries agreed to cancel \$934 million of Ethiopia's debt. There are no specific barriers to U.S. trade and investment, though a limited number of sectors remain closed to foreign investment. U.S. companies have complained about the frequent cancellation of government tenders. Constraints to increased trade and investment include poor infrastructure, problems related to acquisition of land, the strict foreign exchange control regime, and high transaction costs.

**Rule of Law/Political Pluralism/Anti-Corruption:** In May 2005, over 70 national and regional political parties are expected to participate in elections for the national and regional parliaments. Though voter and candidate registrations have been completed and campaigning is in full swing, some opposition political parties reported harassment, including imprisonment, killings, and beatings of their members by the ruling party and its supporters. In March 2005, the government ordered the departure of three USAID-funded NGOs engaged in training election observers, voter education, and facilitation of inter-party dialogue. The judiciary is weak and overburdened but shows growing signs of independence. A recently published UN Investment Guide to Ethiopia points out that, according to the private sector, routine bureaucratic corruption is largely non-existent in Ethiopia, although bureaucratic delays and difficulties exist.

**Poverty Reduction:** Poverty alleviation and food security are priority areas for the government. The donor community is contributing substantial sums to these areas. In

the 2004/05 government budget, allocations have increased for road construction and maintenance, education and training, agriculture, food security, and natural resources. The government has decreased military spending from 13 percent of GDP in 1999/2000, during the border war with Eritrea, to 3.5 percent of GDP in 2003/04 and is redirecting the savings to poverty reduction and human capacity building efforts. The country has not completely recovered from the 2002 droughts. Some areas of Ethiopia experienced failure of their seasonal rains in 2004, and about seven million chronically food insecure Ethiopians will need food assistance.

**Labor/Child Labor:** A new labor law, entered into effect in February 2004, though some trade unions view it as pro-employer. The right to form unions is denied to teachers and civil servants members, while a wide spectrum of workers categorized as performing essential services are not permitted to strike. The labor courts are backlogged and therefore have not yet been able to give practical effect to laws against anti-union discrimination. Most ILO core labor standards have been enacted, including Convention 182 on the worst forms of child labor. There are strict labor laws defining what sectors may hire “young workers,” ages 14 to 18, though these are not fully enforced.

## GABON

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Gabon’s 2004 exports under AGOA and its GSP provisions, mostly petroleum products, were valued at \$1.9 billion, representing 79 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Gabon’s economy is heavily dependent on oil. Although the government continues to dominate much of the economy, it has made some progress in privatizing the largest industries, such as water, electricity, and sugar. Government fiscal shortfalls, financial mismanagement, and suspected corruption have contributed to significant arrears in domestic and external debt payments. Gabon began a 14-month IMF Stand-By Arrangement (SBA) in May 2004. The program agreement required the government to begin implementing numerous structural and fiscal reforms, as well as good governance measures. As Gabon approaches the third review of the SBA, the IMF reports satisfactory performance. The Gabonese Investment Code conforms to the CEMAC investment regulations and further liberalizes and streamlines investment procedures. Several American businesses have complained about difficulties with investment procedures, as well as with tax and customs authorities, and there have been significant disputes with U.S. firms involving VAT reimbursement, customs fees, and privatization implementation. Most disputes are resolved before going to outside arbitration.

**Rule of Law/Political Pluralism/Anti-Corruption:** There are a number of political parties, but the president’s majority party controls most government bodies. Public sector finance is poorly managed, making it possible for public officials to exploit their position for personal gain. In recent years, the government initiated measures, at the urging of the

IMF, to improve transparency in financial systems. The judiciary is subject to political interference. In 2004, the government established a new anti-corruption ministry and appointed a 10-person commission to deal with the issue. By June 2004, all of the members of this commission were appointed and related administrative structures were in place. The commission is to publish quarterly and annual reports on its activities but has not produced any reports to date.

**Poverty Reduction:** Gabon has one of Africa's highest per capita incomes -- over \$4,600. Still, income distribution is quite skewed, and Gabon's ranking on human social indicators is well below that of countries with comparable income levels. Although the government has committed publicly to allocating 20 percent of its investment budget to education and health care, it has not yet reached this level and continues to allocate far fewer resources to poverty reduction than the problem requires. In 2001, the government began drafting a PRSP as part of its IMF program; however, the first draft was judged to be inadequate. The IMF program subsequently ended prematurely. The IMF and the donor community are working with the government to develop the PRSP, which the IMF expects to be completed by August 2005.

**Labor/Child Labor:** Worker rights are protected by unions affiliated with the ILO and by an official government institution called the Labor Inspection Office, which mediates conflicts between employers and employees. The constitution places no restrictions on the right of association and recognizes the right of citizens to form trade and labor unions. Virtually the entire private sector workforce is unionized. The Labor Code provides for collective bargaining by industry, not by firm. The government rigorously enforces child labor laws with respect to citizen children, and there are few citizens under the age of 18 working in the modern wage sector. However, an unknown number of foreign children work illegally and trafficking in persons remains a problem. Children, especially girls, continue to be trafficked into the country, primarily from Benin, Togo, and Nigeria, for use as domestic servants or in the informal commercial sector. The government passed an anti-trafficking law in 2004, and traffickers have been arrested. The government has also conducted training and awareness workshops on the issue. The government has ratified ILO Convention 182 on the worst forms of child labor.

## THE GAMBIA

**Status:** AGOA eligible.

**AGOA Trade and Investment:** The Gambia's 2004 exports under AGOA and its GSP provisions were valued at \$21,000, representing 6 percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The Gambia has a small, open economy based on regional trade, agriculture, tourism, and fisheries. The government is seeking increased foreign investment, including through a joint project with the World Bank to foster development and to establish Export Processing Zones. There is very little state control of business activities, but privatization of state-

owned enterprises is proceeding very slowly. The Gambia maintains liberal trade policies. It is a member of the World Intellectual Property Organization; a signatory to both the Berne and Paris Conventions; and has passed its own copyright law. The Gambia is open to foreign investment and accepts international arbitration in the settlement of investment and trade disputes.

**Rule of Law/Political Pluralism/Anti-Corruption:** The Gambia is a multi-party democracy with a president and a national assembly elected every five years. Presidential elections are expected to take place in 2006. Corruption remains a problem, but the government is taking steps to combat it. President Jammeh's anti-corruption campaign has led to the imprisonment of a prominent public figure, the dismissal of several officials of the Central Bank and the Commission of Inquiry that investigates the assets and properties of both former and current senior government officials.

**Poverty Reduction:** The Gambia completed its PRSP in 2002. However, implementation has been slow due to inadequate levels of donor assistance received. In 2003, the IMF suspended The Gambia's PRGF because of concerns about corruption at the Central Bank and misreporting to the IMF. The government has resumed talks with the Fund, restructured the Central Bank by implementing new management controls, and plans to be on an IMF Staff-Monitored Program in early 2005. The Gambia hopes to reach HIPC completion point under an envisaged PRGF program with the IMF starting in mid- to late-2005.

**Labor/Child Labor:** Gambian labor laws give private sector workers the right to bargain collectively, prohibit forced labor, and codify acceptable work conditions. The country has ratified ILO Conventions 29 and 105 on forced or compulsory labor. There are laws to protect legal strikers from retribution. Collective bargaining occurs. The Gambia has ratified ILO Convention 138 and 182 on child labor, and Gambian law prohibits child labor.

## GHANA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Ghana's 2004 exports under AGOA and its GSP provisions were valued at \$74.0 million, representing 53 percent of Ghana's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Ghana has a market-based economy with few barriers to trade and investment. In February 2005, the government increased fuel prices to cost recovery levels and announced plans to cede control of petroleum prices to the National Petroleum Tender Board, made up of government representatives and oil retailers. The government has divested all or part of its holdings in 318 of 350 state-owned enterprises and indicated its intent to privatize most of the remaining ones, including the oil refinery, power and water utilities, ports and railways, and civil aviation establishments. Although the government's monopoly on the export of

cocoa was removed in 1999, few companies have taken advantage of this opportunity. The government still controls the price paid to cocoa farmers. Ghana requires foreign investors to satisfy a minimum capital requirement and prohibits them from investing in several traditional sectors. In December 2003, Parliament passed five of the six bills designed to bring Ghana into compliance with TRIPS requirements; the remaining copyright bill is expected to pass in 2005. Ghanaian law protects private property rights, although disputes over land ownership are common. The government has made some progress in resolving ongoing investment disputes involving U.S. companies, but there are currently several commercial disputes involving cotton production, rice production, and telecommunications.

**Rule of Law/Political Pluralism/Anti-Corruption:** President Kufuor was re-elected in December 2004, in a national election that was generally considered free and fair by international observers, despite a few incidents of intimidation and minor irregularities. Eight political parties contested parliamentary elections, and four parties contested presidential elections. Corruption in the judicial system and lengthy pre-trial detentions remain serious problems. "Fast Track" High Courts are dealing with routine commercial disputes and high profile corruption cases. The integrity of the legal system is limited by a lack of financial, human, and material resources. The judiciary is occasionally subject to executive influence and corruption. The government pursues a "Zero Tolerance" policy on corruption. The government is negotiating a contract with a U.S. company to put in place a double-blind bidding system for government procurement contracts.

**Poverty Reduction:** The current budget includes a number of initiatives to alleviate poverty. The National Health Insurance Scheme increased the VAT tax by 2.5 percent in August 2004 to fund expanded health coverage in Ghana. The IMF approved a new PRGF for Ghana in May 2003 and completed the second review in July 2004. The IMF and World Bank gave final approval to HIPC completion point in July 2004, paving the way for Ghana to receive approximately \$3.5 billion in debt forgiveness from official creditors. To date, the government has adhered to the majority of its targets.

**Labor/Child Labor:** The Labor Act of 2003 amends and consolidates previous labor laws, conforms to ILO conventions, enhances the right of every worker to form or join a trade union, and creates a National Labor Commission to help resolve labor disputes. The constitution prohibits forced or compulsory labor; however, there were reports that such practices occurred. Ghana has ratified ILO Conventions 29 and 105 on forced labor. Child labor is a serious problem in the informal sector. In September 2003, Ghana signed the Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution, and child pornography. The government has also ratified ILO Convention 182 on the worst forms of child labor. The government participates in an ILO-IPEC project to eliminate child labor in targeted sectors. It is also involved in the regional ILO-IPEC project to eliminate the worst forms of child labor from the cocoa sector.

## GUINEA

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Guinea's 2004 exports under AGOA and its GSP provisions were valued at \$89,000, representing 14 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Guinea has a market-based economy with an investment code that guarantees the right of Guineans and foreigners to undertake any economic activity in accordance with current laws and regulations. Guinea is open to direct foreign investment. Government efforts to privatize utilities and transportation have achieved only partial success. The government eliminated most price controls but retains influence over the prices of staple foods and fuels. It controls the official exchange rate, though a free-floating, parallel rate also exists. The investment code provides for an advantageous regime for investments in high-priority sectors and industries. The government endeavors, within fiscal constraints, to enforce intellectual property laws. The income and import tax burden on foreign businesses is significant. The normal courts and an arbitration court deal with commercial disputes.

**Rule of Law/Political Pluralism/Anti-Corruption:** Guinea is a constitutional government in which power is concentrated in a strong presidency. Major opposition parties boycotted the 2003 presidential elections because of concerns about the fairness of the electoral system. The elections lacked transparency and were characterized by irregularities that favored the incumbent. Local elections are scheduled for June 2005. Since December 2004, the government has renewed political dialogue with the opposition. It has agreed to open the airwaves to private broadcasters this year. Enforcement of the rule of law is not consistent. The constitution provides for the judiciary's independence; however, judicial authorities routinely defer to executive authorities in politically sensitive cases. The judicial system provides inadequate guarantees of fairness and safety to suspects and prisoners. Corruption is widespread in the government as well as in the private sector. It constitutes a major obstacle discouraging U.S. investment. Anti-corruption responsibilities were assigned to the Ministry of Economic and Financial Control after the 2003 elections, and the government has set fighting corruption as one of its top priorities.

**Poverty Reduction:** Guinea's PRSP, signed in 2002, has three pillars: economic growth, equal access to basic services, and improved governance. The government has pledged essential spending to priority sectors of health and education, but a recent IMF and World Bank review found that the government directed most funding to non-priority sectors. Since December 2004, Guinea has embarked on an ambitious macroeconomic and political reform program. Under a new prime minister, the government has placed a priority on macroeconomic stabilization (including, first and foremost, getting back on track with the IMF and resuming debt relief under the HIPC initiative), combating corruption, and fighting HIV/AIDS, as well as improving the electric, power, water, and

telephone infrastructures.

**Labor/Child Labor:** Guinea's labor code allows collective bargaining, and trade union groups do negotiate with employers concerning conditions of work and wages. However, many trade union activities are met with government interference and harassment. The code forbids forced labor, and there is no evidence of its practice. The government has ratified ILO Conventions 29 and 105 on forced or compulsory labor and 182 on the worst forms of child labor. Child labor remains a problem, chiefly in the informal sector. The government is a participant in the ILO-IPEC project to eliminate the worst forms of child labor from the cocoa producing sector, and supports a U.S. DOL-funded project to provide educational alternatives to at-risk children, to raise community awareness, and to build government capacity.

#### GUINEA-BISSAU

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Guinea-Bissau's 2004 exports under AGOA and its GSP provisions were valued at \$26.1 million, representing 98 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government supports continued transition to a market economy. It no longer dominates the commercial sector and has abolished state marketing boards, privatized some companies, and ended price controls. Restrictions against foreign operators in the cashew production sector were lifted in 2004.

**Rule of Law/Political Pluralism/Anti-Corruption:** March 2004 elections resulted in a democratically chosen government led by Prime Minister Carlos Gomes Jr. The new government is preparing for a presidential election in June 2005. The government successfully defused an October 2004 military mutiny by securing funds for the payment of wage arrears to the military. The government is taking steps to improve the rule of law. The court system is once again functioning, albeit with serious resource constraints; customs receipts are now placed directly into a treasury account; fuel import duties are now collected at one controlled port of entry; and the Ministry of Finance must clear on all disbursements to ministries and public bodies.

**Poverty Reduction:** In December 2003, the IMF established a UNDP-managed Emergency Economic Management Fund to meet the government's basic operating needs. Several multilateral and bilateral donors have contributed to the Fund, and the international financial institutions are providing technical experts to closely monitor Guinea-Bissau's public finances. A December 2004 IMF mission and a donor conference in Lisbon concluded that Guinea-Bissau is making progress on good governance and financial management. A March 2005 IMF mission assessed the possibility of a Staff-Monitored Program. The IMF will explore the possibility of Emergency Post-Conflict Assistance after the May 2005 presidential election.

**Labor/Child Labor:** The constitution grants all civilian workers the right to form and join trade unions. The right to strike and protection against retribution is guaranteed. Guinea-Bissau has not ratified Convention 182 on the worst forms of child labor.

## KENYA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Kenya's 2004 exports under AGOA and its GSP provisions – mostly apparel, but also including cut flowers, nuts and light manufactures – were valued at \$287 million, representing 81 percent of total Kenyan exports to the United States. The government reports that AGOA-related industries have created more than 30,000 new jobs. However, there are reports of textile factories shutting down and dismissing employees as a result of the January 2005 end of global apparel quotas.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government has made limited progress on economic and market reform. Despite a bloated public sector, Kenya has a fairly diversified economy for domestic production and services. A much-anticipated privatization bill has been delayed for over two years. In January 2005, the East African Community's Customs Union came into force. Over the next five years, duties and tariffs between Kenya, Tanzania, and Uganda are to be phased out. Although it appears that the customs union resulted in an overall lowering of Kenya's external tariffs, some external duties were increased, including on products exported from the United States. Kenya received limited debt relief from the Paris Club in 2004. Support from donors, particularly the EU and IMF, has been conditioned on further improvements in fiscal policy, governance and anti-corruption efforts. U.S. investment in Kenya is modest, but includes the manufacture of consumer goods, automobile assembly, and processed agriculture items.

**Political Pluralism/Rule of Law/Anti-Corruption:** In December 2002, Kenya held presidential and parliamentary elections that the international community judged free and fair. The political opposition is active and often influences policy debates. Government promises for rapid progress in advancing a new constitution and on economic reform have not been met. Kenya is making some progress toward improving the rule of law. The judiciary is mostly free from executive branch influence. Corruption remains a significant problem, including grand-scale corruption within the ranks of the political leadership. In February 2005, the principal anti-corruption advisor to the president resigned, allegedly because of government recalcitrance in fighting corruption. In reaction, the U.S. Government froze \$2.5 million in project support for anti-graft activities. Other donors took similar steps. The government is scheduled to table anti-corruption and money laundering legislation in 2005. In late 2003 and early 2004, the Kenya Revenue Authority seized a number of shipments of Chinese apparel being illegally transshipped through Mombasa to the United States and shut down the offending company's operations in Kenya.

**Poverty Alleviation:** The government has a mixed record of implementing its pro-poor Economic Recovery Strategy, which was designed jointly with the World Bank and IMF in 2003. The introduction of universal, free public primary education in January 2003 remains one of the government's most notable achievements, but primary education remains seriously under funded. The government is refining its plans for an ambitious new health insurance scheme aimed at enhancing benefits to families, the unemployed, and workers in the informal sector.

**Labor/Child Labor:** The constitution provides that all workers are free to join unions of their choice and bargain collectively, and workers exercised these rights in practice without government interference. Although workers employed in Export Processing Zones (EPZ) can join unions, there are reports that some firms have refused to recognize efforts to create union representation. The government is seeking to improve the sometimes poor working conditions in the EPZs, but EPZ employers frequently obtained waivers of specific provisions of the law, to the detriment of workers. An amended labor law which incorporates the ILO core labor standards has been drafted but not yet acted on by the Kenyan Parliament. The constitution proscribes slavery, servitude, and forced and bonded labor, including by children. Employment of children under the age of 18 is illegal; however, the law does not apply to the agricultural sector, where approximately 70 percent of the labor force is employed, or to children serving as apprentices under the terms of the Industrial Training Act. Kenya has ratified ILO Conventions 29 and 105 on forced and compulsory labor and 182 on the worst forms of child labor. Kenya has ratified ILO conventions 29 and 105 on forced and compulsory labor and 182 on the worst forms of child labor.

## LESOTHO

**Status:** AGOA eligible, including apparel and textile benefits.

**AGOA Trade and Investment:** Lesotho's 2004 exports under AGOA and its GSP provisions were valued at nearly \$448 million, representing 96 percent of the country's total exports to the United States. A \$40 million yarn-spinning mill was completed in 2004, contributing to the vertical integration of Lesotho's apparel and textile sector. Apparel and textile manufacturing is the largest formal sector employer in Lesotho, primarily due to AGOA.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Lesotho has a free market economy. A major privatization effort was concluded in 2003. The subsequent initiative for privatization of the Lesotho Electricity Corporation was in its final stages in early 2005. Due to the success in the garment industry, manufacturing sector employment now exceeds government employment. Lesotho has been an active participant in the ongoing negotiations for a free trade agreement between SACU and the United States. The government has also been a valuable interlocutor in WTO negotiations. Lesotho has been highly successful in attracting foreign investment. Since 2001, employment in the garment industry has reportedly grown from around 15,000 to over 51,000 in 2004.

**Rule of Law/Political Pluralism/Anti-Corruption:** Lesotho has 19 political parties, 10 of which hold seats in the National Assembly. The 2002 national elections were generally deemed free and fair. Numerous by-elections held since then have been peaceful, free, and fair. Electoral challenges have proceeded in the courts without any political violence. The government will hold its first-ever local elections at the end of April 2005. The judiciary is impartial, though inadequate human, fiscal, and material resources hamper its efficiency. Since 2001, the government has spent over \$4 million to prosecute offenders in a major bribery scandal involving the former head of the Lesotho Highlands Water Authority. The independent Directorate on Corruption and Economic Offenses began operations in 2003 and has numerous cases under investigation. One of the most prominent new cases focuses on corruption between certain government officials and a local travel agency, demonstrating that the government is willing to pursue corruption within its own ranks. To increase accountability for public funds, the Public Accounts Committee of the National Assembly has aggressively examined government budgets over the past several fiscal years.

**Poverty Reduction:** The government's incremental introduction of free primary education expanded to include grade five in early 2004. The initiative will continue until grade seven is covered in 2006. In September 2003, the Ministry of Education launched a World Bank-assisted program under which government-financed textbooks are loaned to secondary students at a minimal charge. A similar program exists at the primary school level.

**Labor/Child Labor:** Workers generally have the right to join or form unions without prior government authorization, and they exercise this right in practice. Labor conditions in Lesotho's garment industry have improved in recent years as a result of the cooperative efforts of local unions and employers, as well as pressure from U.S. buyers worried about consumer boycotts and bad publicity. There is active competition between unions, especially in the textile and apparel sector. Large companies generally observe minimum labor standards and seem prepared to negotiate collective bargaining agreements with unions, although some smaller companies regard unions with more hostility. The government is participating in a regional project funded by the U.S. DOL to increase labor law compliance. It also participates in a regional ILO-IPEC project to eliminate the worst forms of child labor, and supports a U.S. DOL-funded project to provide educational alternatives for vulnerable children. Lesotho has ratified ILO Convention 182 on the worst forms of child labor. Although child labor is not a problem in the formal sector, it is reportedly increasing in the informal sector, including child prostitution. In 2003, the Lesotho police, with the assistance of UNICEF, established child protection units in Maseru to provide enforcement, reporting, and refuge points in the city.

## LIBERIA

**Status:** Not AGOA eligible, largely for reasons related to its poor record on economic reform, rule of law, corruption, human rights, and regional destabilization.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Liberia's economy has been devastated by conflict but is showing signs of recovery. The economy contracted by approximately 30 percent in real terms in 2003, mainly as a result of the war and the UN ban on timber exports. However, the IMF estimates that the economy grew by 20 percent in real terms in 2004. Economic growth is expected to continue in 2005, but is hindered by a lack of water, sewage and electrical service, as well as UN sanctions and rampant government corruption. Despite Liberia's rich natural resources and potential for self-sufficiency in food, the country's productive capacity remains depressed by high unemployment, low literacy, corruption, and the absence of basic infrastructure. The National Transitional Government of Liberia (NTGL) is hampered by widespread corruption. Liberia is open to foreign investment. There have been moves toward privatization of key industries and cooperation with the IMF, but this progress is slow and uneven.

**Rule of Law/Political Pluralism/Anti-Corruption:** The rule of law, totally absent during the former Taylor regime, has returned to Liberia, albeit fitfully, and in most areas insufficiently. The UN Mission in Liberia (UNMIL) was not given a strong mandate, so is limited to assisting functionally broken institutions. Due to the structure of the NTGL and the inability of the chairman to terminate ministers at will, government efforts to fight corruption have been limited. Police corruption is universal, due to insufficient wages, incapacity, and impunity. The judiciary and penal system is totally non-functional in most of the country. Prosecution of government corruption does not occur. Nevertheless, adherence to the rule of law is stronger than it was in the Taylor era. The legislative assembly and the judiciary are demonstrating increased independence from the executive branch. Elections are on schedule for October 2005, and the political atmosphere is highly dynamic.

**Poverty Reduction:** Eighty percent of the population lives in poverty. Basic services have yet to resume. In early 2004, donors pledged approximately \$522 million toward peacekeeping and reconstruction of the country and are implementing projects to respond to an array of urgent needs.

**Labor/Child Labor:** Liberia's labor code is undergoing a complete overhaul after several years of conflict. The government has requested DOL technical assistance on labor law reform, child labor, and to prevent trafficking in persons. The government lacks the capacity to fully enforce labor laws. Liberia has ratified ILO Convention 182 on child labor, but there is little enforcement.

## MADAGASCAR

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Madagascar's 2004 exports under AGOA and its GSP provisions were valued at \$316.8 million, representing 67 percent of total exports to the United States. Due largely to strong performance in textiles and apparel, Madagascar's 2004 AGOA exports increased significantly, growing by 69 percent from \$187.9 million

in 2003. With the end of global quotas on textile and apparel, some foreign-owned factories in the Export Processing Zone have closed.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government has taken significant steps to liberalize trade, and there are few barriers to U.S. trade and investment. Madagascar continues to implement its program of macro-economic and structural reforms under the guidance of the World Bank and the IMF. Under these policies, the government is seeking to move towards a market economy that attracts foreign investment and private sector development, while withdrawing the government from productive sectors. Madagascar's privatization continues to move forward, albeit slowly. Banking, fuel distribution, telecommunications, cotton, sugar, utilities, railways, and airlines are either completely or partially under private management. In October 2004, the country reached completion point under the HIPC initiative. As a result, the Paris Club creditors in November 2004 agreed to cancel \$752 million worth of debt and reschedule \$305 million. Total U.S. debt forgiveness to Madagascar amounted to \$42 million. Enforcement of intellectual property rights is limited by a shortage of trained personnel, legal capacity, and resources.

**Rule of Law/Political Pluralism/Anti-Corruption:** Madagascar continues to post a positive record on the rule of law, political pluralism, and safeguarding of due process rights. The government has identified combating corruption as a priority. In 2003, the president created the Anti-Corruption Council. An independent anti-corruption investigation bureau began operations in September 2004. The government is targeting 10 key sectors in its battle against corruption: justice, gendarmerie, police, tax office, customs, treasury, land, trade, education, and health.

**Poverty Reduction:** Madagascar's poverty reduction policy is based on its PRSP, which was updated in 2003 to prioritize health, education, roads, and direct support to communities. Madagascar has made continuous progress in implementing the development and poverty reduction strategy outlined in the PRSP. In April 2005, Madagascar became the first country to sign an approved compact for funding under the Millennium Challenge Account.

**Labor/Child Labor:** The constitution and the labor code grant workers in the private and public sectors the right to establish and join labor unions and to bargain collectively. These rights extend to workers in EPZs. The government has taken steps to increase the number of labor inspectors to ensure better enforcement. Although there continue to be reports of trafficking in women and girls, the government has taken major steps to combat these practices. Madagascar continues to make progress in implementing its commitments under international child labor conventions. In June 2004, the government increased the minimum age for employment from 14 to 15 and provided substantial increases in fines for those who violate child labor laws.

## MALAWI

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Malawi's exports under AGOA were valued at \$64.4 million in 2004, representing 81 percent of the country's total exports to the United States. Most new AGOA-related economic activity in Malawi has been in the textile and apparel sector.

**Market Economy/Economic Reform/ Elimination of Trade Barriers:** The government has generally made a commitment to a market-based economy. Domestic and foreign investment in most sectors of the economy is encouraged and is not significantly restricted. In 2004, the government continued to make progress on its privatization program, under which it has sold off 64 of 110 companies since 1996. Early in 2004, the IMF halted its PRGF because of government overspending. After the installation of a new administration in May, fiscal discipline was quickly restored with help from an IMF Staff-Monitored Program.

**Rule of Law/Political Pluralism/ Anti-Corruption:** Malawi held peaceful presidential and parliamentary elections in May 2004. International observers considered the election to have been free but have criticized its fairness. Malawi has an independent but overburdened judiciary. The government's Anti-Corruption Bureau has actively pursued public and private corruption since the new administration took office in May 2004, but its record for winning convictions has yet to be established.

**Poverty Reduction:** Since 1981, Malawi has undertaken economic structural adjustment programs supported by the World Bank, IMF, and other donors. Malawi met HIPC debt relief criteria in December 2000 and has since developed its PRSP, which was launched in 2002. Malawi continues to work with these institutions and to use the PRSP as the central planning document for government budgeting. However, macroeconomic instability and a previous lack of fiscal discipline contribute to weakened growth and limited poverty reduction.

**Labor/Child Labor:** Labor laws cover the majority of the ILO's core labor standards. Workers have the right to freely associate and to bargain collectively; however, there were reported instances of government interference in union activities. The government has not been fully effective in enforcing anti-union discrimination by employers. Unions must register with the Ministry of Labor, but this is largely a formality. The Malawi labor code also applies to export processing zones. A lack of capacity in the government and the unions reduces the effectiveness of worker rights protections, but the government is participating in a regional project funded by U.S. DOL to increase the awareness of and compliance with labor laws. On child labor, Malawi's constitution and employment laws comply with the ILO Convention 182, but resource constraints hamper enforcement. The incidence of child labor on tea estates and tobacco farms is particularly high. The public-private Child Labor Task Force expanded its membership among labor, private sector, and NGO organizations. In 2004, the task force developed and implemented a national Code of Conduct on Child Labor and placed child labor officers in each district of the country. There are reports that Malawian children are trafficked to other southern African countries and to Europe for purposes of forced labor and commercial sexual exploitation.

## MALI

**Status:** AGOA eligible, including textile and apparel benefits.

**AGOA Trade and Investment:** Mali's 2004 exports under AGOA and its GSP provisions were valued at \$202,000, representing five percent of total exports to the United States. A joint venture between Malian and Mauritian investors has begun to export thread to Mauritius for apparel production that is exported to the United States under AGOA.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government is making efforts to diversify the economy and is laying the grounds for a more favorable investment environment for private sector development. It initiated a growth support project that was approved by the World Bank in February 2005. This project is intended to improve the investment climate and foster growth by expanding the availability of infrastructure and by promoting business innovation through financial and non-financial services. In February 2005, Mali and the World Bank agreed on a fourth Structural Adjustment Credit program that encompasses budgetary policy and financial sector reforms, as well as restructuring Mali's rice and cotton sectors. The process will eventually lead to the privatization of the cotton parastatal. Mali's trade regime is relatively open and transparent. Mali has dismantled internal tariffs and complies with the West African Economic and Monetary Union tariff nomenclature and rate structure.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government is implementing its 10-year program for restructuring and modernizing the judiciary with the assistance of the donor community. It is also hiring and training more prison personnel and renovating prisons. The government held municipal elections in May 2004 to replace city counselors and mayors whose terms had expired. Local and international observers declared the elections to be free and fair, and all parties accepted the results. Mali is engaged in a systematic fight against political and economic corruption. President Toure, with the support of the National Assembly, selected an independent General Auditor to fight corruption and coordinate all corruption control activities nationwide.

**Poverty Reduction:** Mali's development strategy increasingly emphasizes growth and poverty reduction. The PRSP adopted by the government in May 2002 highlights growth as a precondition for poverty reduction. Additional resources available as a result of Mali's reaching completion point under the HIPC debt relief initiative are allocated to health and education, among other areas.

**Labor/Child Labor:** Workers unionize freely, have the right to bargain collectively, and go on strike. The ILO has asked the government to bring its legislation into conformity with ILO Conventions on freedom of association and the right to bargain collectively. Forced and compulsory labor is prohibited. However, traditional servitude relationships, particularly in the North, remained a problem. Children are still trafficked into exploitative labor within Mali and between Mali and neighboring countries. The

government continues to implement several projects with UNICEF, the ILO, and local NGOs to combat child labor and child trafficking, including the rescue and repatriation of trafficked children. Cooperation between Mali and its neighbors on prevention of child labor has improved, as evidenced by signed Memoranda of Agreements with Senegal (July 2004), Burkina Faso (June 2004), and Cote d'Ivoire (2000).

## MAURITANIA

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Mauritania had no exports under AGOA and its GSP provisions in 2004.

### **Market Economy/Economic Reform/Elimination of Trade Barriers:**

Mauritania continues to make progress in establishing a privatized, market-based economy. It has no discriminatory policies regarding foreign investment or imports, and the commercial environment for U.S. products and investors is favorable. The 2002 Investment Code simplified export and investment procedures and introduced duty-free facilities for exporting companies. Large-scale private foreign investment is occurring in the offshore petroleum sector. Intellectual property rights are protected under the Mauritanian Civil Code, and commercial disputes are subject to mutually agreed-upon arbitration procedures.

**Rule of Law/Political Pluralism/Anti-Corruption:** The partial Senate election of April 2004 was generally seen as free and fair and brought in two opposition candidates out of 19 seats contested. There is a free and critical press, but radio and television continue to be a government monopoly. The constitution provides for an independent judiciary, which is, however, subject to executive appointment as well as other political pressures. A National Good Governance Program has been adopted that includes measures to strengthen the judiciary, promote awareness of civil rights, and encourage civil society organizations. Court enforcement of laws and contracts remains spotty and unpredictable. Despite official embrace of good governance principles, corruption remains widespread. A specialized National Market Commission now supervises large-scale contracts, but favoritism remains common in government procurement and allocation of resources. Despite strong pressures from multilateral institutions, specific measures to ensure transparency have not yet been adopted.

**Poverty Reduction:** The government is pursuing a variety of poverty-reduction programs, focused on basic needs, infrastructure improvements, and education. Primary school attendance is now over 90 percent, and an intensive government campaign is underway to eradicate illiteracy. The 2002-04 PRSP includes further measures to reduce tariffs and other barriers to trade. The IMF is requesting greater transparency in the management of resources available to the government as a result of debt relief received under the HIPC initiative, as well as an audit of Central Bank reserves.

**Labor/Child Labor:** The Labor Code governing formal employment provides

protections to workers, although such rules are usually only enforced in the formal sector. A number of unions exist; strikes are infrequent. The government has made efforts to eradicate involuntary servitude, though the practice persists, particularly in remote regions of the country. A new law against trafficking in persons was enacted in 2003. Mauritania has ratified all ILO conventions, including prohibitions against the more abusive forms of child labor. Child labor remains common in the informal sector.

## MAURITIUS

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Exports from Mauritius under AGOA and its GSP provisions were valued at \$160.5 million in 2004, representing 59 percent of total exports to the United States. AGOA has sparked significant investment in Mauritius, and Mauritian investors have made major AGOA-related investments throughout sub-Saharan Africa.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Mauritius has a market-based economy with a strong and dynamic private sector. However, the government still controls key utility services directly or indirectly through parastatals. The government welcomes foreign investment and is continuously improving its package of incentives to investors. Since telecommunications services were liberalized in 2003, five private companies have begun competing with Mauritius Telecom (MT) in the international call services market. However, a joint venture involving a U.S. investor has been engaged in a lengthy dispute with MT over allegations of unfair competitive practices. Successful court actions that were taken in early 2004 against local manufacturers and retailers of counterfeit garments have significantly improved IPR enforcement and awareness in Mauritius. In December 2004, at the request of an American company, the customs authorities and the police anti-piracy unit carried out a 'cleaning' exercise against counterfeit sunglasses in the local market. In April 2004, the government published regulations governing the Patents, Industrial Designs and Trade Marks Act. In August 2004, the Customs Act was amended to enable customs authorities to intercept counterfeit and pirated products entering Mauritius.

**Rule of Law/Political Pluralism/Anti-Corruption:** Mauritius is a well-established, multiparty democracy with regular, free, and fair elections. The next elections are to take place by September 2005. The domestic legal system is generally non-discriminatory and transparent. Members of the judiciary are independent of the legislative and executive branches. Mauritius has the legal and administrative framework to fight corruption, money laundering, and terrorism. The Independent Commission Against Corruption was set up in 2002 under the Prevention of Corruption Act. A joint public and private sector committee on corporate governance issued a Code of Corporate Governance in October 2003, which became effective in July 2004.

**Poverty Reduction:** The government allocated 40 percent of its FY04-05 budget to social welfare, which provides for free education, healthcare, and pensions for the

elderly, the disabled, widows, and orphans. The social housing program provides for the completion of 2,300 additional housing units this fiscal year for the low-income groups. The Trust Fund for the Social Integration of Vulnerable Groups continues its poverty alleviation programs through the funding of micro-enterprises and community development projects in favor of the poor.

**Labor/Child Labor:** The constitution and the Industrial Relations Act guarantee freedom of assembly and association, and the right to organize and bargain collectively. Foreign workers have the same rights as local workers. These rights are generally respected, although some employers in the Export Processing Zone (EPZ) allegedly engage in anti-union discrimination and obstruct attempts to organize foreign workers. Generally, the government has intervened rapidly to address problems in the EPZ. In April 2004, an amendment to the Labor Act raised the penalty for workers who are subjected to offensive behavior in the workplace. Mauritian law prohibits forced or compulsory labor, as well as the trafficking of children, though child labor occurs in the informal sector. The government has ratified ILO Convention 182 on the worst forms of child labor. The constitution explicitly prohibits discrimination based on race, caste, place of origin, political opinion, color, religion, or gender. In 2003, the government appointed an ombudsperson for children. The Education Act was amended in November 2004, making schooling compulsory up to the age of sixteen.

## MOZAMBIQUE

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Mozambique's 2004 exports under AGOA and its GSP provisions were valued at \$8 million, representing 80 percent of the country's total exports to the United States. Apparel and textile exports decreased slightly in 2004; however, the only garment producer currently exporting to the United States from Mozambique is expanding operations and expects to increase exports in 2005.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Mozambique has few trade barriers and continues to make steady progress toward establishing an investment-friendly, market-based economy. Over the past 10 years, the government has privatized more than 1,200 enterprises. Some large state-owned companies remain, including the national airline, the national electricity company, the national insurance company, port and rail companies, and water and fuel distribution companies. Foreign direct investment and donor government contributions have fueled rapid economic growth in recent years. The economy grew 7.1 percent in 2004. Mozambique met the targets associated with its HIPC debt relief program and reached completion point in 2001. Fitch Ratings gave Mozambique an international credit rating of B/B in July 2004. Mozambique has carried out significant tariff reform since 2001, reducing the average nominal tariff to less than 10 percent. The government remains cooperative on intellectual property rights protection but has little ability to investigate crimes or enforce IPR laws. Foreign direct investment is welcome, but there are still many obstacles to investment. Private ownership of land is not allowed and the World Bank has estimated

that it takes new businesses an average of 153 days to secure basic licensing and registration. In March 2005, the U.S.-Mozambique Bilateral Investment Treaty entered into force, a step that augurs well for increased AGOA-related trade and investment in the near future.

**Rule of Law/Political Pluralism/Anti-Corruption:** Mozambique has a democratically elected government. In December 2004, Armando Guebuza of the FRELIMO party was elected president with 64 percent of the vote. The election was generally considered free and fair but was marred by some irregularities. The opposition retains 36 percent of seats in the National Assembly and holds several mayorships, including in Beira, the nation's second-largest city. Corruption continues to undermine Mozambique's democratic consolidation and economic growth. The government approved an Anti-Corruption Law in late 2003 and increased the size and scope of the attorney general's anti-corruption unit. Mozambique's judiciary continues to be undertrained, understaffed, and reportedly susceptible to pressure from high-ranking government officials and bribery by private parties.

**Poverty Reduction:** The government, through its Action Plan for the Reduction of Absolute Poverty, has placed the fight against poverty at the top of its agenda. Mozambique has made tangible progress in this area, reducing its poverty rate from 69 percent in 1996 to 54 percent in 2004. With donor support funding approximately 60 percent of the national budget in 2004, Mozambique has been able to make significant long-term investments in health, agriculture, basic infrastructure, and education.

**Labor/Child Labor:** The government generally respects labor rights. The constitution provides that all workers are free to join independent trade unions, and workers enjoy this right in practice. Mozambique's current labor code is a relic of the socialist era and employers have called for greater labor law liberalization. Mozambique participated in a U.S. DOL-funded program on improving industrial relations. Membership in labor unions has been estimated at nearly 200,000. Mozambique has ratified ILO Convention 105 on forced labor, but not ILO Convention 29, also on forced labor. Child labor remains a problem, with about 33 percent of children between ages 10 and 14 considered to be active in the economy, mainly in the informal sector. Mozambique has ratified ILO Convention 182 on the worst forms of child labor.

## NAMIBIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Namibia's 2004 exports under AGOA and other GSP provisions – primarily textiles, apparel, mineral, and metal products – were valued at \$161.2 million, representing 68 percent of total exports to the United States. AGOA is estimated to have created over 9,000 new jobs in Namibia.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** There are no serious barriers to U.S. trade, and Namibia's economy remains open to international

investors. The government actively encourages private investment and has created attractive tax benefits for would-be investors and exporters. Despite this, many important sectors of the economy, such as transport, electricity, and telecommunications, continue to be controlled by large parastatals. Namibia's 1990 Foreign Investment Act provides for equal treatment of foreign and national investors. As a member of the Southern African Customs Union (SACU), Namibia is participating in negotiations for a U.S.-SACU free trade agreement. Land reform remains an emotionally charged topic and a key determinant of the country's business climate. The government's "willing buyer-willing seller" approach has been criticized for the slow pace of acquiring commercial farmland for resettlement. The government has indicated its willingness to acquire land through expropriation as permitted under the constitution. While mainstream farming organizations support the process of land reform, there is general concern that the government's expropriation criteria are not sufficiently transparent.

**Rule of Law/Political Pluralism/Anti-Corruption:** The constitution provides for an independent judiciary, and with few exceptions, citizens enjoy the right to due process, a fair trial, and equal protection under the law. Parliamentary and presidential elections took place in November 2004. In March 2005, Hifikepunye Pohamba was inaugurated as Namibia's second President. In 2003, Parliament passed an anti-corruption bill that establishes a new independent Anti-Corruption Commission. Once operational, the commission will complement existing anti-corruption bodies such as the Office of the Ombudsman and Auditor-General. President-elect Pohamba has publicly asserted his commitment to rooting out corruption.

**Poverty Reduction:** To address the problem of poverty and to encourage job growth, the government has created special incentives for investment. The government seeks to reduce poverty by promoting increased local value-added production of Namibia's traditional primary product exports, such as efforts to cut and polish rough diamonds or to process locally caught fish. Namibia is one of 15 focus countries under President Bush's Emergency Plan for HIV/AIDS Relief and is expected to receive over \$36 million of Emergency Plan funds in FY05.

**Labor/Child Labor:** The government generally respects worker rights, including the freedom of association and the right to form and join unions, which are embedded in the country's constitution. The Namibian labor code prohibits the right to strike in EPZs. Namibia's recently amended 1992 Labor Act prohibits employment of children under the age of 14. Namibia has ratified ILO Convention 182 on the worst forms of child labor. Despite the government's public commitment to ending child labor abuses, difficult economic conditions and deeply rooted cultural practices result in the persistence of some child labor, especially on communal farms and in the informal sector. The government participates in two regional projects to eliminate the worst forms of child labor and to provide children at risk with educational alternatives.

## NIGER

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** In 2004, Niger exported \$72,000 worth of goods under AGOA and its GSP provisions, representing less than one percent of total exports to the United States from Niger.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Niger's economy centers on subsistence agriculture, re-export trade, and uranium, which is the country's principal foreign exchange earner. Equal treatment of all investors is guaranteed, and total foreign ownership is allowed. The government maintains and promotes an open economic system, has a free trade policy, welcomes foreign investment, and has privatized several state-owned industrial enterprises over the past three years. As a member state of the West African Economic and Monetary Union, Niger adopted the permanent preferential tariffs for internal trade. There are limited resources for IPR enforcement. While Niger has a court system to protect property and commercial rights, the administration of justice can be slow. The Nigerien investment code also provides for the settlement of disputes and indemnification.

**Rule of Law/Political Pluralism/Anti-Corruption:** Niger is a democracy and held three sets of elections in 2004: electing municipal leaders, national assembly deputies, and the president. Tandja Mamadou was elected to his second 5-year presidential term. Opposition parties participated freely and vigorously in the electoral process. International elections observers called all of the 2004 elections in Niger generally free and fair. The judiciary continues to show signs of independence; however, family and business ties can influence lower court decisions. There have also been reports that the executive branch may influence the judicial process. Judicial corruption and inefficiency are problems. Official corruption occurred, and the government publicly acknowledges that it is a problem. However, no officials have been prosecuted for corruption. The government has established a National Committee on Anti-Corruption to address corruption issues.

**Poverty Reduction:** Niger is one of the poorest countries in the world and ranks near the bottom of the UN Development Program's index of human development. Niger has a World Bank-approved PRSP. The President's Special Program mandates the building of schools and health care dispensaries throughout the country. Girls' attendance rates are targeted as well. Niger has shown some limited success in combating poverty and increasing educational opportunities but faces severe resource constraints. In April 2004, Niger reached its completion point under the enhanced HIPC initiative. As a result, it received maximum debt relief from its Paris Club creditors. Niger has performed satisfactorily under the IMF's PRGF arrangement, although it was not able to meet all programmed targets, in particular the internal revenue mobilization and the settlement of domestic payment arrears.

**Labor/Child Labor:** The constitution provides formal recognition of the right to establish and join trade unions, and workers exercise this right in practice. The labor code is based on ILO principles, and it protects the right to organize and to bargain collectively. In private and state-owned enterprises, unions use their right to bargain

collectively without government interference for wages above minimum and for more favorable work conditions. Collective bargaining exists in the public sector. The labor code prohibits forced or compulsory labor. Niger has ratified ILO Convention 182 on the worst forms of child labor.

## NIGERIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Nigeria's duty-free exports under AGOA and its GSP provisions in 2004 – almost entirely petroleum and energy products – were valued at \$15.4 billion, representing 95 percent of total exports to the United States. Nigeria qualified for AGOA's textile and apparel benefits in July 2004.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Nigeria made limited progress toward establishing a market-based economy in 2004. The government took steps to deregulate fuel prices in 2004; however fuel prices are still subject to a government-imposed ceiling in most parts of the country. A few public firms were privatized in 2004. Non-tariff barriers were implemented suddenly and arbitrarily, and violations of WTO prohibitions against certain non-tariff barriers continued. The government's list of banned imports covered about 60 tariff-line items. However, in March 2005, the government announced the lifting of import bans on 41 items of raw materials and finished products (including chocolates, mosquito nets, and nylon textiles) which are not manufactured in Nigeria. Long delays in port clearances presented an additional barrier to U.S. trade. IPR protection of improved in 2004, albeit sluggishly. Scarce resources and lack of expertise made IPR enforcement difficult.

**Rule of Law/Political Pluralism/Anti-Corruption:** In April 2003, President Obasanjo was re-elected for a second four-year term. The national election proceeded peacefully in most areas but was marred by serious irregularities and fraud, resulting in widespread challenges of the election's result. A court challenge to the presidential election result was pending before the Supreme Court as of late April 2005. Ethnic and religious tensions continued to undermine participatory governance. Civil and criminal cases moved through Nigeria's courts slowly. The country's judicial system is not independent and lacks sufficient resources to function effectively. In response to public demand, Shari'a (Islamic law) was established in 12 of Nigeria's northern states. The government has taken steps to tackle corruption, such as establishing two anti-corruption commissions and introducing measures to impart fiscal responsibility in federal budgeting and procurement. However, there have been no convictions against senior government officials since the inception of these bodies.

**Poverty Reduction:** Seventy percent of Nigerians live on less than one dollar per day. Per capita GDP has fallen from an estimated \$1000 in 1960 to approximately \$320 in 2004. In 2004 the government launched an economic reform program, the National Economic Empowerment and Development Strategy, that has helped achieve greater macroeconomic stability (low inflation, stable interest and exchange rates, and a strong

GDP growth rate). Individual states are releasing their own such strategies for implementation at the local level. The government plans to continue civil service reform and increase infrastructure investment, with particular focus in the energy sector and basic social service delivery.

**Labor/Child Labor:** The constitution recognizes the right of workers to join or form trade unions, and the 2005 amendment to the labor law allows unions to form and register various federations of unions. However the new law extends far into the decision-making process of unions to dictate how a union must reach the decision to strike, possibly violating the union's rights. Legal strikes are limited to those actions based on a claim of right deriving from contract or collective agreement; thus strikes about broad economic concerns or in solidarity with other workers are illegal. Several sectors, including petroleum workers, have been deemed essential and forbidden to strike. Nonetheless, there were numerous strikes during the year. Some strikers were arrested and reportedly beaten while in custody. The 2005 amendment to the labor law ended the monopoly of the National Labor Congress (NLC), which was the sole representative of all of Nigeria's trade unions. Two members of the AFL-CIO American Center for International Labor Solidarity were arrested and held briefly by Nigerian security forces. Child labor remained a problem. The ILO is working with the Nigerian government and civil society as part of the ILO's International Program on the Elimination of Child Labor. Nigeria is participating in the West Africa Cocoa Agriculture Project to eliminate the worst forms of child labor from the culture of cocoa. Nigeria has ratified both ILO Convention 138 and 182 on the worst forms of child labor.

## RWANDA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Rwanda's 2004 exports under AGOA and its GSP provisions were valued at \$67,000, representing approximately one percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Rwanda remains primarily a rural society with approximately 83 per cent of the population engaged in subsistence agriculture. Foreign donors finance approximately 40 percent of the government's budget. Rwanda has an investment code and market-determined foreign exchange and interest rates. The government sold three state-owned enterprises – two banks and one tea plantation – in 2004, as well as printing assets in early 2005. It has plans to privatize another four entities (telephone and tea) out of 39 remaining parastatals. Rwanda anticipates reaching HIPC completion point in spring 2005. American companies report that the government has taken an active role in combating counterfeit consumer goods flowing into the country. Rwanda leads the Africa Group in the WTO and has been a valuable and constructive interlocutor on WTO issues.

**Rule of Law/Political Pluralism/Anti-Corruption:** In 2003, Rwanda adopted a new constitution and held multi-party presidential and legislative elections. International

observers noted intimidation of opposition figures and voting irregularities. There was little political party activity in 2004, and four opposition figures reportedly disappeared. Judicial activities were largely suspended during the first nine months of 2004 due to judicial reforms restructuring the courts. Courts are subject to executive influence. The former president and a local staff member of the U.S. Embassy were convicted in June 2004 for “criminal association” for seeking to establish an opposition political party; their appeal has not yet been heard. The government has established an auditor general to review government expenditures. A government ombudsman investigated 2,000 complaints in 2004. The government is actively prosecuting several officials for corruption, including President Kagame’s former chief of staff.

**Poverty Reduction:** Rwanda has a PRSP, which is tied to its participation in the HIPC debt relief initiative. GDP growth for 2004 is estimated at four per cent, while inflation is estimated at 11 percent. Public spending on education rose 34 per cent from 2002 to 2004 and is expected to rise another 24 per cent in 2005.

**Labor/Child Labor:** Although in the past government authorities have interfered in trade union activities and employers have participated in anti-union discrimination, the government has recently begun a constructive dialogue with the national trade union federation. Although the law is unclear, it appears that civil servants, who comprise the majority of Rwanda’s formal sector, are effectively barred from joining labor unions. Twenty-seven unions are registered, but there are no labor courts to protect worker rights. Collective bargaining and the right to strike are provided for by law, but severely limited in practice. The government has ratified ILO Conventions 29 and 105 on forced and compulsory labor and Convention 182 on the worst forms of child labor. Rwanda prohibits children under 16 from working without parental consent, though child labor is still known to occur. The government is currently supporting projects to combat child prostitution and child labor in quarries, mines, and tea and coffee plantations.

## SÃO TOMÉ AND PRÍNCIPE

**Status:** AGOA eligible.

**AGOA Trade and Investment:** There has been no reported AGOA-related trade or investment. São Tomé and Príncipe exported just \$86,000 to the United States in 2004.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** São Tomé and Príncipe, a country of about 140,000 people, is one of the poorest and most heavily indebted nations per capita in Africa. It has a market-based economy. Currency restrictions have been lifted, largely doing away with a parallel exchange rate system. Import regulations have been simplified and made more transparent. Administrative and budget reforms are underway. The telecommunications and air transport companies have majority private ownership, but the gas distribution, electricity, and water companies remain under state control. All of the state-run cocoa plantations have been privatized. Foreign investment is welcome. The island nation remains highly dependent on cocoa and foreign assistance. The economy is in the early stages of petroleum exploration and development. In 2001, the government formed a joint development zone with Nigeria

that is expected to produce significant oil revenue over the coming years. In 2004, authorities completed agreements for exploration in the first area. Awards for other areas will likely be completed in 2005.

**Rule of Law/Political Pluralism/Anti-Corruption:** São Tomé and Príncipe's reputation for strong democracy was reinforced by July 2001 presidential and March 2002 legislative elections, both judged free and fair by international observers. However, a failed military coup in July 2003 highlighted continued political infighting among the nation's political elite. Though constitutional order was restored quickly, the ongoing failure to resolve this political divide poses a challenge to the country's political stability. In the past year, there have been public controversies in the country over corruption allegations, with high-ranking political figures implicated.

**Poverty Reduction:** In September 2003, the government publicly pledged to commit 20 percent of its revenues to poverty reduction. Additionally, the Emergency Action Plan adopted in August 2003 following the failed coup called for greater emphasis in such areas as health and education. However, efforts at poverty reduction have been hindered by limited coordination among international donors and scarcity of government financial resources.

**Labor/Child Labor:** The constitution provides for freedom of association, the right to bargain collectively and the freedom to strike. The government has not taken any action to interfere with these rights. The law establishes a minimum employment age of 18, which is respected in the formal employment sector. In the informal sector, however, children are often engaged in labor from an early age. Although no cases of child labor abuses have been prosecuted, the law states that employers of underage workers can be fined. The government has not ratified ILO conventions 29 and 105 on forced labor nor 138 and 182 on child labor.

## SENEGAL

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Senegal's exports under AGOA and its GSP provisions in 2004 were valued at \$518,000, representing about 17 percent of the country's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Senegal's market-based economy is heavily dependent on agriculture. During 2004, the government continued to progress toward privatization of the national peanut-processing parastatal. A winning bid was selected, and privatization should be completed in 2005. Privatization of the electricity parastatal remains suspended, pending further improvements to the company's balance sheet. Deregulatory measures and investment incentives for foreign investors have not yet had an impact, partly because of investor concerns about Senegal's weak judicial sector and inconsistent regulations. Senegal's IPR legal code is largely up-to-date, but enforcement lags because of insufficient resources and lack of specialized judicial expertise. Some phytosanitary and labeling

restrictions are inconsistently applied. Senegal has implemented the UEMOA common external tariff for most products.

**Rule of Law/Political Pluralism/Anti-Corruption:** In 2004, Senegal adopted a new procurement code mandating a transparent, international tender for most procurement. President Wade also named a head for the new Anti-Corruption Council, which is not yet active. The national Inspector General announced plans to strengthen anti-fraud investigations by hiring additional accountants and technical staff. Some non-transparent judicial decisions involving foreign investors are linked to credible allegations of corruption. Senegal was the first UEMOA member to pass UEMOA-standardized legislation on money laundering. The legislation requires the government to appoint a director for a new national Financial Intelligence Unit to be staffed by multiple Senegal ministries and based in the Senegal branch of the Central Bank of West African States.

**Poverty Reduction:** The 2004 national budget contained a 27 percent increase in primary education spending that funded 5,000 additional teaching positions in the countryside. Health care received 10 percent of expenditures in the 2004 budget. In April 2004, Senegal achieved its HIPC completion point, permitting Paris Club debt reductions totaling \$488 million in July 2004.

**Labor/Child Labor:** Although freedom of association and the right to strike are recognized, there remained many restrictions. The government has broad authority to register or dissolve trade unions by administrative fiat. The right to strike is severely restricted. The labor code requires the government to approve the formation of labor unions and gives it the power to disband them. The government has a pattern of interference in the internal affairs of unions. Regulations on workplace safety are inconsistently enforced. Senegal has ratified ILO Conventions 138 on minimum age of work and 182 on the worst forms of child labor.

## SEYCHELLES

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Seychelles' 2004 exports under AGOA and its GSP provisions in were valued at \$3,000, representing less than one percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Seychelles has been slowly abandoning statist economic policies in favor of a free-market approach. There are few restrictions on foreign ownership (except land), and a number of incentives are offered to stimulate private sector investment. Import permits, except for a few restricted items, were abolished on January 1, 2005. The government plans to gradually rescind the exclusive right of the Seychelles Marketing Board to import certain categories of goods, beginning April 2005. Legislation for a new investment code is being finalized. The Joint Economic Council, bringing the government and the private sector together in a formalized setting, met for the first time in September 2004. However, the private sector claims the government did not deliver on its pledges. The government

continues to play a strong role in the economy. Regulations and controls are burdensome. The Macro Economic Reform Program (MERP), introduced in July 2003, corrected the country's chronic fiscal imbalance by imposing a 12 percent goods and services tax. Although the IMF is encouraged by certain actions taken under the MERP, it is unlikely to enter into negotiations with the government until it has seen progress with some more fundamental reforms. Notably, reform is needed of the exchange rate, foreign exchange allocation, and the state-run conglomerate that monopolizes the import of essential foodstuffs.

**Rule of Law/Political Pluralism/Anti-Corruption:** After 27 years as president, France Albert Rene officially handed over power to Vice President Michel in April 2004. The constitution allows the vice president to take over the presidency for the remainder of the term if the incumbent leaves office. The next presidential elections are due by August 2006. The last elections in 2001 were generally considered free and fair by international observers. The constitution provides for a multiparty system, as well as a powerful president who is both head of state and head of government. The president appoints a Council of Ministers, but members are not drawn from the National Assembly, making it hard for the legislature to call the executive to account. The constitution calls for an independent judiciary, but the legal system is slow and subject to executive interference. In 2004, Transparency International rated Seychelles the third least-corrupt country in Africa.

**Poverty Reduction:** Seychelles was the highest ranked African country on the UN Development Program's 2004 Human Development Index, and the 35<sup>th</sup> highest-ranked country in the world. Health and education have been priorities for the government since 1977; as a result Seychelles now enjoys one of the highest literacy rates and the best health facilities in Africa. Education is free and compulsory between the ages of six and sixteen. The social welfare system includes basic pensions, a system of supplementary benefits, home care for the elderly, unemployment relief for the unemployed, and other direct benefits.

**Labor/Child Labor:** Workers have the right to form and join unions, as well as to engage in collective bargaining. However, the government has the right to review and approve all collective bargaining agreements. Between 15 and 20 percent of the labor force is unionized. Strikes are illegal without first exhausting arbitration procedures, and they rarely occur. Children have legal protection from labor and physical abuse. Seychelles has ratified ILO Convention 182 on the worst forms of child labor. Forced or compulsory labor is prohibited. The labor laws do not protect workers in the Export Processing Zone.

## SIERRA LEONE

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Sierra Leone's exports under AGOA and its GSP provisions were valued at \$351,000 in 2004, slightly more than three percent of total

exports to the United States. Sierra Leone qualified for AGOA's textile and apparel benefits in April 2004.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Sierra Leone has a market-based economy and an open, rules-based trading system. The National Privatization Commission has identified a few parastatals that are potentially profitable and ready for early privatization. Other parastatal enterprises, like the port, electric company, telecommunications company, and some financial institutions, require sector reform and a solution to heavy indebtedness. The constitution protects private property rights. Laws generally protect intellectual property rights. The legal code provides for resolution of bilateral trade and investment disputes. The government passed a new investment code in 2004 that provides some incentives to investors. The Sierra Leone Export Development and Investment Corporation serves as a one-stop shop for potential investors.

**Rule of Law/Political Pluralism/Anti-Corruption:** In May 2004, the government held the first local elections in 32 years. The elections were peaceful, though turnout was relatively low and evidence arose afterwards of significant electoral fraud on all sides. Presidential and parliamentary elections are scheduled for 2007. There is significant opposition participation in the political process. An opposition party dominates the Freetown City Council. The courts have demonstrated independence from executive influence, but cases are subject to frequent delays. Courts outside the capital are just beginning to function again after a decade of disuse during the civil war. Corruption at all levels is a significant problem; however, the Anti-Corruption Commission (ACC) has made progress in winning convictions in court. The backlog of cases in the Attorney General's office has decreased, and the ACC has approximately 135 investigations underway.

**Poverty Reduction:** Government policy aims to reduce poverty, increase the availability of health care and education facilities, expand the physical infrastructure, and promote the development of private enterprise. The government relies heavily on the international community to finance these initiatives. Debt servicing is a challenge as well. In February 2003, the United States forgave all sovereign debt accumulated before June 20, 1999. The government completed its PRSP in February 2005. Sierra Leone has completed successive reviews under its IMF PRGF and made progress toward meeting the HIPC initiative completion point triggers, notably related to disarmament and demobilization, decentralization of government functions, education, and health. IMF officials projected that Sierra Leone would have strong growth in the medium term, but the country is still short of achieving its Millennium Challenge goals.

**Labor/Child Labor:** Worker rights are protected under the Regulation of Wages and Industrial Relations Act of 1971. Although the government's capacity to enforce these laws is weak, labor unions gained some concessions from the government in the form of tax breaks for workers in early 2005. Child labor is widespread. Child prostitution and trafficking are problems. As of September 2004, Sierra Leone was a "Tier 2" watch list country with respect to the U.S. Trafficking Victims Protection Act of 2002. An omnibus

draft Child Protection bill is in the consultation stage prior to presentation to parliament. The law is designed to meet ILO minimum requirements. Sierra Leone has not ratified ILO Conventions 138 or 182 on the worst forms of child labor.

## SOUTH AFRICA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** South Africa's exports under AGOA and its GSP provisions were valued at \$1.8 billion in 2004, constituting 30 percent of total South African exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** South Africa maintains a diverse market-based economy. The government continues to implement prudent fiscal and monetary policies. The budget proposed in February 2005 focused on accelerating growth and investment. In order to alleviate supply-side constraints, the government has called for reducing the regulatory burden on small business, reducing taxes, improving the supply of skilled labor, and cutting transportation costs. South Africa is moving slowly forward with the restructuring of state owned enterprises. In 2003, the government divested much of its interest in Telkom, the state-owned telecommunications giant. In February 2005, it finally approved the shareholding structure of a second national telecommunications operator, setting the stage for the licensing of the new company to begin competing with Telkom later in the year. South Africa is making progress on IPR protection. Police increased seizures of counterfeit goods, but follow-up and prosecution have been inadequate. Copyright protection is a problem. A gap in the counterfeit goods law makes it difficult to seize pirated goods that transit through the country. South Africa provides national treatment for foreign investors. A bilateral Trade and Investment Framework Agreement and a bilateral tax treaty are in force with the United States. South Africa is engaged in negotiations for a free trade agreement between the United States and the Southern African Customs Union.

**Rule of Law/Political Pluralism/Anti-Corruption:** South Africa is a multiparty, parliamentary democracy, and opposition parties operate freely. While the ruling African National Congress holds a sizeable majority in the parliament, several other parties operate actively and freely. The government is committed to the rule of law and is working to strengthen its judicial and regulatory systems. The judiciary is independent at all levels. Although South Africa faces corruption challenges, the government has made the fight against corruption a priority.

**Poverty Reduction:** The government continued to take steps to address poverty. It has identified accelerating economic growth, enhancing social development, and lowering income inequality as priorities over the next three years. Poverty reduction measures contained in the February 2005 budget continued the trend towards increased spending for social infrastructure investment, direct income support, and improved basic service delivery to the poor. The government proposed more funds for social security grants, rural land restitution, housing, public transport, teachers, and police. Increasing rates of

HIV/AIDS and high unemployment are serious obstacles to reducing the divide between the rich and poor.

**Labor/Child Labor:** South Africa provides strong worker rights protections, including freedom of association and the right to organize and bargain collectively. Approximately 26 percent of economically active South Africans are members of trade unions; 485 trade unions are registered. The South African labor federation, COSATU, is a member of the ruling African National Congress, an active member of the National Economic Development Labor Advisory Council, and wields considerable influence in shaping South Africa's economic development policy and legislation. South Africa has ratified ILO Conventions 29 and 105 on forced or compulsory labor. South Africa has also ratified ILO Convention 182 on the worst forms of child labor, and the government is taking measures to prevent an increase in child labor, such as providing income grants for poor children under the age of 11 and waivers of school fees for poor children, as well as actively prosecuting employers of child labor. However, the high incidence of HIV/AIDS has led to an increase in the number of child-headed households. South Africa has become a destination country for traffickers of child prostitutes.

#### SWAZILAND

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Swaziland's exports under AGOA and its GSP provisions were valued at \$177 million in 2004, constituting 89 percent of Swaziland's total exports to the United States. AGOA has created a number of job opportunities, primarily in the garment manufacturing industry. Swaziland's current challenge is to diversify export production in order to take full advantage of AGOA benefits.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Swaziland's economy relies on export-oriented industries, which provide 65 percent of GDP. There is relatively little government intervention in Swaziland's free market economy. As a member of the Southern Africa Customs Union (SACU), Swaziland is actively involved in the U.S.-SACU free trade agreement negotiations. Swaziland has never had an IMF program.

**Rule of Law/Political Pluralism/Anti-Corruption:** Swaziland is a modified traditional monarchy with executive, legislative, and limited judicial powers ultimately vested in the King. The 2004 municipal elections and the 2003 parliamentary elections increased representative government; however, political power continues to rest largely with the King and his circle of traditional advisors. At the end of 2004, a draft constitution (the first since 1973) passed both houses of parliament; ratification is expected in mid-2005. However, there is concern that the ban on political parties, in place for over 30 years, will remain in effect. There are also concerns about the process under which the constitution was drafted, as well as the actual substance of the draft constitution. The dialogue behind the constitution was not inclusive; separation of power is ineffective because the King can override actions of the legislature and executive; political parties are still banned; and there is a question of whether rights of citizens established in the constitution are legally

enforceable. The Court of Appeals, which resigned en masse in 2002, was reconstituted in November 2004. However, the King and other government officials continue to infringe on the judiciary's independence by influencing court decisions. In February 2004, the government closed its industrial court after refusing to renew the contract for the only judge staffing the court. The court was closed for two weeks, but it is now functioning with two judges deliberating over labor issues. The government is preparing a bill to strengthen the anti-corruption commission.

**Poverty Reduction:** Swaziland has an HIV/AIDS prevalence rate estimated at over 38 percent and the pandemic has left an increasingly large number of Swazis impoverished. Caring for ill family members has stretched the resources of many households, 20 percent of which are headed by single women or children. The immense scale of AIDS-related illness and deaths is weakening the government's capacity for service delivery and has a serious impact on food security, economic growth, and human development. While Swaziland is a low middle-income country, poverty is widespread, and there has been little progress towards the Millennium Development Goals. Nevertheless, the government established a Poverty Alleviation Unit in 2004 to monitor efforts to fight poverty and provided roughly \$3 million to assist orphaned and vulnerable children with their school fees.

**Labor/Child Labor:** Under Swazi law, workers have a right to organize and join labor unions. Unions can strike over social and economic issues, but not political matters. In 2004, after a lengthy dispute, the garment exporters' association and two labor unions active in the garment sector came to an agreement on procedures governing requests for union recognition, dispute resolution, and creation of a wage structure for industry employees. Some employers continue to refuse to recognize worker rights or legitimate trade unions. Employers have been accused of harassment and anti-union discrimination towards workers and government enforcement is ineffective. Union organizers are routinely jailed and denied access to the media. The government lacks both the capacity and the will to enforce its own labor laws, though it is working to increase its labor inspectorate. Allegations of worker rights violation have been submitted by the AFL-CIO and are currently under review by the U.S. Government. The petitions, filed under the Generalized System of Preferences, request the suspension of GSP and AGOA benefits for Swaziland until these problems are resolved. The government is participating in a U.S. DOL-funded regional project to increase awareness of and compliance with labor laws. Swaziland has ratified ILO Conventions 29 and 105 on forced or compulsory labor. The HIV/AIDS pandemic and poverty have increased the vulnerability of Swazi children to child labor. Although child labor is not found in the formal sector, it is reportedly growing in the informal sector. To combat this problem, the government asked to participate in a U.S. DOL program aimed at introducing education initiatives that would keep more children in school. Swaziland has ratified ILO Convention 182 on the worst forms of child labor.

## TANZANIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Tanzania's 2004 exports under AGOA and its GSP provisions were valued at \$3.6 million in 2003, mostly apparel, representing about 15 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government continues to implement the comprehensive economic reform and stabilization program that it began in the mid-80s. Agricultural marketing has been liberalized; foreign exchange controls have been lifted; prices deregulated; and a new investment code has attracted increased foreign investment. These reforms have resulted in improved competitiveness, lower tariffs, increasing levels of foreign investment and trade, improved key economic indicators, and greater integration into world markets. The government has privatized nearly all of its parastatal enterprises. Market forces determine interest and exchange rates. Still, the nascent private sector is weak, and poverty persists throughout the country. U.S. investment in Tanzania is slowly increasing, but is hindered by corruption, poor infrastructure, and bureaucratic inefficiencies, the last of which has significantly prolonged debt repayment and intellectual property protection cases involving major U.S. corporations. The inability to own land or offer it as collateral remains a major impediment to new investment. In January 2005, Tanzania entered the new East African Community Customs Union, under which tariffs between it and Uganda and Kenya will be phased out over five years. The Customs Union also established a common external tariff which generally lowered Tanzania's overall tariffs, although tariffs were raised on some U.S. exports.

**Rule of Law/Political Pluralism/Anti-Corruption:** Tanzania became a multiparty state in 1992 and held its second multiparty election in October 2000. National elections will be held in October 2005, and the current president is to step down in accord with constitutional term limits. There were no reports of overt political harassment in 2004, nor were any opposition rallies banned. However, respect for political rights of opposition parties has decreased in the run-up to the 2005 general elections. The judiciary is formally independent but suffers from corruption, inefficiency, and executive influence, particularly in the lower courts. Criminal trials are open to the public and the press. The government participates in the World Bank Institute's anti-corruption and good governance program, has established an Anti-Corruption Commission, and has indicted senior officials and mid-level members of the judiciary for corruption. The government has established a Ministry of Good Governance and a Human Rights Commission as recommended by a 1997 report on corruption, but most other recommendations remain unimplemented.

**Poverty Reduction:** Macroeconomic stability and steady growth have not led to a significant reduction of poverty. The government is working to address poverty by implementing its PRSP. According to an IMF-World Bank assessment team, the government has made "significant progress" in PRSP implementation. Priority sectors of the plan include primary education, roads, water, health care services, and agriculture/food security. Tanzania remains dependent on donor-funded projects in each of these areas.

**Labor/Child Labor:** The government passed (but has not yet enacted) new labor laws in 2004 strengthening workers rights and prohibitions against child labor. The Trade Unions Act allows workers to form trade unions, but dissolved the Tanzania Federation of Free Trade Unions, which though not legally registered was recognized by workers, employers, and international organizations. The right to strike is weakened due to prolonged mandatory dispute settlement procedures. Workers can only strike after protracted mediation and conciliation procedures, which can go on for months without resolution. There is no law to protect workers from anti-union discrimination. Labor law on the mainland covers public and private employees but restricts the right of workers to form unions and to strike. The registrar of trade unions has broad authority to intervene in the internal conduct of trade unions. Tanzania has ratified all eight ILO core conventions and has been a member of the ILO's International Program on the Elimination of Child Labor since 1994. Tanzania is currently participating in the ILO's "Timebound Program to Eliminate the Worst Forms of Child Labor," which seeks to eliminate child labor in targeted sectors. As of December 2004, approximately 9,000 children have been withdrawn from child labor as a result of this program.

## TOGO

**Status:** AGOA ineligible, largely because of concerns related to economic reform, political pluralism, rule of law, and human rights.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Ongoing political uncertainty and the slow pace of reforms have contributed to the erratic nature of the government's privatization program. The government privatized one bank in 2004. Tender offers for two other state-owned banks went unanswered due to the banks' poor economic performance and high prices. Privatization of Togo Telecom has been suspended. Foreign investment in Togo is relatively limited, though one U.S. company is currently involved in an oil exploration project.

**Rule of Law/Political Pluralism/Anti-Corruption:** When President Gnassingbe Eyadema died on February 5, 2005, the military moved swiftly to install his son, Faure Gnassingbe, as president, an action that had no basis in law. The constitution provided that the president of the National Assembly should assume the interim presidency under such circumstances, and must organize a new presidential election within 60 days. The president of the National Assembly was abroad at the time of Gnassingbe Eyadema's death and was not allowed to return to Togo. On February 6, 2005, the National Assembly, controlled by the ruling party, made retroactive changes to the constitution and the electoral law to try to legitimize Faure Gnassingbe's installation. ECOWAS condemned the passage of power to Faure Gnassingbe and on February 19 imposed sanctions on Togo that included suspending the country from ECOWAS, recalling ECOWAS ambassadors from Lome, and imposing bans on arms sales and travel by Togolese authorities. The African Union also suspended Togo and was considering imposition of additional punitive measures. Bowing to ECOWAS and international pressure, Faure Gnassingbe resigned his post on February 28, 2005, and Togo has

scheduled Presidential elections for April 24, 2005; National Assembly elections may be held later in the year. Corruption remains a serious concern. The government Anti-Corruption Commission, established in 2001, continued to investigate relatively low-level and former high-level officials, but it did not use fair and transparent procedures to address allegations of corruption.

**Poverty Reduction:** Political and economic difficulties continue to hamper poverty reduction efforts. In response to human rights abuses and the stalled democratic transition of the 1990s, most donors cut off most development aid. Corruption and the poor quality of public administration inhibit domestic and foreign investment. Social indicators continue to decline. The government has put few resources into the social sector and relies on international donors to combat HIV/AIDS, malaria, and cholera. Togo has the second highest prevalence of HIV/AIDS in West Africa. Road construction has been suspended, and there were no improvements in the water or electricity delivery systems.

**Labor/Child Labor:** Workers generally have the right to join unions and to strike; however, serious weaknesses remain both in Togo's labor legislation and in the enforcement of those rights that are recognized. Police and security forces may not organize, and health workers may not strike. Workers in EPZs are exempt from some provisions of the Labor Code, notably the regulations on hiring and firing, and are subject to anti-union discrimination. Togo is a country of origin for trafficked women and children and the government has made efforts to stem this trade. However, the National Assembly has not yet passed legislation against child labor and trafficking that was proposed in March 2002 by the Council of Ministers.

## UGANDA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Uganda's 2004 exports under AGOA and its GSP provisions were valued at \$5.1 million, representing 20 percent of total Ugandan exports to the United States.

**Market Based Economy/Economic Reform/Elimination of Trade Barriers:** Uganda followed an impressive path of macroeconomic reform in the 1990s, including liberalized trade and foreign exchange regimes, improved fiscal discipline, and successful management of inflation. With the majority of public enterprises already privatized, the government intends to complete the privatization program within a few years. Of the remaining 30 public enterprises, only a few are significant in size. As the pace of economic growth has slowed in recent years, the IMF has noted that Uganda is at a crossroads and needs to launch a second wave of reforms to sustain high economic growth and poverty reduction. Uganda continues to diversify its agriculture-based economy, focusing on non-traditional, high-value items such as vanilla, processed fish, and cut flowers, with producers facing few restrictions in bringing their goods to market. Foreign investors may form wholly owned subsidiaries and may repatriate all profits.

Foreign companies can enter into 99-year leases but cannot own land freehold. Uganda has eliminated import quotas. Uganda's entry into the East African Community's Customs Union required it to raise tariffs on many finished products, including many U.S. exports.

**Rule of Law/Political Pluralism/Anti-Corruption:** Uganda has a free press and an active civil society. The government continues to restrict the activities of political parties, although it has stated its support for constitutional reforms to create a full multi-party democracy. Uganda's judiciary generally is well regarded but understaffed. Senior judges render credible and transparent decisions; however, there are significant inefficiencies, occasional corruption, and incompetence at lower levels. The government has taken steps to increase the number of judicial officers, improve judicial efficiency, and promote alternative methods of dispute resolution. It has also established special courts to resolve commercial disputes. However, significant judicial backlogs continue to delay court rulings. Several opposition parties are active in parliament. Corruption remains a serious problem. Senior leaders have shown little political will to fight this economic scourge.

**Poverty Reduction:** Although Uganda remains a poor country, the government has allocated significant resources to alleviate poverty. Uganda has a long-established Poverty Eradication Action Plan and a Poverty Action Fund focusing on universal primary education, health and sanitation improvements, access to clean water, a better transport system, and growth in the agricultural sector. The Strategic Export Program – a plan for modernization and enhanced global competitiveness in the agriculture sector – has begun to bear fruit, though the majority of Ugandan farmers still grow subsistence crops. The ravages of HIV/AIDS, combined with continued rapid population growth, keeps many Ugandans impoverished. Recent statistics show that the poverty rate, which had declined from 56 percent in 1992 to 35 percent in 2000, increased to 38 percent in 2003.

**Labor/Child Labor:** Ugandans have the right to join worker associations or trade unions. Unions are weak or non-existent in some major economic sectors, such as textiles and apparel, but stronger in others, including commercial agriculture. Nineteen unions make up the National Organization of Trade Unions, with a total membership of 145,000 out of an estimated two million workers in the formal sector. The government lifted a two-year ban on trade union elections and approved a long-standing application to create a teachers union. Government enforcement of the right of workers to form unions is weak and sporadic, as is the enforcement of the obligation by employers to recognize unions and bargain collectively. Ugandan law requires a minimum of 1000 workers to form a trade union, effectively denying many workers in small enterprises the right to unionize. Other problem areas include unwarranted requirements for collective bargaining rights, lack of meaningful penalties for anti-union discrimination, inadequate access to labor justice through courts or arbitration, and burdensome requirements to strike. The government sometimes failed to enforce the right of workers to form unions or to have decent conditions of work, and the duty of employers to recognize those rights. There are programs underway, funded by ILO and the U.S. DOL, to combat the worst

forms of child labor and to rescue and rehabilitate child soldiers. District-based labor officers have responsibility for inspecting workplaces and processing worker and management complaints. Not all districts have inspectors, and resource constraints hinder inspection visits.

## ZAMBIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Zambia's 2004 exports under AGOA and its GSP provisions were valued at \$2.6 million, representing eight percent of Zambia's total exports to the United States. Although not reflected in the AGOA trade figures, Zambia also exported several million dollars worth of cotton yarn to South Africa for use in AGOA apparel production there.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Zambia experienced its fifth consecutive year of positive economic growth in 2004, while inflation fell below 20 percent for the first time in two decades. Zambia began a new IMF PRGF in June 2004 and anticipates reaching the HIPC completion point in the spring of 2005. The government is reviewing legislation in a variety of areas, including the investment act and the labor code. It also intends to revise laws and regulations to promote job creation by the private sector. There is no distinction in Zambian law between foreign and domestic investors, except in the retail sector. The government has concluded agreements to turn over two major mining operations to foreign investors this past year.

**Rule of Law/Political Pluralism/Anti-Corruption:** Legal challenges to the December 2001 elections concluded in February 2005 when the Supreme Court determined that flaws in the election process had not significantly affected the outcome. The judiciary is generally independent. The government has undertaken a USAID-supported parliamentary reform program designed to make Zambia's legislature an equal partner in governance and an effective counterpoint to executive power. Reviews of the constitution and the electoral system are also underway, with participation by civil society. The government continues to carry out an anti-corruption campaign. Former President Chiluba is among numerous past and current officials who have been charged, and whose cases are ongoing in the court system.

**Poverty Reduction:** As part of its PRSP implementation, the government remains committed to improving governance, increasing access to basic services, and removing constraints to sustainable, diversified growth. HIV/AIDS presents a major challenge to economic development and poverty reduction. The government is leading the response to the epidemic.

**Labor/Child Labor:** Zambia's unions remain a significant force in civil society and have played a prominent role in public debate over political issues. Worker rights are legally protected. Although legislation allows workers to unionize, anti-union

discrimination is prevalent, both in the public and in the private sectors. An Industrial Relations Court adjudicates complaints of anti-union discrimination. However, anti-union discrimination is prevalent, and private companies often flout labor regulations. Civil servants striking for back pay were threatened with mass firings and arrests and revocation of rally permits. Strikes and go-slow actions have affected government services in many areas including education and health. Zambia has ratified all eight of the core ILO labor conventions, including conventions 29 and 105 on forced or compulsory labor and 182 on the worst forms of child labor. The government has taken a number of steps to address Zambia's child labor problem, including cooperation with several programs sponsored by the U.S. DOL. In 2004, the government passed a new child labor law strengthening protection of children.

#### ZIMBABWE

**Status:** Not AGOA eligible, largely because of concerns related to its poor performance on economic management, rule of law, political pluralism, corruption, and human rights.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Since the late-1990s, the government has approached the economy through broad interventionism, with parastatals serving as monopolistic middlemen for products such as gold, tobacco, and grain. In 2004, the government suggested it would create parastatals to supervise the production and export of platinum and cut flowers, although it has not yet taken action. The government's disastrous fast-track land reform program has undercut agricultural productivity while failing to rectify the social justice concerns it was alleged to address. Much of the redistributed land went to government insiders rather than small landholders or agricultural workers, and the latter were given virtually no assistance in making the farms productive. The Reserve Bank of Zimbabwe continues to maintain an artificially strong currency through enforcement of an official exchange rate and highly restrictive foreign currency laws. This has had distorting effects on the economy, proving a disincentive for exporters while providing the government with a means to favor some importers over others. It has also furthered corruption through rent-seeking activities on the part of insiders with access to hard currency and led to a vibrant parallel currency market. There are many barriers to trade, including high duties for importers and exchange requirements for exporters. The government is paying only a small portion of its international arrears, which now exceed \$2 billion. Due to exchange rate management, annual inflation dropped from 623 percent to 133 percent, but indications in early 2005 are that inflation is increasing again. The government made no progress privatizing inefficient parastatals. Growth remains negative, and an estimated two-thirds of the working-age population is unemployed.

**Rule of Law/Political Pluralism/Anti-Corruption:** The Ruling ZANU-PF party maintains its grip on power through fraud and repression, including violence. The 2000 parliamentary elections and 2002 presidential elections were neither free nor fair. ZANU-PF increased its majority as a result of parliamentary elections held March 31, 2005 and which were marked by widespread irregularities. Over the past year, the government removed Harare's elected opposition party mayor and several opposition

council members, and then appointed a commission to run the city. In 2004, the Access to Information and Protection of Privacy Act was passed, which tightly restricts the activities of the independent media. During the country's high-profile land redistribution program, the government ignored rule-of-law and due process. Continued harassment has also made it increasingly difficult for civil society groups to function. Parliament recently passed a law that, if signed by President Mugabe, could deregister many non-governmental groups while making it illegal for NGOs to accept foreign donations.

**Poverty Reduction:** The government maintains several programs that provide food or basic services to the poor. However, these have had minimal effect compared to the general thrust of the government's economic policy, which has caused most Zimbabweans to grow progressively poorer over the past six years. Though half the population faces serious food insecurity, the government has used its monopoly on grain importation to manipulate food availability for political ends. Income taxes kick in at a monthly salary of \$20. Electricity and fuel are heavily subsidized but often difficult to come by. Controls have failed to keep prices in check.

**Labor/Child Labor:** Despite official recognition of worker rights, the government continues to exert heavy pressure on labor unions, limiting their freedom of association and right to organize. Unions have been denied routine meetings and necessary consultations with constituents under the Public Order and Security Act. Senior members of the Zimbabwe Congress of Trade Unions have been arrested on spurious charges, some of them later reporting physical abuse while in police custody.

**X. Other Resources for Information on U.S. Trade and Investment Policy for Africa and AGOA Implementation**

The Official U.S. Government website on AGOA  
[www.agoa.gov](http://www.agoa.gov)

The Office of the United States Trade Representative  
[www.ustr.gov](http://www.ustr.gov)  
 See the listings under the Africa region.

The U.S. Customs Service  
[www.customs.gov](http://www.customs.gov)  
 The informed compliance publications under importing and exporting are very useful as well as the regulations provided for under the AGOA portion of the International Agreements section.

The Department of Commerce's Office of Textiles and Apparel  
[www.otexa.ita.doc.gov](http://www.otexa.ita.doc.gov)  
 This site includes fill rates for the apparel cap on regional and third country fabric.

The Department of Commerce's Office of Africa  
[www.ita.doc.gov](http://www.ita.doc.gov)

The U.S. Department of State  
[www.state.gov](http://www.state.gov)

The United States International Trade Commission  
[www.usitc.gov](http://www.usitc.gov)

The Overseas Private Investment Corporation  
[www.opic.gov](http://www.opic.gov)

The Export-Import Bank of the United States  
[www.exim.gov](http://www.exim.gov)

The United States Agency for International Development  
[www.usaid.gov/locations/sub-saharan\\_africa/](http://www.usaid.gov/locations/sub-saharan_africa/)  
 See especially Africa Bureau and Office of Transition Initiatives

The United States International Trade Commission  
[http://reportweb.usitc.gov/africa/trade\\_data.html](http://reportweb.usitc.gov/africa/trade_data.html)  
 This site contains data on U.S. trade with sub-Saharan African countries.

The Department of Agriculture  
[www.fas.usda.gov](http://www.fas.usda.gov)

The Department of Transportation  
[www.dot.gov](http://www.dot.gov)

The Department of Transportation's Safe Skies for Africa  
<http://www.faa.gov/asd/international/africa.htm>

The Department of Energy  
[www.energy.gov](http://www.energy.gov)

The Small Business Administration  
[www.sba.gov/oit/](http://www.sba.gov/oit/)

U.S. Business Advisor  
<http://www.business.gov/>

The Trade and Development Agency  
<http://www.ustda.gov/>

The Department of Labor  
[www.dol.gov](http://www.dol.gov)

This site contains Agency information on DOL child labor and worker rights programs

**Annex A – AGOA-Eligible Countries**

Republic of Angola  
 Republic of Benin\*  
 Republic of Botswana\*  
 Burkina Faso  
 Republic of Cameroon\*  
 Republic of Cape Verde\*  
 Republic of Chad  
 Republic of Congo  
 Democratic Republic of the Congo  
 Republic of Djibouti  
 Ethiopia\*  
 Gabonese Republic  
 The Gambia  
 Republic of Ghana\*  
 Republic of Guinea  
 Republic of Guinea-Bissau  
 Republic of Kenya\*  
 Kingdom of Lesotho\*  
 Republic of Madagascar\*  
 Republic of Malawi\*  
 Republic of Mali\*  
 Islamic Republic of Mauritania  
 Republic of Mauritius\*  
 Republic of Mozambique\*  
 Republic of Namibia\*  
 Republic of Niger\*  
 Federal Republic of Nigeria\*  
 Republic of Rwanda\*  
 Democratic Republic of São Tomé and  
 Príncipe  
 Republic of Senegal\*  
 Republic of Seychelles  
 Republic of Sierra Leone\*  
 Republic of South Africa\*  
 Kingdom of Swaziland\*  
 United Republic of Tanzania\*  
 Republic of Uganda\*  
 Republic of Zambia\*

\* - qualified for textile and apparel benefits

### Annex B - AGOA Eligibility Criteria

#### The Eligibility Criteria

The eligibility criteria under AGOA are set forth in section 104(a) of AGOA and sections 502(b) and (c) of the Trade Act of 1974, as amended (containing the GSP eligibility criteria). Section 104(a) is provided below in its entirety. A summary of sections 502(b) and (c) is also included below.

#### SEC. 104. ELIGIBILITY REQUIREMENTS

(a) In General.-- The President is authorized to designate a sub-Saharan African country as an eligible sub-Saharan African country if the President determines that the country --

(1) has established, or is making continual progress toward establishing --

(A) a market-based economy that protects private property rights, incorporates an open rules-based trading system, and minimizes government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets;

(B) the rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law;

(C) the elimination of barriers to United States trade and investment, including by --

(i) the provision of national treatment and measures to create an environment conducive to domestic and foreign investment;

(ii) the protection of intellectual property; and

(iii) the resolution of bilateral trade and investment disputes;

(D) economic policies to reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs;

(E) a system to combat corruption and bribery, such as signing and implementing the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; and

(F) protection of internationally recognized worker rights, including the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and

occupational safety and health;

(2) does not engage in activities that undermine United States national security or foreign policy interests; and

(3) does not engage in gross violations of internationally recognized human rights or provide support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorist activities.

Summary of section 502(b) and (c) of the Trade Act of 1974 as amended.

The President shall not designate any country as a beneficiary country if:

1. The country is a Communist country, unless its products receive normal trade relations treatment, it is a member of the World Trade Organization and International Monetary Fund or is not dominated or controlled by international communism (Sec. 502(b)(2)(A));
2. The country is a party to an arrangement or participates in any action that withholds or has the effect of withholding vital commodity resources or raises their prices to unreasonable levels, causing serious disruption of the world economy (Sec. 502(b)(2)(B));
3. The country affords preferential treatment to products of a developed country which has, or is likely to have a significant adverse effect on U.S. commerce (Sec. 502(b)(2)(C));
4. The country has nationalized, expropriated or otherwise seized property, including trademarks, patents, or copyrights owned by a U.S. citizen without compensation (Sec. 502(b)(2)(D));
5. The country does not recognize or enforce arbitral awards to U.S. citizens or corporations (Sec. 502(b)(2)(E));
6. The country aids or abets, by granting sanctuary from prosecution, any individual or group which has committed international terrorism (Sec. 502(b)(2)(F));
7. The country has not taken or is not taking steps to afford internationally-recognized worker rights, including the right of association, the right to organize and bargain collectively, freedom from compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health (Sec. 502(b)(2)(G)).
8. The country has not implemented its commitments to eliminate the worst forms of child labor, as defined by the International Labor Organization's Convention 182 (Sec. 502(b)(2)(H); this provision was added by the Trade and Development Act of 2000 in

Section 412).

Failure to meet criteria 4 through 8 may not prevent the granting of GSP eligibility if the President determines that such a designation would be in the national economic interest of the United States.

In addition, the President must take into account:

1. A country's expressed desire to be designated a beneficiary country (Sec. 502(c)(1));
2. The country's level of economic development (Sec. 502(c)(2));
3. Whether other major developed countries extend preferential tariff treatment to the country (Sec. 502(c)(3));
4. The extent to which the country provides "equitable and reasonable access" to its markets and basic commodity resources and refrains from unreasonable export practices (Sec. 502(c)(4));
5. The extent to which the country provides adequate and effective protection of intellectual property rights (Sec. 502(c)(5));
6. The extent to which the country has taken action to reduce trade-distorting investment practices and policies and reduce or eliminate barriers to trade in services (Sec. 502(c)(6)); and
7. Whether the country has taken or is taking steps to afford internationally recognized worker rights, (Sec. 502(c)(7)).

**List of Frequently Used Acronyms**

|                 |                                                        |
|-----------------|--------------------------------------------------------|
| ADF.....        | African Development Foundation                         |
| ADR.....        | Alternative Dispute Resolution                         |
| AGOA.....       | African Growth and Opportunity Act                     |
| ALINC.....      | AGOA Linkages in COMESA                                |
| APHIS.....      | U.S. Animal and Plant Health Inspection Service        |
| ATRIP.....      | African Trade and Investment Policy                    |
| BIC.....        | Business Information Center                            |
| BLNS.....       | Botswana, Lesotho, Namibia, and Swaziland              |
| CDC.....        | Centers for Disease Control                            |
| CEMAC.....      | Central African Economic and Monetary Community        |
| CITA.....       | Committee for the Implementation of Textile Agreements |
| CLDP.....       | Commercial Law Development Program                     |
| COMESA.....     | Common Market for Eastern and Southern Africa          |
| CS.....         | Commercial Service                                     |
| DFI.....        | Digital Freedom Initiative                             |
| DOE.....        | U.S. Department of Energy                              |
| DOL.....        | U.S. Department of Labor                               |
| DOT.....        | U.S. Department of Transportation                      |
| DROC.....       | Democratic Republic of the Congo                       |
| EAC.....        | East African Community                                 |
| ECOWAS.....     | Economic Community of West African States              |
| EDDI.....       | Education for Development and Democracy Initiative     |
| EPA.....        | Environmental Protection Agency                        |
| EPZ.....        | Export Processing Zone                                 |
| EU.....         | European Union                                         |
| Ex-Im Bank..... | Export-Import Bank of the United States                |
| FCC.....        | Federal Communications Commission                      |
| FDI.....        | Foreign Direct Investment                              |
| FTA.....        | Free Trade Agreement                                   |
| FY.....         | Fiscal Year                                            |
| GDP.....        | Gross Domestic Product                                 |
| GSP.....        | Generalized System of Preferences                      |
| GTN.....        | Global Trade and Technology Network                    |
| HHS.....        | U.S. Department of Health and Human Services           |
| HIPC.....       | Heavily Indebted Poor Countries Initiative             |
| HRSA.....       | Health Resources and Services Administration           |
| IAEA.....       | International Atomic Energy Agency                     |
| IDA.....        | International Development Association                  |
| IEHA.....       | Initiative to End Hunger in Africa                     |
| IF.....         | Integrated Framework                                   |
| IFI.....        | International Financial Institutions                   |
| IFPRI.....      | International Food Policy Research Institute           |
| ILO.....        | International Labor Organization                       |

|              |                                                         |
|--------------|---------------------------------------------------------|
| IMF .....    | International Monetary Fund                             |
| IP .....     | Intellectual Property                                   |
| IPEC .....   | International Program on the Elimination of Child Labor |
| LDC .....    | Least-developed Country                                 |
| MBDA .....   | Minority Business Development Agency                    |
| MCA .....    | Millennium Challenge Account                            |
| NCC .....    | Nigerian Communications Commission                      |
| NEPAD .....  | New Partnership for Africa's Development                |
| NGO .....    | Non-Governmental Organization                           |
| NIH .....    | National Institutes of Health                           |
| OECD .....   | Organization for Economic Cooperation and Development   |
| OPIC .....   | Overseas Private Investment Corporation                 |
| PRGF .....   | Poverty Reduction and Growth Facility                   |
| PRSP .....   | Poverty Reduction Strategy Paper                        |
| SAAC .....   | Sub-Saharan Africa Advisory Committee                   |
| SACU .....   | Southern African Customs Union                          |
| SADC .....   | Southern African Development Community                  |
| SBA .....    | Small Business Administration                           |
| SME .....    | Square Meter Equivalent                                 |
| SPS .....    | Sanitary and Phytosanitary                              |
| SSFA .....   | Safe Skies for Africa                                   |
| TCB .....    | Trade Capacity Building                                 |
| TIFA .....   | Trade and Investment Framework Agreement                |
| TPSC .....   | Trade Policy Staff Committee                            |
| TRADE .....  | Trade for African Development and Enterprise            |
| TRIPS .....  | Trade-Related Aspects of Intellectual Property Rights   |
| TRQ .....    | Tariff Rate Quota                                       |
| UEMOA .....  | West African Economic and Monetary Union                |
| UNAIDS ..... | United Nations Program on HIV/AIDS                      |
| UNEP .....   | United Nations Environment Program                      |
| UNICEF ..... | United Nations Children's Fund                          |
| USAID .....  | U.S. Agency for International Development               |
| USDA .....   | U.S. Department of Agriculture                          |
| USTDA .....  | U.S. Trade and Development Agency                       |
| USTR .....   | Office of the United States Trade Representative        |
| WTO .....    | World Trade Organization                                |