



2008 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act

Prepared by the Office of the United States
Trade Representative

M A Y 2 0 0 8



**2008 Comprehensive Report on
U.S. Trade and Investment Policy Toward Sub-Saharan Africa and
Implementation of the African Growth and Opportunity Act
The Eighth of Eight Annual Reports
May 2008**

Foreword

I.	U.S.-Africa Trade and Investment Highlights	5
II.	Executive Summary	7
III.	AGOA Successes, Challenges, and Way Forward.....	13
IV.	AGOA Eligibility, Implementation, and Outreach	21
V.	Economic and Trade Overview.....	29
A.	Economic Growth	29
B.	Africa’s Global Trade	30
C.	Trade with the United States	32
D.	Investment and Debt	34
E.	Economic Reforms.....	36
F.	Regional Economic Integration.....	36
G.	Africa and the WTO.....	40
VI.	Trade Agreements with Sub-Saharan African Countries.....	41
A.	Overview	41
B.	U.S. -SACU Trade, Investment, and Development Cooperative Agreement.....	41
C.	Trade and Investment Framework Agreements	42
D.	Bilateral Investment Treaties	42
VII.	Trade Capacity Building	43
A.	Overview	43
B.	Office of the U.S. Trade Representative	44
C.	Millennium Challenge Corporation	45
D.	U.S. Agency for International Development.....	46
E.	U.S. Department of Commerce.....	53
F.	U.S. Department of Agriculture	53
G.	U.S. Trade and Development Agency	56
H.	African Development Foundation.....	57
I.	Other TCB Activities	59
VIII.	Other Assistance Supportive of AGOA Objectives.....	61
A.	Initiative to End Hunger in Africa	61
B.	Information and Communication Technology Initiatives	62

C.	Transportation Initiatives.....	63
D.	Energy Initiatives	66
E.	HIV/AIDS and Malaria Initiatives	68
F.	U.S. Department of Labor.....	70
G.	Overseas Private Investment Corporation.....	70
H.	Export-Import Bank	74
I.	U.S. Department of Commerce.....	75
J.	U.S. Customs and Border Protection	75
K.	U.S. Small Business Administration.....	76
IX.	U.S.–Sub-Saharan Africa Trade and Economic Cooperation Forum	77
X.	AGOA Country Reports.....	79
XI.	Annexes	145
A.	AGOA-Eligible Countries.....	145
B.	AGOA Eligibility Criteria.....	146
C.	Country Memberships in Major Regional Organizations	149
D.	List of Frequently Used Acronyms	150

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.

This is the last of eight annual reports required under AGOA. The current report looks back on the eight years since AGOA came into effect. The report also provides 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, Labor, State, Transportation, and Treasury, as well as the African Development Foundation, the Council of Economic Advisors, 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.-Africa Trade and Investment Highlights

- With the addition of Mauritania in June 2007 and Togo in April 2008, there are now 40 sub-Saharan African countries eligible for African Growth and Opportunity Act (AGOA) benefits, the highest number ever. As of May 2008, 27 of these countries are eligible to receive AGOA's apparel benefits.
- Since its inception in 2000, AGOA has helped increase U.S. two-way trade with sub-Saharan Africa. In 2007, U.S. total exports to sub-Saharan Africa totaled \$14.4 billion, more than double the amount in 2001. U.S. total imports from sub-Saharan Africa more than tripled during this period to \$67.4 billion. In 2007, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free.
- AGOA imports (including GSP) totaled \$51.1 billion in 2007, more than six times the amount in 2001, the first full year of AGOA. While petroleum products accounted for the largest portion of AGOA imports, non-oil AGOA trade totaled \$3.4 billion in 2007, more than double the amount in 2001. Several non-oil sectors experienced sizable increases during this period, including apparel, footwear, vehicles, fruits and nuts, prepared vegetables, leather products, cut flowers, prepared seafood, and essential oils (see spotlights on growing trade in several sectors in chapter III).
- The United States obligated \$505 million to trade capacity building (TCB) activities in sub-Saharan Africa in FY2007, up 26 percent from FY2006. Cumulative U.S. TCB to sub-Saharan Africa from FY2001 to FY2007 totaled \$1.6 billion.
- In February 2008, President Bush and Rwandan President Kagame signed the United States-Rwanda Bilateral Investment Treaty (BIT), which will enter into force following approval by the United States Senate and the Rwandan Parliament. The Administration is currently exploring the possibility of launching BIT negotiations with other sub-Saharan African countries.
- The United States was a leading provider of foreign direct investment to Africa. At year-end 2006 (latest data available), the U.S. direct investment position rose 52 percent from 2001, to \$13.8 billion. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships.
- In February 2008, President Bush announced that the Overseas Private Investment Corporation would support five new private equity investment funds focused on sub-Saharan Africa, with a combined target capitalization of \$875 million.
- The sixth annual meeting of the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum ("the AGOA Forum") was held in Ghana in July 2007. The official U.S. delegation, led by U.S. Trade Representative Susan C. Schwab, included senior representatives from more than a dozen U.S. government agencies. Ministers and senior officials from nearly all AGOA beneficiary countries participated, as well as private sector and civil society representatives from the United States and AGOA countries.

II. Executive Summary

Eight years after its passage by Congress and enactment into law, AGOA continues to have a profound and positive impact on U.S.-sub-Saharan Africa trade and investment. By building on the market access provided by the Generalized System of Preferences (GSP), AGOA has opened the U.S. market to almost all goods produced in AGOA-eligible countries and has helped to increase both the volume and diversity of U.S. trade with sub-Saharan Africa. Total two-way trade (exports plus imports) between the United States and sub-Saharan Africa has nearly tripled since 2001, the first full year of AGOA implementation. By providing new market opportunities for African exports – especially of non-traditional and higher-value products – AGOA has helped African firms become more competitive internationally, thereby bolstering sub-Saharan African economic growth and helping to alleviate poverty in one of the poorest regions of the world. AGOA has also been good for U.S. business. By providing incentives and support for African economic reforms, AGOA has helped to foster an improved business environment in many African countries that has attracted investment and enabled U.S. exports to the region to more than double since 2001.

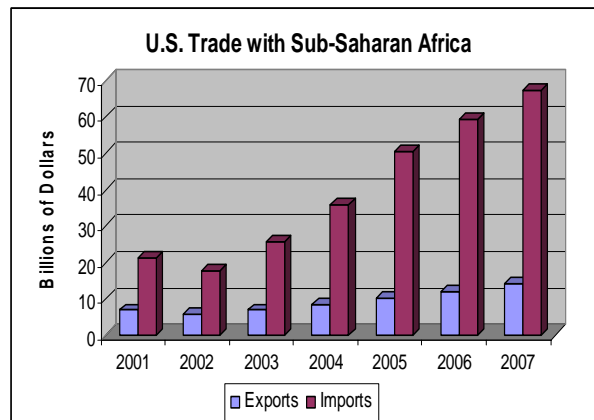
AGOA has been at the center of the Administration's trade and investment policy toward sub-Saharan Africa, which is aimed at promoting open markets, expanding U.S.-Africa trade and investment, stimulating economic growth, and facilitating sub-Saharan Africa integration into the global economy. Over the last eight years, the Bush Administration has worked closely with African governments and businesses to help them make the most of AGOA's trade benefits. The Administration crafted and put into place the regulatory framework for AGOA, actively promoted the program throughout Africa, and developed trade capacity building programs to help African governments and firms identify and develop the market opportunities available under AGOA. The Administration has also implemented three separate legislative enhancements of AGOA, passed by Congress with significant bipartisan support in 2002, 2004, and 2006. AGOA's continued success will require intensified efforts to promote greater diversification and competitiveness of AGOA trade. The Administration continues to consult with all AGOA stakeholders, including Congress, African Ministers, U.S. and African private sector representatives, and civil society organizations to discuss ways to enhance AGOA implementation.

During the past year, AGOA continued to support the efforts of sub-Saharan African countries undertaking economic, political, and social reforms and provided incentives for countries considering such reforms. The United States maintained a dialogue with sub-Saharan African countries on topics related to the AGOA eligibility criteria and continued to encourage progress in those countries not yet eligible for AGOA. On June 28, 2007, following an interim AGOA-eligibility review, Mauritania was added to the list of eligible sub-Saharan African countries. On April 17, 2008, following the annual AGOA-eligibility review, a new AGOA-beneficiary country – Togo – was added to the list of AGOA-eligible countries, bringing the total to 40, the highest number to date. As of April 2008, 27 countries are eligible to receive AGOA apparel benefits.¹ Eighteen of these countries² also qualify for

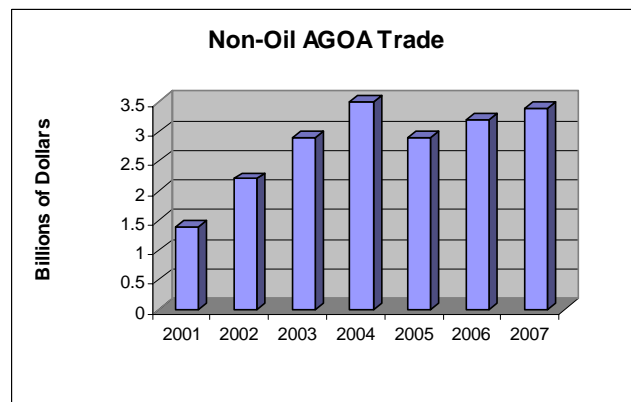
¹ The 27 countries eligible to receive AGOA apparel benefits are Benin; Botswana; Burkina Faso; Cameroon; Cape Verde; Chad; Ethiopia; Ghana; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Senegal; Sierra Leone; South Africa; Swaziland; Tanzania; The Gambia;

AGOA's provisions for handloomed and handmade articles (known as Category 9) and five countries³ have been approved for the ethnic printed fabric provisions added under the AGOA Acceleration Act of 2004.

In 2007, AGOA continued to boost U.S. two-way trade with sub-Saharan Africa and diversify the range of products being traded. Total two-way trade (exports plus imports) between the United States and sub-Saharan Africa increased 15 percent in 2007 from 2006, reaching almost \$81.8 billion, as both exports and imports grew. U.S. total exports to sub-Saharan Africa rose 19 percent to \$14.4 billion, with increases in exports of vehicles and parts, parts for oil field equipment, wheat, non-crude oil, and medical equipment. U.S. total imports from sub-Saharan Africa rose 14 percent to \$67.4 billion, mainly due to increases in imports of crude oil. The United States remained sub-Saharan Africa's largest single-country export market, accounting for nearly 30 percent of the region's total exports in 2006.



U.S. imports from sub-Saharan Africa under AGOA (including its GSP provisions) totaled \$51.1 billion in 2007, up 15 percent from 2006. Petroleum products continued to account for a large portion of AGOA imports; however, with these fuel products excluded, AGOA imports increased by seven percent to \$3.4 billion in 2007. AGOA apparel and textiles totaled \$1.3 billion in 2007, up slightly from 2006. In addition, there were significant increases in AGOA imports of prepared vegetables, fruits and nuts, cut flowers, beverages, cocoa products, optical parts, essential oils, and spices. In 2007, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free.



In addition to AGOA, the Administration also uses a range of other tools and means of engagement to advance our trade and investment relationship with sub-Saharan Africa, including Trade and Investment Framework Agreements (TIFAs); a proposed Trade, Investment, and Development Cooperation Agreement (TIDCA); Bilateral Investment Treaties (BITs); dialogue with African countries on the World Trade Organization's Doha

Uganda; and Zambia.

² The eighteen countries are: Botswana, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mozambique, Namibia, Niger, Nigeria, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, and Zambia.

³ The five countries are: Mali, Niger, Nigeria, South Africa, and Tanzania.

Development Round negotiations; the Trade Advisory Committee on Africa (TACA); and trade capacity building (TCB) assistance.

TIFAs provide a formal mechanism to address bilateral trade issues and to help enhance trade and investment relations between the United States and key sub-Saharan African trade and investment partners. In 2001, the United States had TIFAs with only three countries in sub-Saharan Africa: Ghana, Nigeria, and South Africa. Since then, the Administration has launched six additional TIFAs – with Liberia, Mauritius, Mozambique, Rwanda, the Common Market for Eastern and Southern Africa (COMESA), and UEMOA (French acronym for the West African Economic and Monetary Union). Since the last AGOA annual report, the Administration held high-level TIFA Council meetings with COMESA, Ghana, Liberia, Mauritius, Nigeria, and Rwanda. The United States is also pursuing a new type of agreement, a TIDCA, with the five members of the Southern African Customs Union (SACU): Botswana, Lesotho, Namibia, Swaziland, and South Africa. The proposed U.S.-SACU TIDCA establishes a framework for trade and investment promoting activities that could provide the “building blocks” for a future free trade agreement. (U.S.-SACU FTA negotiations were suspended in April 2006.)

BITs help protect U.S. investment and promote economic growth by advancing important reforms and encouraging the adoption of liberal policies that facilitate and support foreign investment. On February 19, 2008, President Bush and Rwandan President Kagame signed the United States-Rwanda BIT, which will enter into force following approval of the Treaty by the United States Senate and the Rwandan Parliament. This was the first U.S. BIT with a sub-Saharan African partner in nearly a decade and the sixth in sub-Saharan Africa, joining Cameroon, the Democratic Republic of the Congo, Senegal, the Republic of the Congo, and Mozambique. The Administration is currently exploring the possibility of launching BIT negotiations with other sub-Saharan African countries.

The United States continues to be a leading provider of foreign direct investment to Africa. At year-end 2006 (latest data available), the U.S. direct investment position in sub-Saharan Africa was \$13.8 billion, 8.4 percent above the position at year-end 2005. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships. Hundreds of U.S. companies are present in sub-Saharan Africa, and these companies, which include small- and medium-sized enterprises and minority-owned businesses, are trading more and exploring more investment opportunities with sub-Saharan African businesses as a result of AGOA, BITs and other initiatives.

Supporting African countries’ integration into the global economy is one of the main elements of the Administration’s Africa trade policy. An important step toward this end is encouraging fuller participation in the WTO by African Members, including the undertaking of greater commitments under WTO agreements. World Bank studies indicate that African and other developing countries would register significant economic gains from global trade liberalization. Accordingly, the United States consults closely with the 38 sub-Saharan African Members of the WTO on the Doha Round negotiations toward a new global trade agreement and provides technical assistance to facilitate African participation in WTO negotiations and agreements.

WTO issues continued to be a major topic of USTR's engagement with African countries in the past year. Among the Doha issues that figured prominently in U.S.-African discussions were agriculture, non-agricultural market access, and development-related issues, including Aid for Trade and duty-free, quota-free market access for LDC products in developed country markets.

Sub-Saharan African countries need technical assistance to maximize gains from AGOA, participate more effectively in the WTO negotiations, and increase their benefits from global trade. From 2001 to 2007, the United States provided \$1.6 billion in TCB assistance to sub-Saharan Africa, including \$505 million in FY2007 alone. The Administration views TCB and technical assistance programs as essential components of its trade and investment policy toward sub-Saharan Africa, and will continue to work with Congress to secure and make the best use of TCB funding for this purpose.

In FY2007, the Millennium Challenge Corporation (MCC) was the largest source of U.S. Government TCB funding for sub-Saharan Africa, obligating \$376 million to fund trade-related programs proposed by Ghana and Mali in their MCC compacts. In the past year, MCC has signed three new compacts with sub-Saharan African countries, with Lesotho, Madagascar, and Tanzania – which was signed by President Bush and Tanzanian President Kikwete during the President's February 2008 visit to Tanzania. This brings to eight⁴ the total number of MCC compacts signed with sub-Saharan African countries. In all, the MCC has committed more than \$3.1 billion to economic growth and poverty reduction programs through these eight agreements, with TCB-related assistance being a major element of each compact. TCB assistance has also been a part of the threshold programs MCC has undertaken with eight sub-Saharan African countries⁵ for a combined commitment of \$124 million.

USAID is the main on-the-ground implementer of TCB activities in sub-Saharan Africa, as well as the second largest U.S. Government provider of TCB to the region, providing \$92.6 million in TCB assistance in FY2007. USAID provides TCB through regional and bilateral trade assistance programs and as part of the President's African Global Competitiveness Initiative (AGCI) and the Initiative to End Hunger in Africa (IEHA). The five-year, \$200 million AGCI, launched in FY06, is designed to help expand African trade and investment with the United States, with other international trading partners, and regionally within Africa, by helping sub-Saharan African firms become more competitive internationally, thereby bolstering sub-Saharan African economic growth and helping to alleviate poverty in one of the poorest regions of the world. The AGCI also supports the work of the four USAID-managed regional Trade Hubs for Global Competitiveness, located in Gaborone, Botswana; Nairobi, Kenya; Accra, Ghana; and Dakar, Senegal. Each Hub is staffed by a team of experts in trade-related fields and responds to region-specific needs. In 2007, the Hubs facilitated \$23.9 million in AGOA exports. They also helped African governments to reduce the time that goods spend in transit and customs clearance on some African transport corridors.

⁴ The other five MCC compact countries are Benin, Cape Verde, Ghana, Madagascar, and Mali.

⁵ Threshold programs are for those countries that do not yet qualify for full MCC compacts. The eight MCC threshold countries are Burkina Faso, Kenya, Malawi, Niger, São Tomé and Príncipe, Tanzania, Uganda, and Zambia.

In February 2008, President Bush announced that the Overseas Private Investment Corporation (OPIC) would support five new private equity investment funds, with a combined target capitalization of \$875 million, designed to invest in a variety of sectors vital to Africa's economic development, including health care, housing, telecommunications, and small and medium-sized enterprises. Overall, OPIC is currently supporting 14 investment funds in Africa, representing \$1 billion in commitments to leverage as much as \$4 billion of new investment in the region. In addition, OPIC is currently providing over \$2 billion in financing and political-risk insurance to 83 projects and investment funds in sub-Saharan Africa.

The annual 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 institutionalizes a high-level dialogue between officials of the United States and AGOA beneficiary countries, including ministers of trade, foreign affairs and finance. The AGOA Forum is the Administration's premier platform to articulate and advance its trade and economic policy toward sub-Saharan Africa and to foster closer economic ties between the United States and the region. The sixth AGOA Forum was held in Ghana on July 18-19, 2007, with the theme, "As Trade Grows, Africa Prospers: Optimizing the Benefits Under AGOA." The official U.S. Government delegation, led by U.S. Trade Representative Susan C. Schwab, included senior U.S. government representatives from more than a dozen U.S. agencies. In addition to the ministerial-level dialogue, the Forum also encourages interaction among representatives of governments, non-governmental entities and the private sector. Hundreds of U.S. and African businesses and organizations participated in the 2007 AGOA Forum.

III. AGOA Successes, Challenges, and Way Forward

Successes

The last eight years have witnessed a transformation in the U.S.-African trade and investment relationship. AGOA – which provides duty-free access for over 6,000 products from the 40 AGOA-eligible countries – has served as one of the main agents of this change. AGOA has stimulated new trading opportunities for businesses, created tens of thousands of jobs, and brought millions of dollars in much-needed investment to sub-Saharan Africa. Total two-way trade (exports plus imports) between the United States and sub-Saharan Africa has nearly tripled since 2001, the first full year of AGOA implementation. During this same period, AGOA and GSP imports increased more than five-fold, reaching \$44.2 billion in 2007. Non-oil AGOA imports more than doubled, from \$1.4 billion in 2001 to \$3.4 billion in 2007.

By building on the market access provided by GSP, AGOA has opened the U.S. market to almost all goods produced in AGOA-eligible countries and has helped to increase both the volume and diversity of U.S. trade with sub-Saharan Africa. By providing new market opportunities for African exports, especially of non-traditional and value-added products, AGOA has helped African firms to produce higher value products and become more competitive internationally, thereby bolstering sub-Saharan African economic growth and helping to alleviate poverty in one of the poorest regions of the world.

In 2007, of the 39 then-eligible countries, 34 countries exported products to the United States under AGOA. Oil, which is sub-Saharan Africa's leading export, has also been the leading export under AGOA, and was the main AGOA product exported by four of the top five AGOA beneficiaries (Nigeria, Angola, Chad, and Gabon). However, AGOA's primary focus has always been on export diversification and AGOA has helped to foster sizeable export increases across a wide range of non-oil products, including apparel, chemical products, footwear, machinery, electronics, toys, sportswear, fruits, nuts, and cut flowers. The number of countries exporting non-oil products has steadily increased since the enactment of AGOA in 2001, with noteworthy increases in 2007 from South Africa (one of the top five AGOA beneficiaries), Botswana, Cameroon, Ethiopia, Ghana, Madagascar, Rwanda, and Tanzania. Other major exporters under AGOA included Kenya, Lesotho, Mauritius, Malawi, Namibia, Swaziland, and Uganda.

AGOA has also been good for U.S. businesses. By providing incentives and support for African economic reforms, AGOA has helped to foster an improved business environment in many African countries, helping to create new opportunities for U.S. exports and investment. Increasingly, Africans are seeking U.S. inputs, expertise, and joint-venture partnerships. U.S. exports to sub-Saharan Africa have more than doubled since AGOA was launched, totaling over \$14.4 billion in 2007. At year-end 2006, the U.S. direct investment position rose 52 percent from 2001, to \$13.8 billion. OPIC has also reported a sea-change in the Africa investment environment, reflected in the significant response by U.S. and other investors to OPIC's Call for Proposals for the new Africa investment funds OPIC has launched in the last few years (see Chapter VIII, Section G).

Many of the countries that have been successful in utilizing AGOA – such as Ghana, Lesotho, and Mauritius – have undertaken concerted efforts to forge closer cooperation between government and the private sector to improve infrastructure, eliminate bureaucratic red-tape, facilitate customs processing, and build experience in producing and marketing value-added products for the U.S. market. AGOA successes are many and varied: South Africa exports the widest range of AGOA products including luxury automobiles, citrus fruit, wine, and footwear; Lesotho has become the leading sub-Saharan African exporter of apparel to the United States; Kenya's AGOA exports include fresh cut roses, sport fishing supplies, nuts, plastic products, jewelry, and essential oils, as well as apparel; Ghana's value-added exports under AGOA include chocolates, jewelry, baskets, and preserved pineapple. In addition, many African businesses that had never previously considered the U.S. market are attending trade shows and getting orders for everything from Ugandan organic cotton T-shirts to Mauritian seafood, Malian tote bags, and Ethiopian flowers.

The Administration has worked closely with African governments and businesses to help them maximize AGOA's trade benefits. It has worked diligently to craft and put in place the regulatory framework for AGOA implementation and has actively promoted the program throughout Africa. The Administration has also developed TCB programs targeted toward helping African governments and firms identify and develop the market opportunities available under AGOA. Working with Congress, the Administration has implemented three separate legislative enhancements to AGOA, passed by Congress with significant bipartisan support in 2002, 2004, and 2006.

Addressing the Challenges

AGOA's continued success will require intensified efforts to promote greater diversification and competitiveness of AGOA trade. The Administration continues to consult with all AGOA stakeholders, including Congress, African governments, U.S. and African private sector representatives, and civil society organizations to discuss ways to improve AGOA implementation and address the many supply-side challenges. While more African countries are taking advantage of the benefits of AGOA, there are still a few countries that have yet to export products under AGOA. In addition to increasing the number of AGOA-eligible countries taking advantage of the program, there is also the challenge of increasing the range of products being traded.

With these challenges in mind, USTR requested that the U.S. International Trade Commission (USITC) do a new series of reports examining the factors that affect African trade in key non-oil industries. The new series builds on the 2005 AGOA Competitiveness Report commissioned by USTR. The most recent USITC report, released in April 2008, reviewed a wide range of sectors – 11 in all, including shea butter, spices, footwear, processed diamonds, textiles, and wood furniture, as well as aviation services and communication services. The report identified underlying factors – policies, investments, economic conditions – contributing to the growth and development of these industries in sub-Saharan Africa.

The Administration has also provided TCB assistance to help African firms and governments

make the most of AGOA. In FY2006, the Administration launched the five-year, \$200 million African Global Competitiveness Initiative (AGCI), implemented by USAID. AGCI is designed to help expand African trade and investment with the United States, with other international trading partners, and regionally within Africa. Among the activities AGCI funds are the four regional Trade Hubs for Global Competitiveness, located in Gaborone, Botswana; Nairobi, Kenya; Accra, Ghana; and Dakar, Senegal. Each of the Hubs is staffed by a team of trade experts and responds to region-specific needs. (See Chapter VII, Section D for more information on AGCI and the hubs.)

AGCI is just one part of the overall U.S. commitment to TCB in sub-Saharan Africa. Cumulative U.S. TCB assistance to sub-Saharan Africa from FY2001 to FY2007 totaled \$1.6 billion, including \$505 million in FY2007 alone. In the last few years, MCC has been the largest source of U.S. Government TCB funding for sub-Saharan Africa; MCC obligated \$376 million for trade-related programs in FY2007. Other U.S. agencies carrying out TCB programs include USAID, the Departments of Agriculture and Commerce, the U.S. Trade and Development Agency, and the African Development Foundation. (See Chapter VII for more information on U.S. TCB activities.)

USTR leads in formulating U.S. trade and investment policy for sub-Saharan Africa and advances AGOA's objectives through high-level meetings with African leaders, trade and other officials; coordination of the annual AGOA eligibility review process; consultations with the Trade Advisory Committee on Africa; and discussions under the nine existing TIFAs (see Chapter VI). In cooperation with USAID and the Trade Hubs, USTR has also carried out several country and regional AGOA outreach and export diversification workshops over the last eight years, including workshops in Liberia and Mauritania in March 2008. Senior USTR officials continue to highlight AGOA-related opportunities both in Africa and the United States and to discuss AGOA implementation with major stakeholders, including Congress, African government officials, the private sector, and civil society.

AGOA is a partnership and sub-Saharan African countries have a critical role to play in AGOA implementation. In particular, AGOA countries have established policies and the regulatory environment to promote trade and investment, eliminated red-tape, and worked with the African private sector to diversify trade and improve competitiveness. AGOA also establishes a high-level dialogue – the annual AGOA Forum (See Chapter IX). The AGOA Forum is an important stocktaking exercise that allows the United States and its sub-Saharan African partners to review progress and address AGOA's challenges. The annual assessments of AGOA implementation at the AGOA Forum have helped to build on and strengthen the U.S.-African partnership on trade-related issues, including AGOA. For example, the four Trade Hubs were established as a direct outcome of the dialogue at the AGOA Forum. Discussions at past Forums also led the Administration to place several U.S. Department of Agriculture plant and animal health experts in sub-Saharan Africa to help African producers meet U.S. food safety standards. The Forums have also provided an opportunity for ministerial-level consultations on the WTO's Doha Development Round negotiations.

Way Forward

Through a wide range of initiatives and policies, the Administration has significantly strengthened the U.S.-sub-Saharan African trade and investment relationship and laid a strong foundation to build an even more robust relationship in the future. The Administration will continue to reinforce African efforts to deepen regional economic integration. It will also work with sub-Saharan African countries to integrate trade into economic development plans and strategies. Continued TCB assistance focused on AGOA utilization and export diversification – such as the work carried out by the four Trade Hubs – will be essential to AGOA’s future success, and the Administration will work with Congress to secure and effectively utilize TCB funding for this purpose. To continue to grow sub-Saharan Africa’s market share in the face of increased global competition, AGOA-eligible countries will need to find ways to reduce high production costs, especially in areas such as electricity, telecommunications, and transport. African governments must also make improved competitiveness a priority and work with the African private sector and civil society to develop national strategies aimed at identifying problems, developing responses to supply-side constraints, and strengthening the product sectors with the greatest trade potential.

Spotlight on Growing Sub-Saharan African Trade with the United States

Apparel



Trade: U.S. imports of apparel under AGOA have more than tripled, from \$359.4 million in 2001 to \$1.3 billion in 2007, and account for about 40 percent of AGOA non-oil exports. This overall increase occurred despite a decline of about \$300 million between 2004 and 2005, due mainly to the end of global apparel quotas for WTO members on January 1, 2005, in accordance with the Agreement on Textiles and Clothing.

Main Products: Trousers, shorts, T-shirts, sweatshirts, and sweaters, largely made of cotton or man-made fibers.

Major Exporters: In 2007, 21 sub-Saharan African countries exported apparel products to the United States under AGOA, including the top 5 exporters: Lesotho, Madagascar, Kenya, Swaziland, and Mauritius.

Keys to Success: Trade agreements and preference programs, in particular AGOA and its third country fabric provisions, have served as a strong catalyst for increased apparel exports from sub-Saharan Africa. To a lesser extent, exports also increased because of: economic integration; competitive wages; individual country programs and government policies, such as the creation of export processing zones; infrastructure development programs; and other government investments and incentives that served to attract domestic and foreign direct investment mostly of Asian origin, and from African countries (South Africa, Mauritius) and the EU.

Challenges: Future challenges for this sector include the scheduled expiration in 2008 of U.S. quotas on certain apparel from China and increasingly sharp competition from other Asian manufacturers. In addition, AGOA's abundant supply provisions, unless amended by Congress, may exclude denim apparel goods from receiving third-country fabric benefits.

Future Developments: Although heightened competition has forced some AGOA producers out of the market, many other AGOA apparel producers are holding on and remaining competitive. Some analysts believe AGOA's tariff advantage, as well as improvements in infrastructure, will continue to help some African producers remain competitive and retain or even grow their market share in certain apparel products.

Spotlight on Growing Sub-Saharan African Trade with the United States

Agricultural products



Trade: U.S. imports of agricultural products under AGOA have increased from \$153.5 million in 2001 to \$271.5 million in 2007.

Main Products: Cocoa products, spices (ginger, peppers), wood, tobacco, sugar, leather, vegetables, fruit, wine, nuts, and processed foods (jams, honey, hot sauces, fruit juices).

Major Exporters: In 2007, 23 sub-Saharan African countries exported raw and processed agricultural products to the United States under AGOA, including South Africa, Malawi, Ghana, Swaziland, Mauritius, Kenya, Ethiopia, Cameroon, and Nigeria.

Keys to Success: Increased demand in the United States; technical assistance and increased efforts to meet U.S. sanitary and phytosanitary requirements; increased investments in infrastructure, research, and development; and government policies to promote competitive commercial farming and value-added production.

Challenges: High transport costs; counterproductive land tenure practices; unreliable utility supplies such as water and electricity; lack of technical capacity to meet international product requirements.

Future Developments: Increased investments in new technology and improvements in productivity should boost agricultural output. As additional fruits and vegetables meet U.S. phytosanitary requirements, new trading opportunities will become available. Growth in value-added exports to U.S. specialty foods and organic niche markets.

Spotlight on Growing Sub-Saharan African Trade with the United States

Cut Flowers



Trade: Total U.S. imports of cut flowers from sub-Saharan Africa have doubled, growing from \$1.6 million in 2001 to \$3.2 million in 2007.

Main Products: Roses, carnations, chrysanthemums, tulips, lilies, anthuriums.

Major Exporters: Kenya, South Africa, Uganda, Ethiopia.

Keys to Success: Improved distribution and transportation networks; increased demand in the United States; technical assistance and increased effort to meet U.S. phytosanitary requirements; coordinated marketing, harvesting, and packaging; and government policies to promote industry and infrastructure improvements.

Challenges: High shipping costs; lack of direct flights; selling direct to the United States instead of through traditional marketing and distribution networks in Europe.

Future Developments: Increased investments in cold chain management and improved infrastructure will boost output. African government policies to promote the growth of this sector. Increased trading opportunities as African suppliers market directly to U.S. buyers and distributors through, for example, increased African participation in U.S. trade shows.

Spotlight on Growing Sub-Saharan African Trade With the United States

Prepared or Preserved Fish



Trade: U.S. imports of prepared or preserved fish from sub-Saharan Africa have increased exponentially, growing from \$754,000 in 2001 to \$15.8 million in 2007.*

Main Product: Semi-processed tuna

Major Exporter: Mauritius

Keys to Success: Decreased global fish stocks have led to opportunities for new suppliers; investments in local processing facilities; sourcing agreements with major U.S. company partners.

Challenges: Need additional investments in local fishing fleets, modern and efficient processing plants, and cold storage equipment and facilities. Also need to manage sustainability of supply while controlling against the depletion of local fish stock.

Future Developments: Growing demand as global fishing stocks continue to decline. Improved management of African fishing stocks and fleets. Growth in aquaculture and value-added processing. Increased trading opportunities as African suppliers market directly to U.S. buyers and distributors, including African participation in U.S. trade shows.

* - These figures do not include imports of fresh fish from AGOA countries, which typically enter the United States under zero-rate most-favored-nation tariff provisions. Fresh fish imports from AGOA countries reached \$66 million in 2007, up 20 percent over 2006, and included lobster from South Africa, prawns from Mozambique, yellowfin tuna from Senegal, and frozen Nile perch from Uganda.

IV. AGOA Eligibility, Implementation, and Outreach

This section provides a summary of AGOA, its eligibility requirements, and progress on its implementation. AGOA, the cornerstone of the Bush Administration's trade and investment policy toward sub-Saharan Africa, is aimed at promoting high-level U.S.-sub-Saharan African dialogue on trade and investment-related issues, reinforcing Africa's economic and political reform efforts, providing greater access to U.S. technical assistance and trade finance facilities, and facilitating sub-Saharan Africa's integration into the global economy. Achieving these policy objectives benefits both the United States and eligible countries in sub-Saharan Africa by promoting mutually beneficial increased trade and economic cooperation between the United States and the region.

AGOA Summary

AGOA is designed to encourage and support sub-Saharan African countries that are taking often difficult but critical steps necessary to create more open, market and growth-oriented economies. AGOA provides enhanced market access under the Generalized System of Preferences (GSP) for the region's reformers and represents a trade- and investment-based approach to economic development.

AGOA

- Offers eligible sub-Saharan African countries duty-free access to the U.S. market for substantially all products;
- Provides additional security for investors and traders in sub-Saharan African countries by extending benefits under the GSP program for beneficiary countries through 2015;
- Eliminates the GSP competitive need limitation for beneficiary countries in sub-Saharan Africa;
- Provides incentives for sub-Saharan African countries to achieve political and economic reform and growth;
- Institutionalizes a process for strengthening U.S. trade relations with sub-Saharan African countries;
- Establishes the annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum ("AGOA 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.

Country Eligibility

AGOA requires the President to determine annually whether sub-Saharan African countries are eligible for benefits based on their progress in meeting certain criteria set out in the Act. These criteria include:

- Continual progress toward the establishment of a market-based economy and the rule of law;
- Elimination of barriers to U.S. trade and investment;

- Implementation of economic policies to reduce poverty;
- Protection of internationally recognized worker rights, and
- Establishment of a system to combat corruption.

Additionally, countries cannot engage in: i) gross 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 Subcommittee of the Trade Policy Staff Committee (TPSC), chaired by USTR, conducts the annual country eligibility review, drawing on information from the public, non-governmental organizations (NGO), the private sector, and potential beneficiary governments. On June 28, 2007, following an interim AGOA-eligibility review, Mauritania was added to the list of eligible sub-Saharan African countries. Effective April 17, 2008, Togo was designated as a new AGOA-beneficiary country, bringing the total to 40, the highest number to date. The country reports in Chapter X provide specific information on AGOA eligibility 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 May 2008, 27 AGOA-eligible countries had instituted acceptable customs measures to prevent illegal transshipment and, accordingly, had been certified for AGOA's textile and apparel benefits. On April 28, 2008, USTR designated The Gambia as eligible for the textile and apparel benefits provided under the AGOA. Annex A contains a list of eligible countries for AGOA and those that had met requirements for textiles and apparel benefits as of May 2008. This information can also be found at <http://www.agoa.gov>.

Product Eligibility

Essentially all products of AGOA beneficiary countries may enter the United States duty-free, either under AGOA, GSP, or under a non-preference (normal-trade-relations) zero rate of duty.

In 2007, over 98 percent of U.S. imports from AGOA beneficiary countries entered duty-free. In the few cases where U.S. tariff rate quotas (TRQs) exist – for sugar, tobacco, peanuts, beef, and some dairy products – goods of AGOA beneficiary countries enter duty-free within the quota, but remain subject to any over-quota duties for shipments above the applicable quantitative limit. Products are eligible for preferential access to the U.S. market from AGOA-eligible countries in three ways:

- First, AGOA extends the GSP program (which covers 4,650 products) for beneficiary countries through September 30, 2015. For sub-Saharan African 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 application of the GSP's competitive need limitation for beneficiary countries in sub-Saharan Africa.

- Second, AGOA grants 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 and other items have been added since then.
- Third, separate AGOA provisions grant duty-free treatment to qualifying apparel articles of beneficiary sub-Saharan African countries; textile or apparel articles that are determined to be handloomed, handmade or folklore items, or ethnic printed fabrics; and certain textiles or textile articles (e.g., towels, sheets, blankets, floor coverings) originating entirely in one or more lesser-developed AGOA beneficiary countries.

As a result of these provisions, very few products of beneficiary countries are not eligible for duty-free treatment. Ineligible items currently include certain steel products, canned peaches and apricots, and dehydrated garlic. The full list of products from AGOA beneficiaries that may enter the U.S. duty-free may be found in the AGOA Implementation Guide⁶ available at the website: www.ustr.gov.

AGOA Rules-of-Origin Requirements

For non-apparel items to be eligible for duty-free treatment under AGOA, they must be the growth, product, or manufacture of a beneficiary country, and the sum of the cost or value of materials produced in the beneficiary country plus the direct costs of processing must equal at least 35 percent of the appraised value of the article at the time of entry into the United States.

AGOA Apparel and Textile Benefits

AGOA provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries through 2015. Qualifying articles include:

- Apparel made of U.S. yarns and fabrics;
- Apparel made of sub-Saharan African yarns and fabrics, subject to a cap until 2015;
- Apparel made in a lesser-developed sub-Saharan African country of third-country yarns and fabrics, subject to a cap until 2012;
- Apparel made of yarns and fabrics not produced in commercial quantities in the United States;
- Certain cashmere and merino wool sweaters;
- Eligible handloomed, handmade, or folklore articles; or ethnic printed fabrics; and
- Textiles and textile articles (e.g., towels, sheets, blankets, floor coverings) produced entirely in one or more designated lesser-developed sub-Saharan African countries.

⁶ The AGOA Implementation Guide is available at:
http://www.ustr.gov/assets/Trade_Development/Preference_Programs/AGOA/AGOA_Implementation_Guide/asset_upload_file146_6512.pdf

Special Rule for Apparel Applying to Lesser-Developed AGOA Countries

Through September 30, 2012, lesser-developed beneficiary sub-Saharan African countries may use third-country fabric and yarn in apparel wholly assembled in their countries and still qualify for duty-free and quota-free treatment. Exports under the Special Rule are subject to a cap (see below for details on the cap). Lesser-developed countries are those with a per capita gross national product of less than \$1500 a year in 1998 as measured by the International Bank for Reconstruction and Development. Botswana and Namibia continue to receive lesser-developed country status and are eligible for application of the Special Rule.

Other Textile and Apparel Provisions

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

- Determination of the annual cap on imports of apparel that is assembled in beneficiary countries from fabric formed in beneficiary countries from yarn originating either in the United States or in beneficiary countries. Through September 30, 2012, the statute permits lesser-developed beneficiary countries to obtain preferential treatment for apparel assembled in beneficiary countries from third-country fabric (Special Rule);
- 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 and quota-free;
- A “tariff snapback” in the event that a surge in imports of certain 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 AGOA; and
- Determination of whether exporters have engaged in transshipment, and to deny benefits to such exporters for a period of five years.

Regional and Third Country 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 in the preceding 12 months. For the year beginning October 1, 2007, the aggregate quantity of imports eligible for preferential treatment under these provisions is an amount not to exceed seven percent of all apparel articles imported into the United States. Of this overall amount, apparel imported under the Special Rule for lesser-developed countries is limited to an amount not to exceed 3.5 percent of apparel imported into the United States in the preceding 12-month period. 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. For the most current data on aggregate imports under the cap, please visit <http://otexa.ita.doc.gov> and click on “AGOA.”

Abundant Supply

AGOA also provides for special rules for fabrics or yarns produced in commercial quantities (or, “abundant supply”) in any designated sub-Saharan African country for use in qualifying apparel articles. Upon receiving a petition from an interested party, the United States International Trade Commission (USITC) will determine the quantity of such fabrics or yarns that must be sourced from the region before applying the third-country fabric provision. The Africa Investment Incentive Act of 2006 (AGOA IV) deemed denim to be available in abundant supply in sub-Saharan Africa in the amount of 30 million SMEs for the year October 1, 2006 through September 30, 2007. The USITC has determined approximately 21 million SMEs of denim fabric to be in abundant supply beginning on October 1, 2007 until September 30, 2008. Based on these rules, certain apparel goods may be excluded from third-country fabric benefits.

Commercial Availability

Under AGOA, the President is authorized to proclaim duty-free and quota-free benefits for apparel that is both cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary sub-Saharan African 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 CITA authority to make such determinations.⁷

Handloomed/Handmade/Folklore Articles/Ethnic Printed Fabrics

AGOA provides duty-free and quota-free benefits for handloomed, handmade, and folklore articles, and ethnic printed fabrics made in beneficiary sub-Saharan African countries. This provision is known as “Category 9”. In Executive Order 13191 and Presidential Proclamation 7912, the President authorized CITA, after consultation with the Commissioner of Customs and Border Protection, to consult with beneficiary sub-Saharan African countries and to determine which, if any, textile and apparel goods shall be treated as being handloomed, handmade, or folklore articles, or ethnic printed fabrics. As of April 2008, Botswana, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mozambique, Namibia, Niger, Nigeria, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania and Zambia have been approved for the handloomed and the handmade provisions of Category 9. Mali, Niger, Nigeria, South Africa and Tanzania have been approved for ethnic printed fabrics.

Instructions for Beneficiary Country Governments to Apply for Approval of AGOA Category 9 benefits can be found at <http://web.ita.doc.gov/tacgi/eamain.nsf/OTEXA/agoa>.

⁷ For details on products that receive duty-free treatment under the AGOA, please visit <http://otexa.ita.doc.gov> and click on “Commercial Availability.”

Textile and Textile Articles

AGOA IV expanded AGOA benefits to textile articles originating entirely in one or lesser developed beneficiary sub-Saharan African countries. This new provision will extend preferential treatment to textile articles such as fibers, yarns, fabrics, and made-up goods (i.e., towels, sheets, blankets, floor coverings) and will be implemented by incorporation into the AGOA Visa Arrangements.

AGOA Implementation and Outreach

In February 2008, President Bush visited five countries in sub-Saharan Africa – Benin, Ghana, Liberia, Rwanda, and Tanzania – and met with the heads of state of these countries to discuss ways to enhance the U.S.-Africa partnership. The tour also featured discussions on trade under AGOA. The President met with private sector and civil society representatives and received first-hand information on the successes and challenges of exporting to the United States under AGOA.

In meetings with African heads of state, trade ministers, and other government and private sector officials, Ambassador Schwab and other senior U.S. government officials discussed AGOA-related opportunities for both sub-Saharan Africa and the United States and ways in which countries can maximize AGOA benefits. In July 2007, Ambassador Schwab led the U.S. delegation to the AGOA Forum in Ghana, which included representatives from the State Department, the Commerce Department, the Treasury Department, the U.S. Department of Agriculture, and other U.S. government agencies. Ministers and senior officials from almost all AGOA beneficiary countries participated, as well as private sector and civil society representatives from the United States and AGOA countries.

In March 2008, USTR in close collaboration with USAID, the West Africa Trade Hub and the U.S. Embassies in Nouakchott, Mauritania and Monrovia, Liberia, convened AGOA workshops in Mauritania and Liberia which provided an examination of AGOA and its opportunities, the local business climate, and impediments to trade. The workshops focused on specific sectors (e.g., seafood, rubber, wood, handicrafts), the needs of small and medium-sized businesses, and trade financing. Local businesspeople participated in each seminar and offered their own experiences of trading with the United States as case studies. More than 50 entrepreneurs participated in each country workshop as well as other stakeholders, including the Ministers of Commerce, heads of the investment and business promotion agencies, and numerous other senior government and business representatives.

In addition to extensive outreach efforts by officials from Washington, DC, 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:

- Embassy Conakry and the West Africa Trade Hub supported a series of AGOA Days throughout Guinea sponsored by the AGOA Network in Guinea. The AGOA Days

resulted in increased awareness of AGOA, the formation of local AGOA sub-networks in the interior regions of Guinea, and expansion of the AGOA Network to include hundreds of local businesses.

- Close collaboration between the Southern Africa Trade Hub and Embassy Port Louis has resulted in several deals between Mauritian and U.S. firms that promote the diversification of Mauritian AGOA exports to the U.S. market. A U.S. importer/distributor of gourmet foods signed private label deals with two Mauritian processing food companies to distribute jam and fruit candies and specialty salt. Moreover, the February 2007 visit to Mauritius by the Hub's Trade Competitiveness Director resulted in the participation of five local food processing companies in the July 2007 Fancy Food Show in New York. Two of these companies subsequently received orders, while the other companies are negotiating deals with contacts made during the show.
- Embassy Maseru conducted a study of Lesotho's potential export growth sectors, to assist Lesotho with diversifying its exports to the United States under AGOA and reducing its dependence on apparel exports. The study identified three potential export growth sectors: blue-agave aloe cosmetics, canned foods, and handicrafts. The Embassy worked closely with Lesotho's "Smart Partnership" office and with the Southern Africa Trade Hub to conduct outreach workshops to reach a wide group of stakeholders involved in the identified sectors.
- Embassy Kampala nominated two local women artists to attend training workshops in March 2008 to help them expand their businesses through specialized training in marketing, product development, and access to international distribution chains. The program is intended to help local artisans access the U.S. market.
- A non-profit organization which teaches women – primarily those who are HIV/AIDS affected and/or from northern Uganda – to make bead necklaces and other pieces of jewelry using recycled paper, while also focusing on other life skills, has begun exporting beads to the United States under AGOA. The organization received much positive media attention, including a feature on the Oprah Winfrey Show, allowing the company to reinvest over \$2 million in Uganda with the profits from their sales.
- In early 2008, the U.S. Embassy in Ouagadougou teamed up with the Burkinabe Chamber of Commerce and Industry to promote awareness of AGOA throughout Burkina Faso. The Embassy Economic Officer traveled with representatives of the Chamber of Commerce to 11 commercial centers throughout the country to give presentations on AGOA and the services of the West Africa Trade Hub. Attendance at every session exceeded capacity. The program sparked interest in increasing trade with the United States. Burkina Faso sent delegations to the United States Department of Agriculture-sponsored Trade and Investment Mission in Accra, Ghana as well as several trade shows in the United States.

V. Economic and Trade Overview

A. Economic Growth

In 2007, sub-Saharan African economies grew by an estimated 6.1 percent, which was lower than average developing country growth, but above average world growth. According to the World Bank, sub-Saharan Africa experienced its fastest pace of growth in more than three decades.⁸ Growth within sub-Saharan Africa was broad-based with both oil-exporting and oil-importing countries across most regions experiencing economic growth. According to the International Monetary Fund (IMF), many sub-Saharan African countries benefited from improved terms of trade, policies to enhance macroeconomic stability, fewer armed conflicts, and political and social stability.⁹

Growth in oil-exporting countries remained strong, rising to 8.1 percent in 2007 from 6.7 percent in 2006. High growth in Angola and Sudan drove growth among the oil-exporting countries. Despite disruptions in Nigeria's oil production, the Nigerian economy (the second largest in sub-Saharan Africa) grew slightly, due to strong performance in its non-oil sectors (primarily agriculture and financial services).¹⁰

Due to the large relative size of the South African economy, economic growth in South Africa drove growth among the oil-importing countries. Excluding South Africa, growth among oil-importers in sub-Saharan Africa remained strong at 5.3 percent in 2007.¹¹ Growth among East African countries (Tanzania, Kenya, Madagascar and Uganda) was strong due to expansions in a variety of sectors including tourism, transport and communications, agriculture, mining, and construction.¹² Growth in the West African Economic and Monetary Union (UEMOA) region rose to 3.7 percent in 2007, with growth rates above 4.0 percent in five of the eight economies.¹³ Inadequate energy supplies and problems in several agricultural subsectors prevented growth in the UEMOA countries from increasing further.¹⁴ The IMF estimates that inflation in sub-Saharan Africa remained in the 6-9 percent range for the first time in decades.¹⁵ In many countries, despite rising commodity prices, continued progress with macroeconomic stability and reforms in most countries helped keep inflation relatively stable.¹⁶

The World Bank's outlook for the short-term is positive, with projected economic growth in sub-Saharan Africa of 6.4 percent in 2008 and 5.8 percent in 2009. Over the longer term, continued economic growth will depend on several factors including the possibility of a

⁸ *Global Economic Prospects 2008: Technology Diffusion in the Developing World*, 193.

⁹ *Regional Economic Outlook: Sub-Saharan Africa*, 1 (Washington, DC: International Monetary Fund, October 2007).

¹⁰ *Global Economic Prospects 2008: Technology Diffusion in the Developing World*, 197-198.

¹¹ *Global Economic Prospects 2008: Technology Diffusion in the Developing World*, 193.

¹² *Global Economic Prospects 2008: Technology Diffusion in the Developing World*, 198-199.

¹³ *Global Economic Prospects 2008: Technology Diffusion in the Developing World*, 199.

¹⁴ *Global Economic Prospects 2008: Technology Diffusion in the Developing World*, 199.

¹⁵ *Regional Economic Outlook: Sub-Saharan Africa*, 5.

¹⁶ *Regional Economic Outlook: Sub-Saharan Africa*, 5-6.

slowdown in the global economy, commodity price changes (higher oil prices and/or lower non-oil commodity prices), and political and social stability.¹⁷

B. Africa's Global Trade¹⁸

Sub-Saharan Africa's total merchandise imports continued to increase in 2006 (the latest year available), growing 24.3 percent to \$214.6 billion, compared to slightly lower growth of 20.5 percent in 2005. South Africa and Nigeria accounted for almost half of sub-Saharan Africa's total imports with a 45.4 percent share. In 2006, South Africa's imports increased by 25.4 percent to \$68.0 billion, and Nigeria's imports increased by 20.0 percent to \$29.4 billion. Based on a review of some of the major suppliers to sub-Saharan Africa, a range of sectors appear to account for the growth in sub-Saharan Africa's imports, including electrical and other machinery, refined oil, telecommunications equipment, vehicles, aircraft, iron and steel products, pharmaceutical products, medical equipment, apparel, footwear, ocean tankers, and wheat.¹⁹

Sub-Saharan Africa's total merchandise exports were \$208.1 billion in 2006, a 17.6 percent increase, although lower than the 27.3 percent increase in 2005. In 2006, South Africa and Nigeria accounted for 50.7 percent of sub-Saharan Africa's total exports. South Africa's exports were virtually unchanged at \$51.6 billion and Nigeria's exports grew by 23.8 percent to \$53.8 billion.

Sub-Saharan Africa's 17.6 percent increase in exports outpaced total world export growth, which was 15.3 percent, but lagged slightly behind developing country export growth, which was 20.2 percent. Sub-Saharan Africa accounted for only 1.74 percent of world trade in 2006, slightly higher than its 1.66 percent share in 2005.

Shares of Africa's Import and Export Markets

Sub-Saharan Africa accounts for slightly more than one percent of U.S. merchandise exports, and slightly more than three percent of U.S. merchandise imports, of which about 81 percent are petroleum products. Similarly, sub-Saharan Africa accounts for a little more than one percent of both EU merchandise exports and imports. The United States is Africa's largest single country market, purchasing 29.5 percent of the region's exports in 2006. China came in second at 12.6 percent, and the United Kingdom was third at 6.2 percent. The EU purchased 32.0 percent of sub-Saharan Africa's exports, down from 34.6 percent in 2005. China increased its share of African exports by almost two percent to 12.6 percent.

- The U.S. market share in sub-Saharan Africa fell slightly in 2006 to 5.6 percent, with \$12.1 billion in exports to the region.

¹⁷ *Regional Economic Outlook: Sub-Saharan Africa*, 19-20.

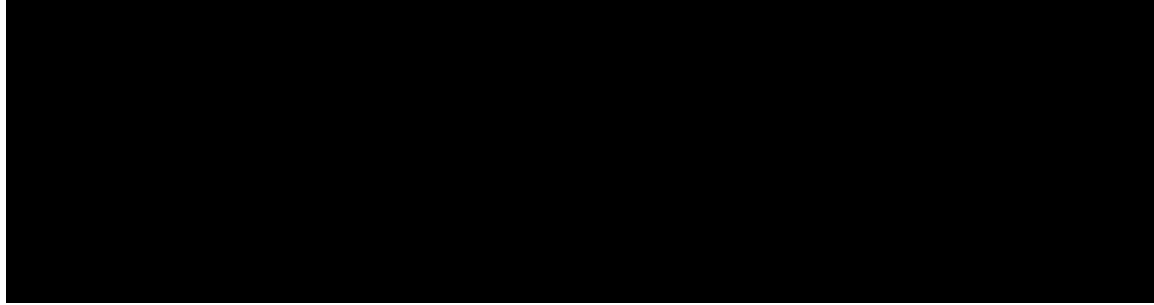
¹⁸ Unless otherwise noted, the data in this section is derived from the *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund, September 2007).

¹⁹ Based on a review of European Union, United States, China, Japan, and South Africa trade data in the World Trade Atlas.

- In 2006, China continued to be the largest individual country exporter to sub-Saharan Africa with a growing market share of 8.9 percent and \$19.0 billion in exports to the region. China's exports to the region grew by 41.8 percent in 2006 compared to 2005. Increased shipments of electrical and other machinery, vehicles (mainly motorcycles), woven fabrics, iron and steel products, woven and knit apparel, and footwear comprised the largest share of China's growth in shipments to sub-Saharan Africa.
- The market share in sub-Saharan Africa of the EU decreased to 29.0 percent.
- South Africa's share of the African market declined to 3.4 percent from 4.0 percent in 2005. South Africa exported more than Japan, Italy, and Spain to sub-Saharan Africa, with exports to the region of \$7.3 billion in 2006, growing by 6.4 percent from 2005.

<i>Sub-Saharan Africa's Principal Trading Partners</i>				
<i>(\$ Billions and Market Share)</i>				
	<u>2005</u>	<u>% Share</u>	<u>2006</u>	<u>% Share</u>
<u><i>Sub-Saharan Africa's Imports</i></u>				
<i>China</i>	<i>13.4</i>	<i>7.8%</i>	<i>19.0</i>	<i>8.9%</i>
<i>Germany</i>	<i>11.7</i>	<i>6.8%</i>	<i>13.0</i>	<i>6.1%</i>
<i>United States</i>	<i>10.3</i>	<i>6.0%</i>	<i>12.1</i>	<i>5.6%</i>
<i>France</i>	<i>10.8</i>	<i>6.3%</i>	<i>11.3</i>	<i>5.3%</i>
<i>United Kingdom</i>	<i>8.1</i>	<i>4.7%</i>	<i>8.9</i>	<i>4.1%</i>
<i>Japan</i>	<i>6.3</i>	<i>3.6%</i>	<i>7.2</i>	<i>3.3%</i>
<i>Italy</i>	<i>4.8</i>	<i>2.8%</i>	<i>5.5</i>	<i>2.6%</i>
<i>Spain</i>	<i>2.4</i>	<i>1.4%</i>	<i>2.7</i>	<i>1.3%</i>
<i>Total EU</i>	<i>54.7</i>	<i>31.7%</i>	<i>62.3</i>	<i>29.0%</i>
<u><i>Sub-Saharan Africa's Exports</i></u>				
<i>United States</i>	<i>52.4</i>	<i>29.6%</i>	<i>61.5</i>	<i>29.5%</i>
<i>China</i>	<i>19.3</i>	<i>10.9%</i>	<i>26.3</i>	<i>12.6%</i>
<i>United Kingdom</i>	<i>12.6</i>	<i>7.1%</i>	<i>13.0</i>	<i>6.2%</i>
<i>Japan</i>	<i>9.4</i>	<i>5.3%</i>	<i>12.5</i>	<i>6.0%</i>
<i>Spain</i>	<i>9.3</i>	<i>5.2%</i>	<i>10.8</i>	<i>5.2%</i>
<i>France</i>	<i>8.6</i>	<i>4.9%</i>	<i>9.2</i>	<i>4.4%</i>
<i>Germany</i>	<i>7.1</i>	<i>4.0%</i>	<i>8.5</i>	<i>4.1%</i>
<i>Italy</i>	<i>6.3</i>	<i>3.6%</i>	<i>7.4</i>	<i>3.6%</i>
<i>Total EU</i>	<i>61.2</i>	<i>34.6%</i>	<i>66.7</i>	<i>32.0%</i>
<i>Source: Derived from IMF <u>Direction of Trade Statistics Yearbook</u>, 2007</i>				

C. Trade with the United States



U.S. total trade with sub-Saharan Africa (exports plus imports) increased 15 percent in 2007, as both exports and imports grew. U.S. exports increased by 19 percent to \$14.4 billion, driven by growth in vehicles and parts, parts for oil field equipment, wheat, non-crude oil, and medical equipment. U.S. imports in 2007 increased by 14 percent to \$67.4 billion, mainly due to an increase in crude oil imports. Trade between the United States and sub-Saharan Africa is concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

- Of the top five African destinations for U.S. products, exports to South Africa rose by 24 percent, to Nigeria by 25 percent, to Kenya by 11 percent, and to Gabon by 253 percent (due to a large sale of platforms for offshore oil drilling during the first quarter of 2007). U.S. exports to Angola declined by 17 percent, mainly due to a decline in aircraft sales to the country.
- U.S. imports from the oil producing countries grew in almost every case with imports from Nigeria growing by 18 percent (showing a recovery from earlier in 2007), Angola by seven percent, Gabon by 60 percent, Chad by 12 percent, and Equatorial Guinea by three percent. Imports from the Republic of Congo decreased by slightly less than one percent. U.S. imports from South Africa continued to show strong growth of 21 percent, driven by increased imports across several product groups including platinum, diamonds, ferroalloys, vehicles and parts, catalytic converters, and crude oil.
- In 2007, U.S. imports under AGOA were \$51.1 billion, 15 percent more than in 2006.²⁰ This figure includes duty-free imports from AGOA-eligible countries under both the GSP program and GSP as expanded under AGOA, and textile and apparel items imported duty-free and quota-free under AGOA provisions.
- Petroleum products continued to account for the largest portion of AGOA imports with a 93 percent share of overall AGOA imports. With these fuel products excluded, AGOA imports were \$3.4 billion in 2007, increasing by seven percent compared to 2006. AGOA textiles and apparel imports remained unchanged at \$1.3 billion, AGOA minerals

²⁰ Note that AGOA imports are imports for consumption, while all other import figures are general imports. Imports for consumption include only those goods as they enter the U.S. economy for consumption. General imports include all goods as they cross the U.S. border, including those destined for bonded warehouses or foreign trade zones.

and metals imports increased by 34 percent to \$796.3 million, AGOA transportation equipment rose by 19 percent to \$588.5 million, AGOA chemicals and related products increased by eight percent to \$308.9 million, and AGOA agricultural product imports fell by 25 percent to \$271.5 million.

- In 2007, 34 countries exported products to the United States under AGOA. The top five AGOA beneficiary countries included Angola, Chad, Gabon, Nigeria, and South Africa. However, several countries expanded their AGOA exports including Botswana, Cameroon, Republic of Congo, Democratic Republic of the Congo, Ethiopia, Ghana, Madagascar, Rwanda, and Tanzania. Other leading AGOA beneficiaries included Kenya, Lesotho, Mauritius, Malawi, Namibia, Swaziland, and Uganda. The following are some examples of recent AGOA-related trade and investments that occurred in selected beneficiary countries:
 - Last summer, 600 producers across Mali, mostly tailors and cloth dyers, produced thousands of handbags made from traditional mud cloth for a large U.S. greeting-card company. The order, which included bags and bead strands for greeting cards, was one of the largest single handicrafts purchases ever made in Mali.
 - A company in Ghana is supplying home décor items to a number of U.S. companies. Another Ghanaian company negotiated an order for approximately 50,000 beads with a major U.S. importer of bead products. Two companies in Ghana are supplying specialty shea butter products to a U.S.-based fair-trade retail chain. About 120 women in northern Ghana supply the bulk of the shea butter inputs for these companies.
 - A Senegalese company is exporting processed seafood products to the United States. With more shipments scheduled for this year, the company is expanding its factory size and plans to double its workforce to increase its production of processed seafood.
 - A company in Uganda is exporting high-end T-shirts made of 100% organic Uganda cotton to the United States under AGOA. The company is vertically-integrated and specializes in the production of organic apparel items.
 - The floriculture sector in Ethiopia is growing rapidly. According to some estimates, export revenues in this sector have risen by a factor of six in the past five years. Exports to the U.S. for these products, are up considerably, increasing from just \$400,000 in 2006 to almost \$2 million in 2007.
 - Two firms in Swaziland have significantly expanded exports of processed agricultural products to the United States. One firm increased its production capacity by over 17 percent and created more than 200 new jobs. The second firm tripled its production and hired over 200 new workers. The firms buy the bulk of their fruit from local growers with the balance imported from Mozambique and South Africa, providing additional employment and expansion regionally in the agriculture sector.

- The U.S. merchandise trade deficit with sub-Saharan Africa continued to widen in 2007 to \$53.0 billion, from \$47.0 billion in 2006. Nigeria, Angola, South Africa, and the Republic of Congo accounted for 90 percent of the U.S. trade deficit with sub-Saharan Africa in 2007.

D. Investment and Debt

Investment

Foreign direct investment (FDI) flows to sub-Saharan Africa decreased to \$15.8 billion in 2006 from \$18.4 billion in 2005.²¹ As a result, sub-Saharan Africa's share of developing-country FDI inflows decreased to 4.2 percent in 2006 from 5.9 percent in 2005. Much of this decline, however, was due to a \$6.6 billion decline in FDI inflows to South Africa. In 2005, the acquisition of the Amalgamated Bank of South Africa (ABSA) by Barclays Bank of the United Kingdom contributed to a spike in FDI inflows to South Africa of over \$6 billion. No such large equity deal occurred in 2006, and in fact FDI inflows to South Africa were negative due to the sale of a foreign equity stake in a South African gold-mining company to a local South African firm.²² In other parts of sub-Saharan Africa strong growth in commodity prices brought significant expansions in oil, gas and mining activities.

The growth of FDI flows to many African countries reflects the positive policy steps that these countries have taken to open their economies to foreign investment. The range of policy measures includes: liberalization in specific sectors such as telecommunications and banking; improvement and/or establishment of processes to assist foreign investors such as a "one-stop-shop" for investors or the reduction of the amount of time it takes to register a business; and the establishment of specialized investment zones or specific tax incentives geared towards investors. However, improvements in the investment climate need to be coupled with improvements in local capacities, especially in labor skills and technology, in order to spur increases in FDI in the manufacturing sector over the longer-term.²³

In 2006, the top five FDI recipient countries in sub-Saharan Africa were Nigeria (\$5.4 billion), Sudan (\$3.5 billion), Equatorial Guinea (\$1.7 billion), Chad (\$700 million) and Ghana (\$435 million).²⁴ The oil and mining sectors were the main FDI recipients in these countries as investors sought new mining locations in response to rising global demand and higher commodity prices.²⁵ The telecommunications sectors in some sub-Saharan African countries also attracted smaller increases in FDI flows.²⁶

The leading sources of FDI flows to sub-Saharan Africa include the United Kingdom, the United States, Germany, and France. At year-end 2006 (most recent data available), the U.S.

²¹ UNCTAD 2007 World Investment Report

²² *Ibid.*

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ *Ibid.*

direct investment position²⁷ rose 8.4 percent from 2005, to \$13.8 billion. U.S. investment supported trade with the region and enhanced U.S.-African business partnerships.

The Asia region, particularly China, has increased FDI flows to sub-Saharan Africa in recent years. In 2005, China's investment position in sub-Saharan Africa rose to \$1.3 billion from \$45.9 million in 1990.²⁸ Chinese FDI is directed primarily into natural resource extraction, but a significant portion has gone into the manufacturing sector as well.²⁹

External Debt

Sub-Saharan Africa's external debt continued to decline in 2007 as a result of comprehensive debt relief from the Heavily Indebted Poor Countries Initiative (HIPC), the Multilateral Debt Relief Initiative (MDRI), and the Paris Club agreement with Nigeria. Reflecting these factors and strong GDP growth, sub-Saharan Africa external debt, excluding South Africa, declined to 25 percent of GDP.³⁰

To date, 27 sub-Saharan African countries (Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of the Congo, Ethiopia, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, 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 coming due. Nineteen of these countries have reached the HIPC Completion Point, qualifying for a reduction in their stock of debt. Of the 19, two were added in 2007 (The Gambia, and São Tomé and Príncipe) and three were added in 2006 (Cameroon, Malawi, and Sierra Leone) while the other 14 countries (Benin, Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda, and Zambia) had qualified in previous years.

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 thus far contributed a total of \$675 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.

For countries that complete the HIPC process, based on performance on economic policies and poverty reduction efforts, the landmark MDRI aims to more conclusively achieve debt sustainability and end the lend-and-forgive cycle, by providing 100 percent debt cancellation on eligible obligations to the IMF, the International Development Association (IDA), and the African Development Fund (AfDF). Under the MDRI, the 19 sub-Saharan African countries

²⁷ ²⁷ The U.S. direct investment position is the net book value (i.e. the historical value) of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates. A foreign affiliate is a foreign business enterprise in which a single U.S. investor owns at least 10 percent of the voting securities, or the equivalent

²⁸ UNCTAD *Asia Foreign Direct Investment in Africa*.

²⁹ *Ibid.*

³⁰ IMF's *Sub-Saharan Africa Regional Economic Outlook, Spring 2007, page 14*

that have reached their HIPC Completion Points have received 100 percent debt cancellation on eligible debts from these three institutions. The remaining eight Decision Point countries will be eligible for MDRI debt relief when they reach Completion Point. Overall debt reduction for these countries, including from traditional mechanisms, HIPC, MDRI, and additional bilateral relief provided by some creditors, will reduce their debt stock by over 90 percent.³¹

E. Economic Reforms

In 2007, sub-Saharan Africa continued its positive trend over the past several years, demonstrated by improved GDP growth, lower inflation, increased investment and higher productivity in most countries in the region. Most of these countries are harnessing the benefits of AGOA and successfully implementing economic reforms, and benefiting from fewer conflicts and increased political stability in the region.

While macroeconomic policies have been improving, much work is still needed to improve the ease of doing business. In the World Bank's "Doing Business in 2008" report, sub-Saharan Africa dropped from the third fastest region in pace of reform to the fourth, but remained ahead of East Asia and the Pacific, and Latin America and the Caribbean. Two sub-Saharan African countries – Ghana and Kenya – were among the top 10 reformers, while Mauritius, Madagascar, Mozambique, and Burkina Faso made significant improvements. Sub-Saharan African countries at the top of the World Bank's "Doing Business Indicators" list include Mauritius, South Africa, Namibia, Botswana, and Kenya.

F. Regional Economic Integration

The United States continued to support regional integration efforts in sub-Saharan Africa through a number of trade-related initiatives designed to build capacity and strengthen trade and investment relations in the region (see Chapter VII, Section D for more information on trade capacity building assistance related to regional economic integration).

The major regional organizations in sub-Saharan Africa include: (i) the African Union (AU), with 53 member states; (ii) the Central African Economic and Monetary Community (known by its French acronym, CEMAC), with six members, all also members of ECCAS; (iii) the Common Market for Eastern and Southern Africa (COMESA), with 19 members; (iv) the East African Community (EAC), with five members, all also members of SADC or COMESA; (v) the Economic Community of Central African States (ECCAS, also known by its French acronym CEEAC), with 10 members; (vi) the Economic Community of West African States (ECOWAS), with 15 members; (vii) the West African Economic and Monetary Union (known by its French acronym, UEMOA) with eight members, all also members of ECOWAS; (viii) the Southern African Development Community (SADC), with 14 members; and (ix) the Southern African Customs Union (SACU), with five members, all also members of SADC. (See Annex C for a list of member countries in each regional organization).

³¹ *HIPC and MDRI Status of Implementation*, September 2007.

AU: The AU continued to play a coordinating role on trade issues in the past year. It organized a meeting of trade and finance ministers in Addis Ababa in March 2008 to discuss African positions in the WTO's Doha negotiations and the Economic Partnership Agreement (EPA) negotiations between the EU and African sub-regional organizations. The AU administered the African Peer Review Mechanism (APRM), a voluntary program under the New Partnership for Africa's Development (NEPAD) through which a country's economic, political, corporate and social governance is reviewed by the country itself and peers, and a national action plan to address shortcomings is developed. As of April 2008, 27 countries had signed onto the APRM. Fourteen countries had launched reviews, with five countries (Kenya, Rwanda, Ghana, South Africa, and Algeria) having completed reviews, published and tabled findings within APRM mechanisms. Kenya, Rwanda and Ghana continued to work toward implementation of their respective APRM-National Programs of Action.

CEMAC: CEMAC continued to focus on improving security and infrastructure in the region. Roads linking Gabon, Cameroon, Chad, and Equatorial Guinea were completed, and financing was obtained from the African Development Bank, the World Bank, the European Union and the French Development Agency to develop the Douala-Bangui and Douala-Ndjamena road corridors. CEMAC tourism ministers are developing strategies to promote tourism in the region, including a joint hotel management school. Member states made progress on issuing a common passport, though development of a regional airline has run into significant delays.

COMESA: As of May 2008, 13 COMESA countries had joined the COMESA Free Trade Area and eliminated tariffs on items produced in member countries. A committee was established to finalize guidelines on enhancing regional trade and cooperation and to address differences in the regulatory and procedural requirements of member states. COMESA aims to launch a customs union by December 2008. One issue to be resolved relates to the participation of EAC members in the COMESA Customs Union. COMESA is making efforts to harmonize its customs union with those being developed by SADC and EAC.

The EU continued negotiations on an Economic Partnership Agreement (EPA) with eastern and southern Africa countries, including member countries in COMESA, the EAC, and SADC. After the EAC decided to conclude a separate EPA, several of the remaining ESA countries concluded a framework agreement with the EU relating only to trade in goods, which is to be replaced by a comprehensive EPA by July 2009. The framework agreement comprises separate national tariff offers and exclusion lists but common text on other areas. A February 2008 Ministerial in Lusaka discussed coordination between the ESA countries that signed the framework agreement (Comoros, Madagascar, Mauritius, Seychelles, Zimbabwe), the EAC, SADC, and the EU. According to the EU, a main challenge for the EPA negotiations is the overlapping membership of various regional integration organizations with diverging integration agendas.

The United States has provided technical assistance to support COMESA's integration efforts, including assistance on trade and WTO matters; capacity building for institutional strengthening of key management systems within the COMESA Secretariat; 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. The United States signed a TIFA with COMESA in 2001 to promote regional integration. The most recent U.S.-COMESA TIFA Council meeting was held in April 2008 and focused on U.S.-COMESA trade and investment, AGOA implementation, trade capacity building, investment, trade-related infrastructure, and the WTO's Doha round negotiations.

EAC: In January 2005, the EAC established a new Customs Union that simplified and harmonized the tariff structure of the then-three EAC member countries. While the new Customs Union appears to have generally lowered EAC member tariffs vis-à-vis other countries, it increased tariffs on some products deemed "sensitive," including products of special export interest to the United States, such as used clothing, almonds, and certain wheat and corn products. Rwanda and Burundi joined the EAC in 2007. The EAC countries decided in November 2007 to form a separate EPA region for negotiating with the EU. An interim agreement was initialed that could lead to a full EPA in 2008.

ECCAS: ECCAS maintained its focus on regional security and peacekeeping initiatives during 2006 and the early part of 2007. The ECCAS charter focuses on strengthening economic and monetary integration, as well as establishing cooperative political and social arrangements among members. ECCAS members also traveled to India and China to explore opportunities for trade and to promote investment.

ECOWAS: ECOWAS plans to create a customs union with a common external tariff (CET) by 2008 and a West African Monetary Zone with a common currency by 2009. At the January 2006 ECOWAS Summit, member countries approved a proposed four-band tariff regime that would conform ECOWAS' common external tariff with the UEMOA tariff regime. The new common tariff was intended to be operational in January 2008, but a proposal put forward by a member country to adopt a fifth-band has delayed implementation of the CET. In March 2007, regional stakeholders agreed on harmonized draft supplementary acts adopting the ECOWAS Community rules on competition and investment. In December 2007, the EU initialed Interim EPA agreements with Ghana and Cote d'Ivoire, but other ECOWAS members, led by Senegal, have resisted a deal.

The United States continued to support integration in ECOWAS through a number of means, including ongoing support for the West Africa Power Pool, building on the West African Gas Pipeline project that will deliver natural gas from Nigeria to Benin, Togo and Ghana. The Power Pool aims to integrate and strengthen energy infrastructure and regulation among ECOWAS member states for lower cost and more reliable power. (See Chapter VIII. Section D). In support of ECOWAS' regional integration efforts, USAID/West Africa has funded advisors to support the adoption of the CET.

SACU: In July 2006, SACU signed an FTA with the European Free Trade Association (EFTA). The agreement entered into force in May 2008. In 2004, SACU signed a Preferential Trade Agreement with MERCOSUR. That agreement is expected to enter into effect by December 2008. SACU is currently in negotiations with India about a possible FTA. The first round of negotiations took place in October 2007, and the second round in February 2008. A possible FTA with China has also been discussed. As part of SADC, four

SACU countries (Botswana, Lesotho, Namibia, and Swaziland) have also signed an interim EPA with the EU, which entered into effect on January 1, 2008. Negotiations still need to be completed on the treatment of services and a number of concerns need to be resolved. Moreover, South Africa, which has its own free trade agreement with the EU, broke ranks and opted out of the EPA at the end of 2007, and Article 31 of SACU states that member states may not enter into new preferential trade agreements with third parties without the consent of other members.

After negotiations for a United States-SACU FTA were suspended in 2006, largely due to divergent views on the scope and level of ambition for the FTA, the United States and SACU agreed to pursue a TIDCA that would establish a forum for consultative discussions on a wide range of trade and investment issues. A Consultative Group will oversee the implementation of the TIDCA and provide a framework for working on a range of trade-related agreements, cooperative programs, and other collaborative work. An FTA remains a longer-term objective for both the United States and SACU.

SADC: SADC aims to create an FTA by 2008 as a step toward achieving a customs union and a common market. EU discussions with SADC on an EPA focused on regional integration issues, technical barriers to trade, and sanitary and phytosanitary standards. Some SADC members are negotiating an EPA with the EU under the SADC framework, and other SADC members are negotiating with the EU under the COMESA framework. Therefore, overlapping membership in the various regional organizations has become a major challenge in the SADC EPA negotiations. Negotiating under the SADC configuration, four of the five SACU members, Botswana, Namibia, Swaziland and Lesotho, signed an interim EPA with the EU that entered into effect on January 1, 2008. The EPA will provide duty- and quota-free access on goods to the EU markets. Negotiations still need to be completed on the treatment of services and a number of issues need to be resolved.

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. A joint ECOWAS/UEMOA management committee met in July 2006 to develop a roadmap for the planned harmonization of their common external tariff (CET). The new regime was intended to be operational in January 2008, however a proposal put forward by an ECOWAS member country to adopt a five-band tariff regime has delayed implementation of the CET. In November 2006, UEMOA held a ministerial session, at which the ministers adopted a declaration advocating the immediate resumption of WTO negotiations and agreed on a number of specific decisions on EPAs, aid for trade, and various aspects of the Doha negotiations including agriculture and services. The United States signed a TIFA with UEMOA in 2002. The next TIFA Council meeting will be held in the second half of 2008.

G. Africa and the WTO

Supporting African countries' integration into the global economy is one of the main elements of the Administration's Africa trade policy. An important step toward this end is encouraging fuller participation in the WTO by African Members, including undertaking greater commitments under WTO agreements. Accordingly, the United States consults closely with the 38 sub-Saharan African Members of the WTO and provides technical assistance to facilitate African participation in WTO negotiations and agreements.

The United States has provided sub-Saharan African countries with technical assistance and TCB support on a range of WTO-related issues such as trade facilitation, services, and sanitary and phytosanitary measures, in coordination with the WTO, the World Bank and other international financial institutions, the Integrated Framework, and via bilateral assistance.

WTO issues continued to be a major topic of USTR's engagement with African countries in 2007. At the July 2007 AGOA Forum in Ghana, U.S. Trade Representative Schwab participated in a panel discussion with African trade ministers on Doha and other topics. Deputy USTR Allgeier and Assistant USTR for Africa Liser attended the LDC Trade Ministerial in Lesotho in February 2008. Doha was also a major topic of discussion during TIFA Council meetings in 2007-08 with Ghana, Mauritius, Nigeria, Rwanda and COMESA.

Among the Doha issues that figured prominently in U.S.-African discussions in 2007 were agriculture, non-agricultural market access (NAMA), and development-related issues, including Aid for Trade and duty-free, quota-free market access for LDC products in developed country markets.

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 Chapter IX) 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. The United States has also provided technical assistance to support the WTO accession efforts of Cape Verde and Ethiopia. The WTO General Council approved the terms for Cape Verde's membership in the WTO on December 18, 2007.

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 General Agreement on Tariffs and Trade (1994) in order to permit the United States to provide duty-free treatment for certain eligible products from AGOA beneficiary countries. In March 2007, the United States submitted a revised waiver request taking into account changes to AGOA introduced by AGOA IV. As of May 2008, WTO Members were still consulting with the United States on the AGOA waiver request.

VI. Trade Agreements with Sub-Saharan African Countries

A. Overview

Section 116 of AGOA calls for the negotiation of free trade agreements (FTAs) with countries in sub-Saharan Africa. An FTA with a sub-Saharan African trading partner would provide guaranteed access to the U.S. market and support sub-Saharan Africa's long-term investment, economic growth, and development. An FTA would also help to support sub-Saharan African countries' economic reform efforts, further Africa's integration into the global economy, and lower the perceived risk of investing in Africa.

The United States currently has no FTAs with countries in sub-Saharan Africa. Given sub-Saharan Africa's specific circumstances, including its generally low levels of economic, administrative, and regulatory development, many countries in the region are not currently in a position to enact the types of policies and reforms that would be required for a comprehensive, high standard FTA with the United States. In view of the near-term challenges of completing FTAs with sub-Saharan African partners, the Administration is pursuing alternative means of strengthening our trade and investment relationships with key African partners, including trade and investment framework agreements (TIFAs), bilateral investment treaties (BITs), and a proposed trade, investment, and development cooperative agreement (TIDCA).

The Administration is using TIFAs, BITs, and the proposed TIDCA to expand market access, strengthen the links between trade and economic development strategies, encourage greater foreign investment, and promote regional economic integration and growth. The objective is to use these mechanisms to transition from U.S.-Africa trade and investment relationships based on one-way trade preferences to deeper, more reciprocal partnerships, such as that established by an FTA.

The Administration will continue to explore the potential for FTAs with sub-Saharan African countries, particularly if Congress extends Trade Promotion Authority. In further exploring FTAs and other agreements with sub-Saharan African countries, the Administration will consult closely with Congress and with other constituencies, including the business community.

B. U.S. -SACU Trade, Investment, and Development Cooperative Agreement

The United States began FTA negotiations with the Southern African Customs Union (SACU) – comprising Botswana, Lesotho, Namibia, Swaziland, and South Africa – in June 2003. Active FTA negotiations were suspended in April 2006, largely due to divergent views on the scope and level of ambition for the FTA. Nonetheless, an FTA remains a long-term objective for both the United States and SACU. Meanwhile, as a means of deepening U.S.-SACU trade and economic relations, the United States and SACU are negotiating a new type of agreement – called a Trade, Investment, and Development Cooperative Agreement (TIDCA). The proposed U.S.-SACU TIDCA would be a framework for trade and investment promoting activities that could provide the “building blocks” for the future

resumption of FTA negotiations, while allowing the United States and SACU to take meaningful interim steps toward improving their trade and investment relationship.

The U.S.-SACU TIDCA would establish a forum for consultative discussions on a wide range of trade and investment issues, including, but not limited to, FTA issues. The proposed TIDCA would establish a Consultative Council that would oversee the implementation of the TIDCA, set up working groups and monitor progress toward the negotiation of various trade- and investment-related agreements. The United States and SACU hope to sign the TIDCA in 2008.

C. Trade and Investment Framework Agreements

TIFAs are important tools for strengthening economic relations with key countries and regional organizations. They provide a formal mechanism to address bilateral trade issues and to help enhance trade and investment relations between the United States and key sub-Saharan African trade and investment partners. The United States currently has nine TIFA partners in sub-Saharan Africa: Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, COMESA, and UEMOA, with six of these TIFAs launched since 2001. The Administration is using its TIFAs with sub-Saharan African countries to encourage new trade and investment by implementing country- and region-specific strategies that promote trade and investment. From May 2007 to April 2008, the Administration held high-level TIFA Council meetings with Liberia, Rwanda, Nigeria, Ghana, COMESA, and Mauritius.

D. Bilateral Investment Treaties

Investment is critical for Africa's development. U.S. BITs help protect U.S. investment and promote economic growth by advancing important reforms and encouraging the adoption of liberal policies that facilitate and support foreign investment. U.S. BITs establish a framework of reciprocal protections that include nondiscriminatory treatment, free transfer of investment-related funds, prompt, adequate, and effective compensation in the event of an expropriation, and transparency in governance. U.S. BITs also give investors the right to bring investment disputes to neutral, international arbitration panels.

At the start of 2008, the United States had five BIT partners in sub-Saharan Africa: Cameroon, the Democratic Republic of the Congo, Senegal, the Republic of the Congo, and Mozambique. On February 19, 2008, President Bush and Rwandan President Kagame signed the United States-Rwanda BIT. This BIT will enter into force following approval of the Treaty by the United States Senate and the Rwanda Parliament. The Administration will continue to explore the possibility of launching BIT negotiations with other African countries.

VII. Trade Capacity Building

A. Overview

Trade Capacity Building (TCB) assistance is a key element of the Administration's strategy to promote economic growth through trade and to enable developing countries to negotiate and implement market-opening and reform-oriented trade agreements. TCB helps to improve the linkage between trade and development by assisting developing countries to build the physical, human, and institutional capacity necessary to take full advantage of trade opportunities and thereby increase growth and reduce poverty.

Helping AGOA beneficiary countries to improve their capacity to trade and to make the most of the opportunities offered under AGOA has been a major focus of U.S. TCB programs. The United States committed nearly \$505 million in assistance to sub-Saharan Africa in FY2007, a 26 percent increase over FY2006. Cumulative U.S. TCB to sub-Saharan Africa from FY2001 to FY2007 totaled nearly \$1.6 billion.

In FY2007, the Millennium Challenge Corporation (MCC) was the largest source of U.S. Government TCB funding for sub-Saharan Africa, obligating \$376 million to fund trade-related programs proposed by Ghana and Mali in their MCC compacts. In 2007, the MCC Board approved compacts with three sub-Saharan nations – Lesotho, Mozambique and Tanzania – with a total funding commitment of approximately \$1.57 billion in economic growth projects in the coming years, including significant TCB components. In December 2007, the MCC Board selected Malawi to be eligible to negotiate a compact for development assistance with MCC. (See Chapter VII.C. for more on MCC.)

USAID is the second leading source of U.S. TCB funding for sub-Saharan Africa and the main on-the-ground implementer of such assistance. The primary vehicle for USAID AGOA-related TCB is the African Global Competitiveness Initiative (AGCI), which was launched in FY2006 and which will provide \$200 million in funding over five years to support expanded African trade and improved African export competitiveness. (See Chapter VII. D for more on the AGCI and other USAID TCB programs.)

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, through USAID, is also providing a wide range of support for the Integrated Framework (IF) initiative, a multi-agency, multi-donor program involving the World Bank, WTO, IMF, UNDP and other donor organizations that help least-developed countries to expand their participation in the global economy and to enhance their economic growth and poverty reduction strategies. Thirty-three sub-Saharan African countries have benefited to date from the IF or are targeted for assistance under it.

TCB is an important element of U.S. engagement with West African countries to address their concerns related to the international cotton trade. The United States actively

participates in the WTO Secretariat's periodic meetings with donors and recipient countries to discuss the development and reform aspects of cotton (i.e. issues such as productivity, means to improve marketing of and value-addition to African cotton, and the impact of African domestic policies affecting cotton) and continues to mobilize its development agencies to support cotton-related initiatives and to address the obstacles faced by West African countries in the cotton sector, particularly in Benin, Burkina Faso, Chad, Mali and Senegal. The United States will continue to coordinate multilateral efforts to address the development aspects of cotton. On a bilateral level, MCC, the State Department, USAID, USTR, USDA, and the U.S. Trade and Development Agency continue to work together on a coherent long-term development program based on West African needs

The \$27 million West Africa Cotton Improvement Program (WACIP), first announced in 2005 and funded by USAID, is designed to help improve production, transformation, and marketing of cotton in West Africa, based on U.S.-funded assessments of the sector. The activities under WACIP are implemented through a partnership with U.S. agriculture universities, numerous regional organizations, government agencies, farmer organizations, and private businesses. A key element of WACIP is the identification of specific policy priorities through National Advisory Committees (NACs). These committees composed of stakeholders in each country, held meetings in Benin, Burkina Faso, Mali and Chad in 2007. The NACs identified key areas of policy and institutional reform on which WACIP should focus. The outcomes of these activities inform the NACs as they identify actual policies to be addressed and how.

The U.S. Government also provides complementary support to the cotton sector through other programs. During 2007, MCC began implementation of compacts with Benin and Mali representing over \$750 million in development assistance to be distributed in the coming years, much of which is allocated to agricultural and infrastructure investment. MCC is also currently negotiating a compact with Burkina Faso.

B. Office of the U.S. Trade Representative

USTR works closely with all U.S. agencies involved in TCB to ensure that U.S.-sponsored TCB assistance is comprehensive and responsive to both African needs and U.S. trade policy objectives. In addition, USTR was actively involved in 2007 in the planning and implementation of many U.S. TCB programs in sub-Saharan Africa, especially those related to AGOA and the WTO's Doha Development Agenda. For example, USTR worked closely with the West African Trade Hub and the U.S. Embassies in Nouakchott, Mauritania and Monrovia, Liberia to hold AGOA familiarization workshops in these two countries in March 2008. See Section IV.B for more information on these workshops at other AGOA outreach activities.

The United States, through USTR, continues to provide strong leadership to achieve the goals of the WTO's Doha Development Agenda that focus on integrating developing countries into the international trading system and enabling them to benefit further from global trade. The United States participates in the WTO's Aid for Trade Task Force and the Integrated Framework Task Force, which seek to operationalize the efforts to help the least trade-active countries participate in the global trading system.

C. Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) was established by the United States in 2004 “to provide greater resources for developing countries taking greater responsibility for their own development.” MCC was the source of \$376 million of the total \$505 million of U.S. TCB assistance for sub-Saharan Africa in FY2007.

By selecting countries based on independent policy indicators, MCC rewards low³² and lower middle³³ income countries that demonstrate a strong commitment to investing in their people, ruling justly, encouraging economic freedom, and promoting sustainable natural resource management policies. By giving eligible countries the opportunity to identify their own priorities and develop their own proposals for reducing poverty and spurring economic growth, MCC enables countries to address long-term development obstacles, including in the area of trade. MCC provides two different kinds of monetary assistance – compact agreements and threshold agreements. A “compact” is a fully-funded, multi-year agreement between the MCC and an eligible country that lays out objectives, projects, and responsibilities in a major program targeted to reduce poverty and stimulate economic growth. A “threshold program” is a smaller grant designed to assist countries that are on the “threshold” of qualifying for a compact to improve their performance on the eligibility criteria for compact funding.

In February 2008, President Bush and Tanzanian President Kikwete signed a compact in Dar es Salaam, Tanzania, bringing to eight the total number of MCC compacts signed with sub-Saharan African countries. MCC signed compacts with Lesotho and Mozambique in July 2007 and has ongoing compacts with Benin, Cape Verde, Ghana, Madagascar, and Mali. The MCC has committed more than \$3.1 billion to economic growth and poverty reduction programs through these eight agreements, with TCB-related assistance being a major element of each compact. The MCC is in the process of developing compacts with Burkina Faso, Malawi, Namibia and Senegal.

MCC has implemented threshold agreements with Burkina Faso, Kenya, Malawi, Niger, São Tomé and Príncipe, Tanzania, Uganda, and Zambia, for a combined commitment of \$124 million. It is in the process of developing additional Threshold Programs with Mauritania and Rwanda. In part as a result of Threshold Program efforts, Malawi, Burkina Faso and Tanzania achieved compact eligibility.

MCC constantly monitors policy performance in compact-eligible countries against the indicators. MCC’s Board may suspend countries for patterns of actions inconsistent with MCC’s selection criteria. For example, The Gambia, which became eligible in November 2005, was suspended from that status in June 2006.

MCC’s Board of Directors is chaired by the U.S. Secretary of State, and includes the U.S. Secretary of the Treasury (Vice-Chair), the U.S. Trade Representative, the USAID Administrator, the CEO of MCC, and four non-governmental members.

³² “Low” means countries with a per capita annual income equal to or less than \$1,735.

³³ “Lower middle” means countries with a per capita annual income greater than \$1,735 but less than \$3,595.

TCB-related results of MCC programs include the following:

- In Benin, engineering analyses and design for infrastructure improvements and related environmental studies of the Port of Cotonou began in January 2008. MCC support has led to stricter adherence to ISPS (international ship and port security) entrance and other regulations for the Port of Cotonou, leading to greater efficiency, security, and decongestion of the facility. Studies of the demand for financial services and of technological alternatives for the provision of financial services have been completed and form the basis for a competitive grant facility to begin in 2008. Four new microfinance institutions signed agreements with Millennium Challenge Account (MCA)-Benin to be audited. The Center for Arbitration, Mediation, and Conciliation is moving into a larger facility, where it will serve entrepreneurs, merchants, and others by facilitating the resolution of commercial disputes.
- Through the Land Tenure Project in Madagascar and its activities to decentralize land management services, formal property rights are being made accessible to rural farmers for the first time. The project has opened 19 local land management offices and plans to open another 236 offices in 2008. Through the Agricultural Business Investment Project, MCA-Madagascar has provided technical assistance to over 14,300 farmers and facilitated farmer groups in mobilizing microfinance loans worth \$541,000. MCA-Madagascar has established six Agricultural Business Centers. These centers provide rural entrepreneurs with training and technical assistance on agribusiness technology, accessing credit and management skills.
- The value-added tax registration process in Zambia has been reduced from 21 days to three days. The business registration process at the Patents and Companies Registration Office has been reduced from 10 days to one, effectively reducing the number of days to start a business in Zambia from 35 to less than 10.
- MCC sponsored a sovereign credit rating for Malawi, which was recently upgraded from CCC+ to B-. A higher sovereign credit rating indicates improved financial transparency and practices, which increases a country's prospects for foreign direct investment.

D. U.S. Agency for International Development

USAID is the main on-the-ground implementer of TCB activities in sub-Saharan Africa. USAID's TCB programs build on the opportunities provided in AGOA and complement other multilateral efforts, such as the Integrated Framework. In carrying out its TCB work, USAID cultivates local partnerships to integrate trade into broader development objectives. USAID works with African partners through Missions in 24 countries and assists another 20 African countries from three Regional Missions.

USAID is the second largest USG provider of TCB after MCC, providing \$92.6 million in TCB assistance for sub-Saharan Africa in FY2007. USAID provides TCB through regional and bilateral trade assistance programs and as part of AGCI and the Initiative to End Hunger in Africa (IEHA; see Section VIII.A). The five-year, \$200 million AGCI was designed to

help expand African trade and investment with the United States, with other international trading partners, and regionally within Africa through improving the competitiveness of sub-Saharan African enterprises. AGCI's objectives are: 1) to improve the business climate for private sector-led trade and investment; 2) to strengthen the knowledge and skills of sub-Saharan African private sector enterprises to take advantage of market opportunities; 3) to increase access to financial services for trade and investment; and 4) to facilitate investments in infrastructure.

The AGCI works with host-country governments and private sector partners through four USAID-funded and -managed regional Trade Hubs for Global Competitiveness, located in Gaborone, Botswana; Nairobi, Kenya; Accra, Ghana; and Dakar, Senegal. Each Hub is staffed by a team of experts in trade-related fields and responds to region-specific needs. The Hubs serve as a central point where African government agencies, donor and civil society organizations, and the private sector can find information on investment, trade, and business activities in the region, including technical assistance and training opportunities. The Hubs work with regional organizations to increase regional economic integration, reduce barriers to regional trade, and facilitate investment in infrastructure. The Hubs also partner with USAID's bilateral missions on many country-specific TCB activities. Notable achievements for 2007 include \$23.9 million in Hub-assisted AGOA exports for the fiscal year, a reduction in the time that goods spend in transit and customs clearance on some African transport corridors, and increases in African exports of apparel, cut flowers, seafood, and specialty foods. Brief descriptions of recent work by each of the Hubs follow below. Further information about the Hubs can be found on the Internet at www.watradehub.com (for the two hubs in West Africa), www.satradehub.org (for Southern Africa), and www.ecatradehub.com (for Eastern and Central Africa).

In addition to implementing its own development programs, USAID funds and coordinates TCB work by other U.S. Government agencies in Africa. For example, in support of AGOA, USAID contributes to some Africa-focused activities of the Commercial Law Development Program through the Department of Commerce (see Section VII. E.).

East and Central Africa: Competitiveness Hub and Regional USAID Mission

The East and Central Africa (ECA) Global Competitiveness Hub is based in Nairobi, Kenya and is funded and managed by the USAID Regional Mission for East Africa (USAID/EA), also in Nairobi. In 2007, the ECA Hub advanced the objectives of AGOA through targeted training; strategic analysis and planning, including the development of country-specific national AGOA export strategies; firm-level technical assistance; and support for developing trade linkages between African producers and international buyers.

In 2007, the ECA Hub provided AGOA-related training to over 200 individuals and provided firm-level technical assistance to ECA region companies in the apparel and cut flower sectors. It also organized five trade missions to the United States and sponsored 30 companies from the ECA region to exhibit their products, resulting in deals worth over \$7 million. The ECA Hub measures only those deals reported by companies as having been both completed/realized and directly tied to ECA Hub assistance. By that measure, exports

to the United States by ECA Hub-supported companies in the region, many of them first-time entrants in the U.S. market, have totaled over \$21 million since 2004.

In addition to their work in support of AGOA, USAID/EA and the ECA Hub work with local governments and stakeholders to facilitate transportation and customs reforms that reduce the costs of trading in the region. USAID/EA and the ECA Hub work closely with the Common Market for Eastern and Southern Africa (COMESA) and have focused particular attention on improving the flow of trade along the Northern Corridor from Mombasa, Kenya to the Democratic Republic of Congo. As a result of this work, clearance time at the Malaba border crossing between Kenya and Uganda has been reduced by an estimated two and a half days per train and one day per truck; the reduction in trucking time alone is saving about \$40 million per year in transit costs.

In 2007, the ECA Hub, in collaboration with COMESA, continued work on a COMESA Regional Customs Transit Guarantee (RCTG) Scheme that will free up an estimated \$300 million to \$500 million of investment capital. The single Regional Customs Bond Scheme will replace individual national bonds in order to reduce the crippling transportation costs that impact heavily on the region's international trading. As part of its technical assistance to COMESA, the ECA Hub developed the RCTG Management Information System to manage Bond Scheme operations across all participant countries. The Bond Scheme was piloted along the Northern Corridor in 2007. Once fully implemented, it will aid in the faster clearance of vehicles, lower transit costs by an estimated 15-20 percent, release large sums of money that are tied up as a guarantee and/or collateral in commercial banks and insurance companies, improve the collection of duties and taxes, and provide a simple and economical administrative system for transporters and a mechanism for use by sureties, i.e., financial institutions to issue and manage customs bonds.

The Hub also continues to assist in the development of an information technology corridor along the Northern Corridor. In October 2007, the electronic customs interface known as RADDEX was launched between Kenya and Uganda by their respective revenue authorities. This effort is facilitating the exchange of trade and customs information among officials in the sub-region. This data exchange greatly reduces customs clearance time and overall transport time and is directly beneficial not only to Kenya and Uganda, but also eventually to the entire East Africa region, with benefits accruing to the private sector and revenue authorities alike.

Southern Africa: Competitiveness Hub and Regional USAID Mission

The Southern Africa Global Competitiveness Hub (SA Trade Hub) in Gaborone, Botswana, funded through and managed by the USAID/Southern Africa Mission (USAID/Southern Africa) in Pretoria, South Africa, works with the public and private sectors in Southern Africa to increase export volumes, reduce transaction costs, promote competitiveness-enhancing policies, and facilitate investment in infrastructure.

In 2007 the SA Trade Hub conducted an assessment of market linkages and resulting export success attributable to SA Trade Hub interventions. In the two sectors the SA Trade Hub

focuses on in Southern Africa – specialty foods and apparel – more than \$15.8 million in new AGOA-related exports have been achieved via trade shows, business-to-business events, and direct engagement with U.S. buyers. A 2007 business-to-business event organized by the SA Trade Hub in South Africa featured 50 firms from across the continent and generated \$2 million in new deals in the first six months, and an expected \$6 million over the coming year.

In 2007, for the first time, food companies in Southern Africa were featured as part of an “African Pavilion” at the Fancy Foods Show in New York City as part of a concerted effort to present African producers of specialty food products to the trade. Resulting deals are expected in the range of \$5 million over the next two years. These deals include launching an “African Set” in U.S. grocery stores in response to the growing demand for African food products. Also in 2007, the SA Trade Hub sponsored companies from Southern Africa to attend the MAGIC apparel show in Las Vegas. Resulting business from repeated attendance at this show, combined with business-to-business events, is estimated at over \$35 million. In addition, the market linkages program at the SA Trade Hub facilitated new exports from a Botswana furniture producer that was launched in April 2008.

In total, in 2007 the SA Trade Hub cultivated more than 300 new relationships with food and apparel companies in the United States resulting in new exports. The SA Trade Hub also assisted more than 100 companies with requests for export logistics, trained more than 500 firms exporting products into the United States, and facilitated and responded to more than 400 requests from the private sector for information on AGOA.

The SA Trade Hub has also helped to facilitate trade along regional transport corridors by working with governments in the region to develop and implement the “SAD 500,” a multi-purpose goods declaration covering imports, exports, cross-border and transit movements, and all the information necessary for advanced customs clearance and risk management. The SAD 500 reduces paperwork and allows for quicker turnaround times with fewer errors, less confusion, lower costs, and improved trade efficiencies. Building on the SA Trade Hub’s successful pilot of the SAD 500 along the Trans Kalahari Corridor over three years ago, South Africa, Botswana, Namibia and Zambia are now using harmonized customs transit procedures and the SAD 500 as a “through customs” declaration across international borders. The SA Trade Hub is currently assisting in the start-up of the SAD 500 in the remaining countries in the region. The SA Trade Hub is also currently assisting countries in the region to implement electronic data exchange (of the SAD 500 and other information) across borders.

In relation to promoting pro-competitive policies, in early 2007, USAID/Southern Africa and the U.S. Embassy in Gaborone signed an MOU with the Southern Africa Development Community (SADC) to support SADC’s goals of increased trade and open borders within Southern Africa. Since then, the SA Trade Hub has assessed the preparedness of SADC Member States to attain a Free Trade Area in 2008. The Trade Hub has been working with the SADC Secretariat to build its capacity to monitor the implementation of the trade agreement as well as helping SADC Member States to implement their obligations.

Facilitating investment in energy and infrastructure became a new area of activity for the SA Trade Hub in 2007. See Section VIII.E for more information on the SA Trade Hub's activities in these areas.

West Africa: Competitiveness Hubs and Regional USAID Mission

The two Competitiveness Hubs in West Africa – in Accra, Ghana and Dakar, Senegal – work in conjunction with each other and are funded through and managed by the USAID West Africa Mission (USAID/WA), based in Accra. The Accra and Dakar Hubs have assisted firms in 21 West and Central African countries to exhibit at international trade shows, providing firm-specific training on strategies to access the U.S. and other international markets, including information related to quality certifications, packaging, pricing, marketing, and financial management. From October 2006 through September 2007, the West Africa Hubs facilitated nearly \$11 million in exports and helped buyers and sellers make roughly 1500 new business contacts. Specialized training was provided to more than 1000 individuals, of whom 40 percent were women.

Particular success was achieved in 2007 in the seafood sector. The fishing industry is a major employer and source of income in the region, but depletion of the resource base has been a problem. USAID/WA undertook an environmental examination and then facilitated the introduction of the West African Sustainable Seafood Alliance. In 2007, the Trade Hub assisted U.S. buyers interested in marketing sustainable seafood, including the chef of a leading Washington, DC restaurant. Overall, the Dakar Hub has facilitated some \$4 million in fish and seafood export sales in the past year.

In nearly every West African country eligible under AGOA the Hubs have established partnerships with local organizations, such as chambers of commerce, to operate AGOA Resource Centers (ARCs), which serve as information centers for a wide array of information on AGOA. A new ARC is currently envisioned for Liberia and is expected to open in mid-2008. The Hubs have also responded to requests from national governments to train customs and other officials on procedures to comply with AGOA textile visa and certification requirements.

USAID/WA and the Hubs also work with the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (UEMOA) to increase regional trade. Key assistance efforts include facilitating efforts by the trucking industry to stamp out corruption and unnecessary delays on the region's highways with the aim of reducing the region's high freight transportation costs. A map derived from information obtained by the Hubs, and detailing bribes of as much as \$20 per 100 kilometers, was published in local newspapers, as well as in *The Economist* magazine. USAID/WA is now working with trucking associations as they seek to maintain pressure to eliminate such corruption.

USAID/WA programs address some of the key costs of doing business, which have a direct impact on competitiveness, including irregular and costly supplies of electricity and high telecommunications charges. In 2007, USAID/WA joined forces with the African

Development Bank to fund key environmental impact studies that will enable investments connecting Ghana's electricity grid to both Burkina Faso and Mali. Once these and other interconnections are completed, investors will be invited to take advantage of the significant new economies of scale for new generating capacity.

Bilateral Programs under AGCI

Bilateral USAID missions also supported a wide array of programs through the AGCI in support of trade and AGOA. The following are a few examples.

- Ethiopia: The AGOA Plus Program educates the private and public sectors in Ethiopia about AGOA opportunities and provides technical assistance and training to help Ethiopian firms to strengthen their business practices, create market linkages and direct contacts with U.S. buyers, and improve their marketing skills. The program has provided business development services to approximately 250 small and medium enterprises in the garment, leather, handicrafts, flower, and food processing sectors, helping these firms garner \$1 million in new sales. Since AGOA Plus began in 2005, Ethiopia's AGOA/GSP exports increased from \$5.2 million to nearly \$9.0 million in 2007.
- Ghana: The Trade and Investment Program for a Competitive Export Economy (TIPCEE) is a \$30 million agricultural and business development activity that has helped improve the competitiveness of Ghanaian agriculture through activities promoting a fair and transparent import-export regime and trade facilitation. Assistance is tailored to smallholder farmers, firms, industry, and market partners. TIPCEE provides assistance in developing business plans that are export-oriented and contain sound financial management planning, quality control measures, packaging, and marketing strategies. Approximately 90 firms and 2,500 producer groups were assisted and 100,000 producers trained in 2007. The value of Ghanaian exports generated by TIPCEE-assisted firms is estimated at \$75 million.
- Kenya: The Kenya Business Development Services Program (KBDS) is a \$6 million activity to develop the capacity of private sector providers of financial, production and market services in the tree crops and fishery sectors. It also links producers with service providers, and links SMEs with larger commercial firms through long-term supply contracts. KBDS facilitated the creation of two commercial market linkage firms that provide services for negotiating supply contracts, forming smallholder producers into groups to achieve economies of scale, and maintaining a quality management system for large numbers of small farmers. These two firms provide market linkage services in passion fruit, avocados and mangoes to more than 11,425 farmers, five exporters and six processors.
- Mali: The Trade Mali Project has helped Mali improve agriculture production and create new export marketing opportunities for a variety of crops. Exporters now experience decreased delays and fewer "extraordinary taxes and charges" paid on sub-regional exporting routes.

- **Mozambique:** The goal of the Reducing Export and Import Processing Times program is to reduce from 40 days to 20 days the time needed to import to and export from Mozambique. Under the program, a task force of customs officials, importers, exporters, freight forwarders, donors and the Mozambique Ministry of Industry and Trade has been working with a team from the World Bank's Doing Business project to identify policy and regulatory changes to cut transit and customs-clearing costs.
- **Nigeria:** The Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites (MARKETS) program is a \$25 million activity focused on increasing incomes in the agriculture sector by identifying market demand and working with farmers and processors to provide quality, value-added products. The program works with agribusiness firms to strengthen their capacities to become more competitive and capture increasing domestic and foreign market share, and provides an avenue for developing value-added processing. It is projected that gross commodity and value-added sales will be in excess of \$200 million during the life of the project.
- **Rwanda:** The Sustaining Partnerships to Enhance Rural Enterprise and Agribusiness Development (SPREAD) program is \$6 million, five-year activity that builds on previous investments in the specialty coffee sector to develop the industry and make Rwanda a premier source for specialty coffee importers from around the world.
- **Senegal:** The Support for Accelerated Growth and Increased Competitiveness (SAGIC) Program will provide \$3.3 million to improve trade and competitiveness and increase economic development by reducing the number of procedures, time, and the cost of starting a formal business in Senegal.
- **South Africa:** The South African International Business Linkages (SAIBL) program provides business development and training to SMEs engaged in national and international trade in the services and manufacturing sectors and to agricultural SMEs engaged in or seeking to expand into national and international trade. Over \$650 million in trade sales has been reported since 2003, of which over \$81 million were export sales. Of the 525 SMEs assisted, 139 were woman-owned.
- **Uganda:** The Agricultural Productivity Enhancement Program (APEP) is an \$18 million activity that expands rural economic opportunities and increases household income by strengthening the production and marketing of such export commodities as cotton, coffee, maize, vanilla, and flowers. Through October 2006, APEP supported an estimated 270,000 households that experienced a 28 percent rise in household income while nearly 70,000 jobs were created. In addition, over 140,000 acres were cultivated using improved technologies.
- **Zambia:** The Market Access Trade and Enabling Policies (MATEP) Project focuses on identifying foreign markets for Zambian goods and working with exporters to complete transactions in those markets. The Zambia Agribusiness Technical Center assists smallholder producers of high-value products such as coffee and honey through

the provision of expertise, start-up capital, and the forging of market linkages. MATEP also supports participation in trade shows.

E. U.S. Department of Commerce

In July 2007, as an integral part of AGCI, the U.S. Department of Commerce, through its Commercial Law Development Program (CLDP) and its United States Patent and Trademark Office (USPTO), and in consultation with the International Trade Administration's Office of Africa, entered into an agreement with USAID to assist the governments of selected AGOA-eligible countries and African regional economic organizations to strengthen their intellectual property (IP) protection regimes.

CLDP will seek to strengthen IP regimes in West Africa through programs with ECOWAS, Mali, Ghana, and Nigeria; and in Southern Africa, through SADC and South Africa. CLDP has, to date, undertaken assessment visits to Mali, Ghana, and Nigeria. The program envisions the reform and harmonization of legislation; the training of judges, IP officials, and customs officials; coordination of IP enforcement; and increasing public awareness.

In 2007, CLDP conducted assessment visits to Nigeria, Ghana, Mali, and South Africa to meet with government IP, judicial, and customs officials as well as the private sector in order to assess the IP needs of those countries and the West and Southern Africa regions, and determine how they may be addressed through the AGCI.

In order to improve the quality of IP protection in West Africa, in January 2008, CLDP conducted an IP judicial training workshop for the Nigerian federal judiciary and a select group of Ghanaian judges. This workshop succeeded in improving the skills and knowledge of the judiciary necessary to implement the fair and efficient adjudication of IP cases to the WTO TRIPS and other international agreements.

Finally, during the past year, CLDP has served as a catalyst for the development and introduction of new TRIPS-based, draft industrial property legislation in Nigeria. CLDP fostered the public/private partnership of Nigerian lawyers and stakeholders with government officials to overhaul outdated and inadequate trademarks, patents, and plant varieties legislation, introducing draft legislation which, among other improvements, includes criminal enforcement of trademark infringement and protection of service marks. As of early 2008, this legislation was on the floor of the Nigerian Senate.

In 2007 and early 2008, CLDP continued to provide technical assistance to the Angolan judiciary, with a focus on consolidating the automated network at the largest Luanda Provincial Court and training court personnel in partnership with the Portuguese Ministry of Justice.

F. U.S. Department of Agriculture

The U.S. Department of Agriculture (USDA) conducts a wide variety of technical assistance and training programs in sub-Saharan Africa. In 2007, USDA supported the AGOA agenda through the following initiatives and program activities.

USDA has implemented a series of technical assistance activities on sanitary and phytosanitary measures (SPS) in AGOA-eligible countries to support AGOA's development objectives. The program includes capacity building in food safety and plant and animal health systems. The goal is to harmonize SPS regulations with international standard setting bodies and increase export opportunities for plant, horticultural, and animal products to international markets, including the United States. Key objectives include assisting African countries to diversify their economies, support increased agricultural exports, and take advantage of AGOA preferences in the export of agricultural products to the United States. In addition, USDA and USAID are jointly implementing a program to build the SPS capacity of sub-Saharan African countries. This five-year program, which began in September 2006, is funded under AGCI and replaced the previous USDA pest risk assessment program. Under the current program, USDA provides three SPS Advisors to lead USDA's technical assistance programs and provide regulatory guidance to USAID's SPS systems development programs in East, West, and Southern Africa. In addition, USDA collaborated with the U.S. Codex Office to conduct two African regional outreach activities on effective participation and involvement in the United Nations Food and Agriculture Organization's Codex Alimentarius. USDA continued to work with the government of Namibia on steps to approve Namibian meat for export to the United States. USDA also works with the U.S. Environmental Protection Agency and Food and Drug Administration to provide technical assistance for developing biotechnology regulations based on sound science.

USDA's Cochran Fellowship Program provides short-term technical training in the United States for middle- and senior-level public and private professionals. Training programs cover a wide range of topics, including agricultural trade, marketing, management, policy and technology transfer. In 2007, USDA provided training to 113 participants from 14 AGOA-member countries. Since the Cochran Program began in 1984, nearly 1100 participants from 26 sub-Saharan African countries have participated. Examples of recent programs include training in pest risk assessments, food safety, meat inspection, animal disease surveillance, biotechnology, agricultural finance and credit, agricultural and insect pest database maintenance, agricultural and trade policy development, poultry feed formulation, and soy processing and marketing.

The Norman E. Borlaug International Agricultural Science and Technology Program provides short-term scientific collaborative research fellowships for agricultural scientists and policymakers in order to promote food security and economic growth by increasing scientific knowledge and collaborative research. This program provides opportunities to work in one-on-one settings with U.S. and international experts at various institutions, such as U.S. universities, private sector foundations and research centers. In 2007, under the Borlaug Africa-Women in Science Program, funded by USAID, 13 women agricultural scientists from Kenya, Zambia, Uganda, Nigeria, and Mali conducted research related to socioeconomic evaluations of small-holder agriculture and research on food safety and food biotechnology for organics. Since 2005, the Program has provided fellowships to a total of 28 participants from seven AGOA-member countries.

USDA's Faculty Exchange Program (FEP) brings university instructors of agricultural sciences to the United States for four months to upgrade their technical subject knowledge, improve their teaching and research skills, and to develop new and revised courses for introduction at their home institutions. In 2007 FEP began a program in Africa focused on horticultural SPS issues in support of AGOA. The program develops the capacity for workforce education and training in African academic institutions to educate people entering the workforce and to provide in-service training to current and future civil servants involved in trade-related areas such as risk assessment, pest and disease surveillance and detection, horticultural exports, and border inspection. Seven participants from Senegal, Nigeria, Ghana, Uganda, Botswana, and Mauritius completed the program in 2007. FEP will accept 8-12 additional participants from Senegal, Nigeria, Ghana, Ethiopia, Uganda, Zambia, Angola, or Mozambique in 2008. This program receives financial support from the Department of State's AGOA Diversification Fund.

USDA operates the Commodity Credit Corporation's (CCC's) export credit guarantee program with the goal of leveraging financing options that can help African importers access credit to obtain U.S. agricultural products. The Foreign Agricultural Service Credit Program Division is currently working with U.S. government financial institutions including the U.S. Export-Import Bank and the Small Business Administration to determine financial programming options that work for African importers, and in the course of the year will explore program possibilities with OPIC, USAID's Development Credit Authority and other financial institutions, including the Africa Export-Import Bank and the African Development Bank. Helping African food importers is particularly important given the growing concerns in Africa about food security in light of the tight global supply of commodities and high freight costs.

With funding from MCC, USDA has conducted a range of activities to support MCC programs in eight AGOA-eligible countries. These activities include assisting with the review of Ghana's land tenure activity; evaluating the government of Benin's proposal for a fish inspection facility; conducting several watershed management activities in Cape Verde; assessing the wetlands component of the government of Lesotho's compact proposal; developing a program to achieve foot-and-mouth disease free status in Namibia; examining Burkina Faso's SPS legal, institutional and regulatory framework; surveying Madagascar's agricultural statistics system; and monitoring implementation of Mozambique's land tenure program.

The Scientific Cooperation Research Program currently supports 18 long-term research projects with partners in 11 AGOA countries. Examples of joint research activities are in the areas of integrated pest management for high-value, horticultural greenhouse crops for export; the use of plants for phytoremediation (using plants to address environmental problems) and as a biofuel source; and water quality improvement.

The McGovern-Dole International Food for Education and Child Nutrition Program helps support education, child development, and food security. It provides for donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects in low-income, food-deficit countries that are committed

to universal education. In FY2007, USDA programmed \$54.4 million in seven AGOA-member countries under this program.

The Food for Progress (FFP) Program provides U.S. agricultural commodities to developing countries and emerging democracies committed to introducing and expanding free enterprise in the agricultural sector. Commodities are donated to foreign governments, private voluntary organizations, non-profit organizations, cooperatives, or intergovernmental organizations. The commodities are sold, with the proceeds used to fund agricultural development activities. In FY 2007, USDA programmed \$66.7 million in seven AGOA member countries under FFP. Activities included dairy and poultry industry development, cocoa production, farmer training, HIV/AIDS awareness and prevention outreach, small business development, capacity building for farmer organizations, and micro-credit.

In March 2008, USDA led a trade and investment mission to the West and Central Africa regions. Seventeen U.S. agribusinesses participated in the trade mission, representing importers and exporters of seafood, horticulture, agriculture processing, meat and poultry, agriculture equipment, seed industry, general food, beverages, water purification systems and investors. A total of 110 African companies from Benin, Burkina Faso, Cameroon, Ghana, Mali, Nigeria, Sierra Leone and Togo attended events during the mission. The goal of the trade mission was to provide U.S. participants with first-hand market information, access to foreign government decision makers, and one-on-one meetings with business contacts, including potential agents, distributors and partners, so they can position themselves to enter or expand two-way trade and investment in the African market. Initial reports of sales to the United States from participating countries include cassava, fruit juice, processed nuts, seafood, shea butter and spices valued at over \$1.2 million.

G. 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 modern infrastructure and a fair and open trading environment. USTDA activities directly support AGOA implementation by helping to create an enabling environment for increased U.S.-Africa trade and investment.

Recognizing the importance of trade to the region's growth, USTDA worked closely in FY2007 with USTR, other U.S. government agencies, and the regional economic communities in Africa to develop trade capacity in sub-Saharan Africa. The following is a sample of USTDA's AGOA-related TCB activities in 2007:

- Angola Particleboard Production: This USTDA-sponsored feasibility study is supporting investment analysis of a particleboard production facility that would be developed as part of a sustainable forestry project in Benguela Province, Angola. The cost of the \$525,916 feasibility study is shared with a U.S. private-equity group that focuses on investment in sustainable forestry and related manufacturing facilities.

- Burkina Faso Fruit and Vegetable Processing Facility: This \$151,521 feasibility study is assisting a fruit and vegetable exporter in Burkina Faso to improve its pest and pathogen treatment system, as well as to consider an investment in a fruit processing facility. The objective of this assistance is to add more value to Burkina Faso's exports and to develop new export markets in the U.S. and elsewhere.
- Burkina Faso Sanitary and Phytosanitary: This \$320,000 technical assistance activity is assisting the government of Burkina Faso to improve its regulatory regime in the area of sanitary and phytosanitary inspection. USTDA is providing funding for reviewing sanitary and phytosanitary regulations and implementation of a comprehensive training program for inspection staff. Improvement in this area will assist Burkinabé exporters in their efforts to expand into new markets, including in the United States.
- Democratic Republic of the Congo Nzilo 2 Hydropower: This \$553,534 feasibility study is examining the technical and economic viability of the construction of the Nzilo 2 hydropower facility. The project would provide Katanga province with a reliable source of energy that would enable redevelopment of the region's mining industry. Ensuring that the mining industry has adequate power to develop projects and add value to minerals locally is a priority of the Congolese government as it strives to recover from years of civil unrest.

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 VIII, Sections B and C for information on some of these projects, many of which are directly related to TCB.

H. African Development Foundation

The African Development Foundation (ADF) is an independent U.S. Government corporation. ADF's business development activities support micro-, small-, and medium-sized enterprises (including cooperatives and producer associations) that are 100 percent African-owned, legally registered, and have substantial potential for improving incomes of poor people in African communities. The Foundation has a particular interest in serving marginalized or remote rural areas and post-conflict zones. ADF's trade investment program advances the goals of AGOA by increasing the integration of African farmers, processors, and manufacturers in regional and global markets.

Funding Mechanisms

ADF provides financing directly to private enterprises and community-based organizations. The Foundation provides an integrated package from project design through implementation that includes market assessment, strategies, and linkages; technology assessment; financial and social soundness analysis; environment and safety reviews; fixed capital and working

capital; training and technical and managerial assistance; procurement and logistics; and monitoring, participatory evaluation, remediation, and audits.

ADF has two types of assistance mechanisms: 1) Development Investments – up to \$100,000 in support over two years for capacity building, business planning, and limited capital investment; and 2) Expansion Investments – up to \$250,000 in support over five years for established enterprises and organizations with a viable business plan. In FY2008, ADF has budgeted over \$15 million for direct investments and grants for private enterprises and community organizations that meet ADF objectives.

Key factors ADF considers in its business funding decisions include ownership, access to commercial capital or other donor funding, profitability, broad participation of poor and marginalized people (including benefits for workers, farms or enterprises supplying main raw materials, and low-income consumers) in the identification, design, and implementation of projects; environmental impact and occupational safety; and expansion and replication potential.

Operations Summary

ADF operated in 16 sub-Saharan African nations during FY 2007 and had 249 active investments with a current value of \$39.35 million. The trade investment program consisted of 95 active export-oriented projects with a current value of \$15.20 million. The trade investment program comprised approximately 39 percent of the total value of the active ADF portfolio and included 12 countries – Botswana, Cape Verde, Ghana, Mali, Namibia, Niger, Nigeria, Rwanda, Senegal, Tanzania, Uganda, and Zambia.

In FY 2007, ADF obligated \$12.46 million in new investments and \$1.83 million for NGO partner organizations in Africa (including contributions from strategic partnerships in seven countries). Non-U.S. Government sources contributed 25 percent of the total funding for new investments. New obligations for trade and investment projects amounted to \$3.61 million, 29 percent of the total. New export-focused projects were funded in ten countries – Botswana, Ghana, Liberia, Mali, Niger, Nigeria, Rwanda, Tanzania, Uganda, and Zambia.

The active investments in FY 2007 produced a diverse range of export products and services: African clothing and fabrics; coffee, tea and citronella tea; fish and other seafood; fresh and dried fruits and vegetables; spices and natural flavorings; sugar; legumes, nuts, and seeds; edible oil; grains and processed African ethnic foods; hardwood furniture; hand-crafted home décor items; cattle hides and ostrich skins; paints and coatings; and ecotourism. Cumulative export sales from the 27 active investments that have produced exports were \$19.49 million and the average was approximately \$722,000 per project. In addition, other, recently completed projects have generated over \$31 million in exports since receiving ADF financing.

Examples

Some highlights of ADF's trade investment portfolio in FY 2007:

- Rwanda's Gahaya Links successfully filled a large export order for Peace Baskets from Macy's in New York, with Hutu and Tutsi women working side-by-side in associations.
- Mali's MAM Cocktail exhibited its fruit juice drinks made from baobab, tamarind, mango, saba, and lemon fruits and hibiscus flowers at the 2007 Fancy Foods Show in New York.
- Tanzania's Marvelous Batik and Foot Loose Handicrafts displayed products in booths at the compound where the U.S. Presidential delegation stayed during President Bush's February 2008 visit to Tanzania.
- Botswana's Godisa Technologies exhibited its solar-powered battery chargers for hearing aids at the "Design for the Other 90 Percent" exhibition at the Smithsonian's Cooper-Hewitt National Design Museum. The President of Botswana visited the company's workshop.
- The Mtibwa Outgrowers Association project has achieved \$10.95 million in revenue growth for small-scale sugarcane farmers in Tanzania. Two subsequent projects in the same subsector have also shown impressive results. The Kilombero and Ruembe projects have assisted over 5,400 farmers and generated a total of \$15.13 million in increased sales over the baseline level.

I. Other TCB Activities

For more information about TCB activities by U.S. agencies, including some not described in this report, see the TCB Database maintained by USAID at the following web site:

<http://qesdb.cdie.org/tcb/index.html>. Some of the activities described in Chapter VIII have TCB aspects.

VIII. Other Assistance Supportive of AGOA Objectives

A. Initiative to End Hunger in Africa

Launched in 2002, the President's Initiative to End Hunger in Africa (IEHA) is a market-oriented and smallholder-based growth strategy to increase rural incomes in Africa. Since agriculture provides the dominant livelihood for 65 percent or more of Africa's population, achieving high rates of poverty reduction and economic growth will depend on improving the performance of agriculture.

IEHA works directly with African entrepreneurs, including farmers, agribusinesses, and their associations to improve their business skills and ability to participate in policy reform and to enable them to access technology and finance. IEHA activities focus on improving laws, institutions, and policies that facilitate production and increased domestic and regional trade of agricultural products; they also target integration of vulnerable populations into the development process. IEHA funds a variety of public-private partnerships to link producers and processors to markets and sources of improved technology and finance.

IEHA is the vehicle through which the U.S. Government meets its commitments made in the G8 and other international fora to support implementation of the Comprehensive Africa Agricultural Development Program (CAADP), an ambitious and comprehensive agricultural reform effort launched by the African Union and the New Partnership for Africa's Development.

IEHA programs are in Ghana, Kenya, Mali, Mozambique, Nigeria, South Africa, Uganda, and Zambia. In 2007, two "hunger hot spot" countries, Niger and Malawi, were included in IEHA. Regional programs are in West Africa, East Africa, and Southern Africa.

Results of IEHA activities in 2007:

- Over 18 million rural individuals received direct benefit;
- Over 1.7 million vulnerable households received direct benefit;
- More than 12,000 producer, water user, and trade associations received technical assistance;
- More than 1,500 women's organizations received technical assistance;
- Over 3,800 agriculture-related firms benefited;
- IEHA formed nearly 100 new public-private partnerships;
- Overall, intra-regional trade increased from \$228 million in 2006 to \$368 million in 2007, a 61 percent increase;
- Intra-regional trade in maize increased from \$32 million in 2006 to \$76 million in 2007, a 135 percent increase; and
- Intra-regional trade in dairy products increased from \$8 million in 2006 to \$13 million in 2007, a 57 percent increase.

B. Information and Communication Technology Initiatives

USAID Activities

In 2007 USAID's Bureau for Africa expended \$2 million in support of expanding information and communications infrastructure and services in sub-Saharan Africa.

- USAID/East Africa: USAID/Washington allocated \$350,000 to integrate information and communications technologies into efforts to mitigate conflict and enable new livelihoods in the Karamoja Cluster area shared by Kenya, Uganda, and Southern Sudan. The funds helped establish and support existing community radio stations producing "peace radio" programming and funded a design to use the Internet to form these stations into a local-language media network. Internet connectivity was also examined as a source of new opportunities for micro-enterprises. The initiative was implemented by USAID partners working in collaboration with a regional network of community-based organizations involved in community peace building.
- Scaling Rural ICT Access in Sub-Saharan Africa: USAID allocated \$600,000 for targeted assistance on resolving bottleneck issues or responding to opportunities to help rural communications projects scale up to have national or sub-regional impact. With these funds, a rural ICT entrepreneurship training program was piloted in Rwanda, in collaboration with the National University of Rwanda. USAID engaged small Internet service companies in a study of the impact of pooling their buying power to gain savings on bandwidth or equipment costs. The fund also supported the technical design of a next-generation Wimax wireless municipal area network covering Abuja, Nigeria.
- ICT Impact Assessment and Policy Forum: In partnership with USTDA and the State Department, USAID allotted \$100,000 to host ministers and senior telecommunications officials from across sub-Saharan Africa for meetings with US communications policy makers from Congress and the Federal Communications Commission. Ministers discussed ICT public policy; the lessons learned through US technical assistance; and partnering to build Africa's global competitiveness.
- Digital Freedom Initiative University Alliance: The Digital Freedom Initiative is a presidential interagency effort to promote the benefits of ICT in economic growth in the developing world. USAID granted \$100,000 in seed money to the University of Western Cape in South Africa to spearhead a consortium of computer science departments from 12 universities across sub-Saharan Africa so that they may reinforce computer engineering skills across universities and collaborate to develop products and services for African public and private sectors.
- Regional Roaming and High Speed Internet in West Africa: In 2007 USAID allocated \$500,000 to further integration and strengthening of regional Internet service. In partnership with ECOWAS and private sector players from the region and abroad, USAID helped develop key performance indicators for tracking market integration and development across West Africa. Telecommunications regulators and private sector

operators from across the region gathered to develop policies and plans for greater market integration and critical infrastructure needed to enable low-cost regional roaming and expand high-speed Internet across West Africa. A training program for West African telecommunications regulators is ongoing.

- East Africa Telecommunications Market Integration: In partnership with COMESA, USAID spent \$200,000 to design a training and capacity building program for telecommunications regulators. This program focuses on advancing common policies to integrate the East African telecommunications market.

USTDA Activities

In FY2007, USTDA obligated funding for four new sub-Saharan Africa ICT sector activities totaling over \$1 million.

Below is a sampling of USTDA's recent work in the ICT sector:

- IFC Community Phone: This grant of \$456,277 provided technical assistance to implement a community phone project (CPP) centered around Nigeria. This project is being developed in coordination with the International Finance Corporation (IFC). The CPP increased access to telecommunications services in rural African communities, supported the growth of up to 20,000 small and medium enterprises, and demonstrated market potential to African telecoms operators. The IFC managed the technical assistance and the funding was provided through USTDA's Evergreen Trust Fund with the IFC.
- Rwanda Communication Infrastructure Backbone: This \$390,000 grant to the Ministry of Infrastructure is funding a feasibility study for the implementation of a communications infrastructure backbone in Rwanda. The study is focusing on assessing the financial viability, ownership and business operations model. This project is in support of the government of Rwanda's Vision 2020 plan.

C. Transportation Initiatives

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. U.S. agencies have been working to assist African countries in their efforts to improve infrastructure in these sectors.

U.S. Department of Transportation

The U.S. Department of Transportation (DOT) plays a key role in maintaining the strong, interconnected global transportation system vital for economic growth in the United States and abroad. DOT is engaged in a wide range of activities designed to enhance the

transportation capacity and infrastructure of sub-Saharan African countries, thereby facilitating opportunities for trade and economic growth in the region.

Safe Skies for Africa

In 2007, the Safe Skies for Africa Program (“Safe Skies” or SSFA) continued in its mission to promote sustainable improvements in aviation safety in Africa as a means of advancing economic development and increased investment between the United States and Africa. The overarching goal of the program is to increase the number of African nations meeting International Civil Aviation Organization (ICAO) standards for safety and security. Aviation safety and security has been enhanced in each of the countries where equipment and training have been provided. The SSFA program supports a regional approach to the development and implementation of an ICAO-compliant Civil Aviation Authority.

Nigeria Transportation Project

The Nigeria Transportation Project completed its second phase in 2007. The project has focused on four areas: maritime safety and security; aviation safety and security; rehabilitation of the rail system; and the development of oversight and accountability systems. With technical guidance and assistance from DOT, Nigeria finalized and passed amendments to the aviation legislation in 2007 designed to be consistent with ICAO standards. Nigerian aviation experts continued to receive training at FAA’s training facility in Oklahoma City. FAA experts assessed Nigeria’s Civil Aviation Authority and developed a comprehensive training program, where FAA personnel would provide in-country technical assistance twice a month. The Department plans to continue its work with all modes of transportation in Nigeria.

Initiation of Transportation Technology and Data Exchange with Liberia

The Federal Highway Administration (FHWA) participated in the 3rd African Transport Technology Transfer Conference in Malawi in May 2007, where FHWA officials presented two papers and facilitated video conference courses on road safety engineering countermeasures and other topics.

In cooperation with the Office of the Secretary and the FHWA, the Federal Transit Administration (FTA) laid the groundwork for technology and data exchange with Liberia in a meeting with the Minister of Transport in April 2007. Liberia expressed interest in the opportunities afforded by the Department’s international programs. The Minister envisions additional cooperation in technology exchange and data sharing in future years that will address public transportation, highways, rail and ports.

USTDA Activities

The U.S. Trade and Development Agency’s transportation work in sub-Saharan Africa includes projects in the rail, port, and aviation sectors. Additionally, USTDA held an orientation visit to bring key decision makers in the South African transport sector together with U.S. companies and service providers in order to facilitate trade and ensure the

competitiveness of U.S. companies in South African transport. Following is a sampling of recent USTDA projects in these transportation sectors:

- COMESA CNS/ATM- Phase II: This technical assistance grant of \$443,300 to COMESA supports the development of a regional approach to Communications, Navigation, Surveillance/Air Traffic Management (CNS/ATM). This project complements two similar USTDA-financed studies currently being developed with the East African Community and the Southern African Development Community. It is building upon previous USTDA support to COMESA that defined the professional and technical capabilities in the eight countries participating in this technical assistance package.
- Ghana Ports of Tema and Takoradi Master Plans: This feasibility study is providing the government of Ghana with updated and expanded master plans for the Ports of Tema and Takoradi. The \$698,150 feasibility study grant to the Ghana Ports and Harbours Authority is representative of USTDA's goal of encouraging transportation infrastructure development in sub-Saharan Africa. New port developments at Tema and Takoradi will be constructed in order to serve multiple purposes, such as streamlining operations, managing increased container traffic, and facilitating the export and import of bulk goods.
- Mozambique Expansion and Modernization of Airports: This feasibility study grant of \$444,806 is assisting Airports of Mozambique in determining the requirements for expanding and upgrading either the Nacala or Pemba airports. The feasibility study is focusing on market forecasts and technical, financial and legal viability of the project. The project will facilitate the transfer of advanced technology and training of airport staff and will open new opportunities to U.S. suppliers.
- South Africa Transport Sector Orientation Visit: This orientation visit, held in January of 2007, focused on Intelligent Transportation Systems and assisting the South African Department of Transportation to develop its Action Plan in preparation for the 2010 World Cup. The government of South Africa has allocated over \$6 billion for the rebuilding of the country's transportation infrastructure, with over \$494 million being allocated to the preparation of the 2010 World Cup.
- South Africa New Spoornet Locomotives: This \$500,000 grant to the state-owned South African firm Spoornet is being used for management and technical training. Human capacity building is a critical priority for this central player in South Africa's transportation sector, and Spoornet is an important potential partner for U.S. firms.
- Malawi Plan for the Modernization of Civil Aviation: This technical assistance grant of \$460,000 is assisting the Malawi Ministry of Transport and Public Works in establishing an autonomous civil aviation authority with a supportive legal and regulatory framework and adequate institutional capabilities. This is not only benefiting the aviation sector, but is also promoting key economic growth in Malawi.

D. Energy Initiatives

Department of Energy Activities

The U.S. Department of Energy (DOE) co-chaired the session on Energy Infrastructure, Telecommunications, Port Facilities and Aviation at the July 2007 AGOA Forum in Accra, Ghana. The well-attended, interactive event included leading government and private sector representatives from the U.S. and Africa. To follow up on the meeting, DOE is organizing computer modeling capacity building for select West African countries on HEATMAP, an econometric model for energy and environmental planning that quantifies co-generation energy systems, carbon trading schemes, and alternative resource scenario cost comparisons.

With Nigeria, DOE is pursuing regulatory and policy cooperation to encourage greater monetization of flared natural gas from oil production. This cooperation has included reviewing domestic legislation, and partnering with the government to promote rural electrification and energy infrastructure protection.

In February 2008, DOE hosted representatives of the United States-South Africa Joint Committee Meeting on Science and Technology, including members from the South African National Energy Research Institute and the South African Council for Scientific and Industrial Research. The meeting was part of the State Department initiative to reinvigorate the 1995 U.S.-South African Science and Technology Agreement. DOE is pursuing energy modeling, energy efficiency and sustainable energy development activities, including training, capacity building, and technology demonstration interventions to help address South Africa's current energy capacity challenges.

The interagency Geothermal Working Group (GWG), co-chaired by DOE, the State Department, and the East Africa Regional Environment Office at the U.S. Embassy in Ethiopia, sponsored technical assistance on equipment retrofitting in the United States. The GWG also coordinated U.S. Government participation in the African Rift Valley Geothermal Energy Facility Planning Conference in Addis Ababa in November 2007. The conference, sponsored by the World Bank and the United Nations Environment Program, reviewed the selection criteria for tendered awards, announced the winning bid, and provided feedback on proposals to be reconsidered under the next award phase. DOE also organized a side-event entitled "International Partnerships for Geothermal Energy Development in East Africa" at the Washington International Renewable Energy Conference in March 2008.

USAID Activities

Increased availability of low cost, environmentally friendly electricity is critical to quality of life, sustainable economic development, and trade competitiveness in Africa. Africa's four developing regional Power Pools will perform essential functions in the expansion of its electricity infrastructure and in that infrastructure's efficient operation, which is necessary to achieve these objectives. USAID technical assistance has been provided to each Pool over the years.

In 2007, USAID/West Africa continued to provide support to the West African Power Pool (WAPP), an industry organization created by electrical utilities with the goal of increasing investment in the

sector. Assistance was provided: to attract and coordinate financing for development of WAPP's proposed infrastructure development program; to develop financial regulations, an accounting manual, and a code of conduct to make future WAPP financial operations more transparent; and to recruit professional personnel for the WAPP. Technical and management resources have also been provided to assist in development of several regional transmission line projects and cross-border electrification projects. Support has further been provided to a number of WAPP task force projects and workshops to develop WAPP technical capacity to operate the interconnected regional transmission system.

USAID also provides technical assistance to support the West Africa Gas Pipeline Authority, which is providing oversight on behalf of five member governments for the construction of the similarly named natural gas pipeline. The pipeline will soon transport Nigerian natural gas to Ghana, Benin, and Togo for electricity generation.

USAID has also provided technical assistance to the Central African Power Pool (CAPP). USAID funded a major workshop in N'djamena, Chad for the purpose of further developing the draft CAPP Protocol/Decision into a regional electricity code for adoption in fall 2008. USAID is also preparing to install and train Secretariat and member utility staff on a computerized accounting and management information system and a procedures manual to enhance transparency of operation and reporting ability on market operations.

In February 2008, the Regional Energy Regulators Association of Southern African (RERA) and the U.S. Government, represented by the U.S. Embassy in Botswana and USAID/Southern Africa, signed an MOU to facilitate energy-related technical assistance from USAID's Southern African Trade Hub to RERA. RERA, a SADC subsidiary body, aims to facilitate the harmonization of regulatory policies, legislation, standards and practices and to be a platform for effective cooperation among energy regulators within the SADC region. It is expected that an additional MOU will be signed in 2008 between the U.S. Government and the SADC Secretariat concerning technical assistance provided by the Trade Hub to improve transport services within the region.

Assistance from the Southern African Trade Hub also played an important role in the signing of the Framework Agreement for the Moatize Coal Fired Power Plant between the government of Mozambique and an independent power producer in December 2007, a development which will lead to an investment in the Mozambican energy sector of over \$2.7 billion. Trade Hub assistance also contributed to the signing of an agreement between Mozambican authorities and a private developer of the Mpanda Nkuwa Hydro Power Plant. Additionally, in 2007, the Trade Hub facilitated investment of over \$1.5 million in the transport sector. It is expected that similar funding will be leveraged in 2008.

Assistance is also being actively planned for the East African Power Pool to facilitate the negotiation and signing of MOUs and Power Interchange Agreements associated with the coming construction of inter-country high voltage transmission lines between (i) Kenya and Uganda and (ii) Uganda and Rwanda.

E. HIV/AIDS and Malaria Initiatives

HIV/AIDS

2007 will be remembered as the year when African countries first began to see evidence of stabilization (in some cases a decline) in the number of people infected with HIV. The U.S. President's Emergency Plan for AIDS Relief (PEPFAR/Emergency Plan) has been at the forefront, providing financial resources and leadership for comprehensive programs of prevention, treatment and care. The U.S. commitment is the largest ever made by a single nation toward an international health initiative. Originally approved for a five-year, \$15 billion effort, the final funding level will exceed \$18.9 billion.

The Emergency Plan extended assistance to more than 120 countries with focused efforts in 15 high-burden countries, 12 located in Africa. The Emergency Plan has achieved significant results:

- Life saving anti-retroviral treatments are being provided for 1.4 million people (1.33 million in Africa);
- An estimated 3.2 million adult life-years have been saved;
- Prevention programs have reached 57.6 million people who were at risk of acquiring the disease sexually;
- In addition to support for those who choose to abstain from sexual activities, or who practice being faithful to one partner, the U.S. Government has supplied 1.8 billion condoms from 2004 through November 2007;
- More than 10 million women received essential information and counseling to avoid passing the disease to newborns;
- Drugs were provided for 827,000 mothers found to have HIV, and, as a result, 157,000 infant infections were averted;
- Countries were assisted to establish blood safety and screening programs, reducing the risks to those requiring transfusions in 13 focus countries; and
- For 6.7 million people living with AIDS and 2.7 million children who have been orphaned or are vulnerable because of HIV infections in the household, vital, holistic support programs to mitigate the impact of the disease have been provided.

The success of the Emergency Plan is based on partnerships. Partners include the governments committed to the welfare of those afflicted by AIDS; NGOs, including faith and community based organizations; and the private sector. Working together, these partnerships are turning the tide of the HIV/AIDS scourge by building national capacities, strengthening systems, and empowering individuals, communities, and families to tackle AIDS.

Much remains to be done. While the recent downward revisions of people estimated to be living with AIDS worldwide are encouraging, the disease still infects millions each year. Prevention remains the central challenge. President Bush has described the successes in PEPFAR's first five years as "a good start," and he has signaled U.S Government commitment to scale up prevention, care, and treatment efforts by requesting Congressional approval for a second five-year program budgeted at \$30 billion.

The Emergency Plan will build on already productive partnerships with other key international partners. These include the Global Fund to Fight AIDS, Tuberculosis and Malaria; the World Bank; United Nations agencies, led by UNAIDS; other national governments; and, increasingly, the businesses and foundations of the private sector. For more information, please visit the following website: <http://www.state.gov/s/gac/>

Malaria

Economists believe that malaria is responsible for a “growth penalty” of up to 1.3 percent per year in some African countries. When compounded over the years, this penalty leads to substantial differences in GDP between countries with and without malaria and severely constrains the economic growth of the entire region. In 2005, President Bush announced the President’s Malaria Initiative (PMI), a five-year, \$1.2 billion initiative to rapidly scale-up malaria control interventions in 15 high-burden countries in Africa. With an initial commitment of \$30 million in FY2006, funding increased to \$135 million in FY2007, and will increase to \$300 million in each of FYs 2008 and 2009, and to \$500 million in FY 2010.

The goal of PMI is to reduce malaria-related mortality by 50 percent in selected countries and to achieve 85 percent coverage of vulnerable groups with effective treatment and control measures, including insecticide-treated bed nets and indoor residual spraying. After two years of implementation, PMI has reached over 25 million people with interventions for either prevention or treatment of malaria. Prevention activities have included distribution of 4.3 million long-lasting insecticide-treated nets and re-treatment of more than 1.1 million conventional insecticide treated nets. More than 17 million people have been protected through indoor residual spraying activities with PMI’s support. With PMI funds, more than 12 million artemisinin-based combination treatments have been procured in addition to 1.3 million treatments for intermittent preventive treatment of malaria during pregnancy.

For more information, please visit the following website: <http://www.pmi.gov/>

Neglected Tropical Diseases Control Program

In February 2008, President Bush launched a five-year, \$350 million initiative to provide integrated treatment to more than 300 million people in 30 countries in Africa, Asia and Latin America. The Initiative will build on the existing USAID program for Neglected Tropical Diseases (NTDs) by targeting seven major diseases: lymphatic filariasis (elephantiasis); schistosomiasis (snail fever); trachoma (eye infection); onchocerciasis (river blindness); and three soil-transmitted helminthes (hookworm, roundworm, and whipworm). USAID’s NTD Control Program, launched in late 2006, represents one of the first global efforts to integrate existing disease-specific treatment programs for the control of seven NTDs. In its first full year of operation, the USAID program distributed more than 36 million treatments to more than 14 million people in four countries in Africa. U.S. Government funding has already leveraged over \$200 million in one year through generous donations of drugs from several pharmaceutical companies. The United States has quickly become a global leader in the field of integrated NTD control.

F. U.S. Department of Labor

The Department of Labor (DOL) funds and implements a number of international development projects aimed at assisting sub-Saharan African countries to address labor-related issues, such as strengthening industrial relations, promoting workforce development, strengthening social safety nets, improving workplace safety and health, assisting dislocated workers, and combating exploitive child labor. Since 2001, DOL has funded \$191 million for projects in sub-Saharan Africa. DOL currently funds a wide range of projects in Africa in three basic areas:

- **Combating Exploitative Child Labor:** Projects withdraw children from exploitive child labor and prevent other children from engaging in such labor through educational services and vocational training. Beneficiaries include children affected by HIV/AIDS and 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 benefit children by building capacity among local NGOs and governments, gathering information, raising awareness about child labor, improving access to education and health services, and providing alternative income generation for families.
- **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. The focus of these projects includes labor law reform and compliance.
- **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.

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 guaranties, 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 \$2 billion in financing and political-risk insurance to 83 projects and investment funds in sub-Saharan Africa. These projects include:

Africa Investment Funds

OPIC recently committed \$80 million to the South Africa Workforce Housing Fund (formerly known as International Housing Solutions Sector Fund), which has a target

capitalization of \$240 million. The Fund will invest in housing development projects and housing sector companies that will primarily serve the approximately five million South African households whose income is too high to qualify for public sector housing programs, but too low to afford most market rate housing.

In 2007, OPIC issued two separate “Calls for Proposals” in support of U.S. commitments at the June 2007 G8 Summit in Heiligendamm, Germany and President Bush’s Africa Financial Sector Initiative, announced on May 31, 2007. The first Call for Proposals targeted the development of African capital markets. The mandate for the Call was broadly defined to support quality managers focused on expanding the breadth and/or depth of capital markets in Africa through public or private, debt or equity focused strategies. The Call resulted in five board-approved funds representing \$1.35 billion in total capitalization, including up to \$450 million of OPIC support. These five funds are:

- The Africa Catalyst Fund: The Fund will invest in a portfolio of mezzanine finance, public and private equity, public debt, convertible bonds, and private loans to provide growth capital to small and mid-sized enterprises in Africa. The total capitalization of the fund is expected to be \$300 million, including a commitment of up to \$100 million from OPIC;
- The Millennium Global Africa Opportunities Fund: The Fund will invest in a wide range of public and private, debt and equity strategies in Africa, focusing on Anglophone East Africa and Francophone West Africa. The Fund will be opportunistic with a focus on the natural resources, telecom, energy, infrastructure, financials and manufacturing sectors and will seek to achieve superior risk adjusted returns. The total capitalization of the fund is targeted to be \$300 million, including a commitment of up to \$100 million from OPIC;
- The Africa Debt Fund: The Fund will invest in a wide range of public and private debt instruments in Africa. It will build a diversified portfolio of African fixed income investments with low volatility/absolute return characteristics by investing in sovereign and corporate African debt in both the U.S. dollar and local currencies. The Fund will target countries throughout Africa and use the Standard Bank Group’s presence in 18 countries as a direct window into many markets. The total capitalization of the fund is targeted to be \$300 million, including a commitment of up to \$100 million from OPIC;
- Atlantic Coast Regional Fund: The Fund will invest growth equity into companies in West and Central Africa, with a core focus in Angola, Cameroon, Cote d’Ivoire, Democratic Republic of Congo, Gabon, Ghana, Nigeria and Senegal. The total capitalization of the fund is targeted to be \$150 million, including a commitment of up to \$50 million from OPIC; and
- InfraCo Sub-Sahara Infrastructure Fund: The Fund Manager will target green-field development opportunities within the African infrastructure sector, including power, water, sewage, and transportation in some of the region’s least developed countries. In general, the Fund Manager will target equity investments in pre-construction project

development and construction stage financings to achieve long-term capital appreciation. The total capitalization of the fund is expected to be \$300 million, with \$100 million from OPIC.

The second Call for Proposals targeted the development of African Social Development Funds. The mandate of this Call was to seek funds targeting companies making a significant contribution to the social well-being of people in Africa while delivering positive financial returns for investors. The purpose of the Call was to identify qualified fund managers who are able to accomplish both of these objectives. The Call resulted in four board-approved funds representing \$525 million in total capitalization including up to \$210 million of OPIC support. These four funds are:

- AfricInvest Fund II: The Fund Manager will seek to achieve long-term capital appreciation by investing in SMEs in sub-Saharan and North Africa, both growth stage and mature companies, with investment sizes between \$2 million and \$7 million. Specifically, the Fund will target investments in North Africa and sub-Saharan Africa, with a particular emphasis on French West Africa, Nigeria, Ghana, and Kenya. The Fund's total capitalization is targeted to be \$175 million, with up to \$60 million in support from OPIC;
- Africa Healthcare Fund: The Fund will invest in small and medium sized private healthcare delivery businesses in sub-Saharan Africa. Specifically, the Fund will look to invest in companies increasing access to quality, affordable healthcare, such as clinics, hospitals, diagnostic laboratories, medical equipment, pharmaceutical production and distribution, health insurance, and other health service companies. The Fund will initially target investments in Ghana, Kenya, South Africa, and Uganda, and will expand to other OPIC-eligible countries in sub-Saharan Africa. Africa Healthcare Fund has a targeted total Fund capitalization of \$100 million, with an OPIC guarantee of up to \$50 million;
- African Telecoms Media and Technology Fund: The Fund plans to invest in East African technology, media and communications companies, with a focus on underserved urban and rural communities. The Fund Manager's strategy is to first invest in developing an effective broadband infrastructure to serve Kenyan and Tanzanian customers, and simultaneously to invest in related telecom and media businesses in East Africa. The Fund has a targeted total Fund capitalization of \$100 million, with an OPIC guarantee of up to \$50 million; and
- GEF/African Growth Fund: The Fund will provide expansion capital to established, high-growth companies targeting essential supply chain products and services throughout Africa to the consumer goods and services sector, including companies engaged in logistics support, distribution and transportation, light manufacturing, and agro-processing. The Fund's total capitalization is targeted to be \$150 million, with up to \$50 million in support from OPIC.

In addition, OPIC received Board approval for a commitment of up to \$50 million to Capital Alliance Property Investment Company, which will invest in affordable housing projects catering to the lower-middle and upper-middle income segments, commercial, retail, mixed-use and hospitality development projects. The Fund's target capitalization is \$200 million, and it will be investing throughout West Africa with a primary focus in Nigeria.

Currently, OPIC is supporting 14 investment funds in Africa, including those mentioned above, representing \$1 billion in commitments to leverage as much as \$4 billion of new investment in the region.

Insurance and Finance

In addition to the Funds listed above, the Agency is supporting a number of Finance and Insurance projects, including:

Housing & Construction

- PanAfra/Tanzania: In Tanzania, the Pan African Management and Development Company (Panafra) of Cincinnati, Ohio, is using \$575,000 of OPIC insurance coverage to support its minority participation in Mutual Ventures Limited (MVL), a Tanzanian housing construction business that is acquiring and developing land plots in several locations throughout the country. MVL is building low- and middle-income housing units, and related infrastructure and utilities, on the plots. Once constructed, the company will sell the homes and provide assistance to homebuyers in obtaining affordable mortgage financing.
- LACHAMCO/Liberia: In Liberia, LACHAMCO of Brunswick, Maryland is using \$90,000 of OPIC insurance coverage to support the Nationwide Group of Companies, a construction equipment rental business in Liberia. The Nationwide Group serves the many small Liberian construction companies needed to meet the high demand for construction and renovation services. While Liberian companies own some equipment and work with what they have, their projects are frequently delayed due to the lack of appropriate construction equipment. LACHAMCO is consigning construction equipment, including concrete mixers, generators, demolition hammers, compactors, chain saws and other construction equipment and tools to the Nationwide Group.

Telecom

- Cellular Network in Guinea: In December 2007 OPIC committed a \$10 million direct loan to Sable Capital Limited, under a framework agreement, to fund an inter-company loan from Cellcom Telecommunications Inc., a Liberian corporation, to its affiliate, Cellcom Guinea S.A., for a startup cellular network in Guinea.
- Telecoms in Tanzania: OPIC guaranteed \$17.25 million in U.S. dollar and local currency lending to expand cellular telecommunications in Tanzania. As part of the project, Citibank also lent \$5.75 million.

Micro- and SME Finance

- SME Lending in Liberia: OPIC closed the financing and made its first disbursement on a \$20 million loan designed to enable an equal amount of lending to small- and medium-sized enterprises in Liberia. As announced in 2007 in partnership with the RLJ Companies and CHF International, this facility will help to address a critical lack of financing availability to SMEs in post-conflict Liberia.
- Microfinance Lending - Kenya and Uganda: Through its global partnership with Citigroup for lending to microfinance institutions around the world, OPIC supported \$10 million in financing to four projects with local financial institutions in Uganda and Kenya. One of the loans to a Kenyan microfinance institution includes a portion targeted at areas impacted by post-election violence this year.

Extractive Industries

- Mining in Democratic Republic of Congo: OPIC's Board approved a loan guaranty of up to \$250 million to support a copper and cobalt mine in post-conflict Democratic Republic of Congo. The Project involves the development of one of the world's largest, highest-grade undeveloped copper resources in the world.
- Diamonds in Namibia: OPIC committed \$25,200,000 to a new project company which will be wholly-owned by Lazare Kaplan International, Inc. ("LKI"), for a \$36 million project in Namibia to support diamond cutting and polishing under a newly established policy whereby African diamond-producing countries can access and process rough diamonds directly from their mines. The proceeds will be used to purchase rough diamonds, which will be cut and polished by the project company, and sold in cut and polished form by the project sponsor to support the development of a viable cutting and polishing factory in Namibia.

H. Export-Import Bank

When reauthorized by the U.S. Congress in 1997, the Export-Import Bank of the United States (Ex-Im Bank or "the Bank") was mandated to increase financing of U.S. manufactured goods and services to sub-Saharan Africa in a manner consistent with the reasonable assurance of repayment standard. Congress re-affirmed this mandate in the December 2006 reauthorization.

Sub-Saharan Africa continues to be the priority region for the Bank's international business development efforts and the Bank's outreach, both internationally and domestically. In FY 2007, Ex-Im Bank authorized 127 transactions totaling approximately \$434 million in 18 sub-Saharan African countries. This includes the estimated amount of the Bank's working capital guarantee transactions that were made available to support U.S. exports to sub-Saharan Africa, which in FY 2007 totaled 20 transactions and approximately \$48 million in authorizations. In FY 2007, Ex-Im Bank covered \$434 million, or 3.1 percent of U.S.

exports to sub-Saharan Africa.

Africa also took center stage at Ex-Im Bank's 2007 annual meeting when, for the first time ever, a specific country – South Africa – was featured at the opening plenary session.

For the past several years Nigeria has been a special focus of Ex-Im Bank's attention, including the establishment of a Special Delegated Authority program for over \$400 million with 17 Nigerian banks. The Bank organized a successful "Nigeria Roundtable" for U.S. companies in March 2007 and, with the Department of Commerce, organized a "Transport Sector Trade Mission" to Nigeria in November 2007 in which 11 U.S. manufacturers and five U.S.-based lending banks participated.

I. U.S. Department of Commerce

The Department of Commerce's U.S. and Foreign Commercial Service (FCS) conducted a number of AGOA-related activities in the past year. For example, FCS officials participated prominently in the 2007 AGOA Forum, the December 2007 AGOA workshop in Nigeria, and other AGOA-related events. In addition, FCS led a trade mission to Ghana, Nigeria and South Africa in March 2008. The mission attracted 18 participants from 13 companies, which were diverse in size and sector. The FCS delegation met with a number of key public and private sector officials in each of the three countries and followed up on some critical issues on behalf of U.S. companies.

The United States Patent and Trademark Office (USPTO) conducted a number of activities with AGOA-eligible countries in 2007-2008. These initiatives included numerous programs for African participants at the USPTO Global Intellectual Property Academy in Virginia on a wide variety of topics related to intellectual property rights. Participants included officials from Cameroon, Gambia, Ghana, Guinea, Lesotho, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, Swaziland Uganda, and Zambia.

J. U.S. Customs and Border Protection

U.S. Customs and Border Protection (CBP) continued to provide assistance and technical training for sub-Saharan African government officials in 2007, and it is anticipated that this work will continue in 2008. In 2007, CBP officials visited Botswana, Madagascar, Mauritius, and South Africa. During these visits, CBP conducted Textile Production Verification Team (TPVT) visits to 50 different sub-Saharan African apparel manufacturers. Government officials of the host country accompanied CBP on these visits, and CBP team members advised their foreign counterparts on CBP's methods used to verify production.

CBP worked cooperatively with several U.S. and foreign authorities on issues concerning shipments of apparel that entered the United States under AGOA. The main focus of CBP's enforcement actions is on the U.S. importer who makes declarations to CBP as to origin and AGOA duty-free trade benefits. CBP conducted a thorough review of all documentation, including customs declarations, bills of lading, and myriad other documents including invoices and packing lists. Based in part on the assistance from Ghana authorities, CBP seized multiple shipments of socks declared as products of Ghana, with a domestic value of

more than \$1.5 million.

CBP provides advice and assistance to counterpart agencies in all AGOA beneficiary countries eligible to receive apparel benefits in order to help these agencies to properly implement and enforce the requirements of AGOA. Properly administering and utilizing AGOA's rules will help ensure 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.

K. U.S. Small Business Administration

The U.S. Small Business Administration (SBA) continues to support AGOA through technical assistance and transfer of technology. In 2007, the SBA hosted officials from over 32 sub-Saharan African countries who were interested in how SBA develops financial assistance programs and administers them to the business community. In 2007, African officials expressed a particularly strong interest in government contracting and procurement for small business.

SBA is serving as a technical advisor to the Benin Government as it develops an SME business plan as outlined in Benin's compact with the MCC.

In Burkina Faso, SBA is working with the government and private sector to develop a plan of action to support MCC-funded activities to assist women entrepreneurs.

In Nigeria, SBA continues its efforts with the Nigerian Bank of Industry to develop financing mechanisms for SMEs.

IX. U.S.–Sub-Saharan Africa Trade and Economic Cooperation Forum

Section 105 of AGOA institutionalizes a high-level dialogue between officials of the United States and AGOA beneficiary countries. The annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum (“AGOA Forum”) is the Administration’s premier platform to articulate and advance its trade and economic policy toward Africa, to discuss AGOA implementation issues, and to forge closer relationships between the United States and the region. The Forum is traditionally co-hosted by the U.S. Secretaries of State, Treasury, Commerce, and the U.S. Trade Representative, who along with African counterparts, chair various plenary sessions and workshops.

The government of Ghana hosted the 6th AGOA Forum, which was held in Accra, Ghana on July 18-19, 2007. The theme was, “As Trade Grows, Africa Prospers: Optimizing the Benefits under AGOA.” U.S. Trade Representative Susan C. Schwab led the U.S. delegation to the Forum, which included representatives from the Departments of State, Commerce, Treasury, and Agriculture, and other U.S. government agencies, as well as representatives of the private sector and civil society.

In addition to the ministerial-level dialogue, the 6th AGOA Forum encouraged interaction among representatives of governments, non-government entities and the private sector, by combining the traditionally separate events for these groups into one Forum. This bringing together of stakeholders – government, private sector, and civil society – allowed for robust discussions on ways to promote mutually beneficial trade and economic development under AGOA. More than 1,000 delegates attended the 2007 event.

The 7th AGOA Forum will be held in July 2008 in Washington, D.C.

X. 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. Somalia and Sudan have not expressed an interest in receiving the benefits of AGOA and therefore are not reviewed. A list of all 40 countries eligible for AGOA as of May 2008 is contained in Annex A. The AGOA eligibility criteria are provided in Annex B.

ANGOLA

Status: AGOA-eligible.

AGOA Trade: Angola's 2007 AGOA/GSP exports were valued at \$11.7 billion and consisted almost entirely of petroleum products.

Market Economy/Economic Reform/Elimination of Trade Barriers: Angola's economy continued its rapid growth during 2007, with a 24 percent increase in GDP, its fourth consecutive year of double-digit growth. Sustained high oil prices and increased oil production accounted for much of the growth, along with progress on postwar recovery, which involves significant expansion of the construction and agriculture sectors. Angola is benefiting from greater macroeconomic stability, having cut its annual inflation rate from 31 percent in 2004 to 12 percent at the end of 2007. The government discontinued formal negotiations with the IMF for a stand-by monetary program in February 2007, citing its improved macroeconomic indicators, but will continue to receive technical assistance. Since the end of the civil war in 2002, the government has accelerated development of a market-based economy and improved its fiscal management.

Political Pluralism/Rule of Law/Anti Corruption: Power is concentrated in a strong presidency and a Council of Ministers appointed by Angola's president. The 220-member National Assembly generally endorses executive initiatives, although there has been some scrutiny of budgets. A voter registration campaign began in November 2006 and ended in September 2007. Over eight million Angolans registered during the process. Legislative elections have been announced for September 2008. Presidential elections should follow in 2009. Corruption is reportedly pervasive, but the government has taken steps to introduce more transparency in its transactions with the private sector. For example, during its 2006 oil concession bidding rounds, all bids were opened and read aloud publicly. The government does not have management controls to ensure funds are spent properly. However, it is cooperating with the World Bank to implement stricter budget controls designed to prevent off-budget spending. The government announced in 2005 that it intended to join the Extractive Industries Transparency Initiative (EITI), but, as of early 2008, Angola was not participating in the EITI process.

Poverty Reduction: Angola has one of the highest income inequality levels in the world, and its social indicators are also among the worst. The World Bank has noted that Angola has made little progress toward achieving the Millennium Development Goals, despite increased revenues. The government continues to work with the World Bank to finalize a

Poverty Reduction Strategy Paper. Total social spending remains low by regional standards, with health spending in the 2007 government budget decreasing as a percentage of total spending. However, spending on education nearly tripled. The government has given priority to large-scale humanitarian landmine clearance and major infrastructure improvements of rail, road, ports and buildings. Anti-retroviral drugs for HIV/AIDS are now available in all provincial capitals, with the goal of even wider distribution in 2007.

Labor/Child Labor/Human Rights: Angola has ratified all eight core ILO conventions. The constitution provides for the right to form and join trade unions, engage in union activities, and strike. The constitution and law provide for the right of unions to conduct their activities without interference, but the government did not always protect this right. The law prohibits forced or compulsory labor, including by children, but there were unconfirmed reports by international NGOs that such practices occurred. The legal minimum age for apprenticeship is 14 years, and 18 for full employment. Child labor, especially in the informal sector, remained a problem. The government is supporting a USDOL-funded project on the prevention of the worst forms of child labor. The government is making efforts to comply with the minimum standards for the elimination of trafficking in persons, although greater emphasis is needed to protect vulnerable women and children. The government's human rights record remained poor, with reports of unlawful killings and abuse by police, military and private security forces; arbitrary arrest and detention; lengthy pretrial detention; lack of due process; and restrictions on freedom of speech, press, and assembly.

BENIN

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

AGOA Trade: Benin did not export any products under AGOA or GSP in 2007.

Market Economy/Economic Reform/Elimination of Trade Barriers: Benin has adopted market-oriented economic policies and experienced economic growth over the past decade. The economy grew at four percent in 2007, though Benin remains vulnerable to external shocks given its reliance on cotton exports and imported petroleum. Growth is expected to accelerate in 2008, with inflation remaining low. In late 2007, the government adopted fixed prices and reduced taxes on some imported consumer goods in an attempt to roll back inflation. The government was not able to complete the privatization of the cotton parastatal and has not moved to privatize any of the other remaining parastatals. Intellectual property enforcement continues to be a problem.

Political Pluralism/Rule of Law/Anti-Corruption: The international community recognized Benin's March 2006 presidential election and its March 2007 legislative elections as generally free and fair. Municipal elections took place in April 2008. Elections are freely contested by a number of different political parties. The formal structures for the 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 and the settlement of commercial disputes.

The judiciary is independent, but inefficient and reportedly subject to corruption. The government has improved transparency and controls in public spending.

Poverty Reduction: Benin requested an extension of its Poverty Reduction Strategy Plan arrangement until August 2009 to allow the full disbursement of the resources committed to Benin under this program. The World Bank approved \$40 million in June 2007 for a fourth Poverty Reduction Strategy Credit targeting public administration, agriculture, transportation, health, and education. An IMF mission in March 2007 found that the government was meeting all program quantitative performance criteria and indicative targets under Benin's IMF Poverty Reduction and Growth Facility Arrangement. The government recently eliminated fees for primary school students. Benin used its \$307 million MCC compact to improve the flow of goods through the Port of Cotonou and to give greater access to justice, land tenure and finance aims to reduce poverty by stimulating trade, investment and private sector activity.

Labor/Child Labor/Human Rights: Benin has ratified all eight core ILO conventions. Benin's labor law recognizes, and the government respects, the right to form unions and engage in collective bargaining. Several generally independent union confederations operate in Benin. Benin's Labor Code sets the minimum age for work at 14, with children between the ages of 12 and 14 permitted to perform domestic or light work of a temporary or seasonal nature as long as it does not interfere with their compulsory schooling. Child labor remains widespread and domestic and international trafficking in persons, including children, is a problem. The government has a dedicated police unit which investigates crimes against children, including the illegal use of child labor, and has engaged in publicity campaigns to alert the public to its dangers. The government generally respected the human rights of its citizens. However, there were problems in several areas including reports that presidential guards engaged in abuses of citizens for failure to obey instructions when the president's convoy passed. In addition, police occasionally used excessive force, and harsh prison conditions, and arbitrary arrest and detention with prolonged pretrial detention continued.

BOTSWANA

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

AGOA Trade: Botswana's 2007 AGOA/GSP exports were valued at \$32 million and consisted mostly of textile and apparel products, but also included gold necklaces.

Market Economy/Economic Reform/Elimination of Trade Barriers: Botswana has a well-managed and growing economy, with GDP per capita among the highest in the region. The government's main challenge is to diversify the economy away from dependence on the mineral sector, which currently accounts for about 55 percent of government revenue and 80 percent of export earnings. Moody's and Standard and Poor's have given Botswana investment-grade credit ratings reflecting its wealth, low debt, political stability, and the government's commitment to sustainable financial and social policies. The government still plays an important role in the economy through its ownership in many companies such as Air Botswana, Botswana Railways, Botswana Meat Commission, Botswana Power Corporation,

and Botswana Telecommunications Corporation. The government accounts for approximately 40 percent of formal employment. There are few trade or investment barriers, apart from the restrictions on licensing for some business operations that are reserved for citizen-owned and -operated companies. Though the government is committed to creating a regulatory framework favorable to investors, a small private sector and a bureaucratic system of company registration continue to hamper these efforts.

Political Pluralism/Rule of Law/Anti-Corruption: Botswana has been a multiparty constitutional democracy since its independence in 1966. The next general election will take place in 2009. Domestic and international observers characterized the last elections held in October 2004 as generally free and fair. The opposition parties fully participate in the political process, even though they are limited by lack of funds. Botswana has an independent and impartial judicial system that is not subject to executive influence. The under-staffed court system, however, is unable to provide timely trials and suffers from a high number of backlogged cases pending trial. Corruption is not a significant concern for companies operating in Botswana. The Directorate on Corruption and Economic Crime has powers to investigate, arrest, and search and seizure, and is widely recognized as being an effective anti-corruption agency. In 2007, Transparency International ranked Botswana as the least corrupt country in Africa.

Poverty Reduction: Botswana has a mixed record on poverty reduction. It is an upper-middle income country with a gross national income per capita of \$5,900 as of 2006. It fares well in such areas as primary and secondary school enrollment, literacy, spending on health and education, and access to clean water. However, income distribution continues to be a problem, with over 50 percent of the population living on less than \$2 per day, official unemployment of over 17 percent, 30 percent living in poverty, and an enormous HIV/AIDS problem.

Labor/Child Labor/Human Rights: Botswana has ratified all eight core ILO conventions. The law allows workers to form and join unions without excessive requirements. Unions are generally allowed to conduct their activities without interference. However, the law severely restricts the right to strike. The law provides for collective bargaining for unions that have enrolled 25 percent of a company's labor force. The constitution and law prohibit forced and compulsory labor, including by children, and there were no reports that such practices occurred. The law sets the minimum age for basic employment at 14 years, but there were reports of children than 14 working in agriculture and retail. There are special provisions for employing children under the minimum age, who are not attending school and who are employed by family members in light work. For hazardous work, the minimum age is 18 years. The government supported and worked with partners to conduct workshops to raise awareness on child labor and has hosted a child labor conference to advocate against exploitative child labor. The government generally respected the human rights of its citizens. Among the human rights problems reported during the year were abuse of detainees by security forces, lengthy delays in the judicial process, and restrictions on press freedom.

BURKINA FASO

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

AGOA Trade: Burkina Faso's 2007 AGOA/GSP exports were valued at \$52,000 and included basketwork, jewelry, and wooden ornaments.

Market Economy/Economic Reform/Elimination of Trade Barriers: Burkina Faso is among the world's poorest countries. In 2007, inflation and a poor cotton harvest reduced GDP growth from six percent to four percent. Burkina Faso continues its privatization efforts in many industries, including cotton, telecommunications, electricity, fuel, and water. The investment code provides standardized guarantees to all legally established firms, whether foreign or domestic. The World Bank's "Doing Business 2008" report ranked Burkina Faso fifth among 46 African countries for its reforms in starting a business, registering property, and enforcing contracts. In 2007, the Chamber of Commerce and Industry opened the Arbitration and Commercial Dispute Resolution Center to mediate commercial disputes.

Political Pluralism/Rule of Law/Anti-Corruption: The ruling Congress for Democracy and Progress overwhelmingly won the November 2005 presidential, April 2006 municipal elections, and May 2007 legislative elections. Election observers declared the 2007 legislative elections to be free and orderly except in four cities where irregularities and fraud involving voters' identification cards were noted. Problems have been identified with respect to corruption and weakness of the judiciary, intellectual property rights enforcement, and an excessively strong executive. Burkina Faso is in the process of ratifying the UN Convention against Corruption. As a member of the West African Economic and Monetary Union, Burkina Faso has agreed to enforce a regional law against money laundering and has issued a national law against financial crimes. In December 2007, the government introduced a new law which merged several state bodies into a new state audit authority, the Superior Authority of State Control. Although it is believed that this body has been endowed with increased power, critics still deem it insufficient to adequately address corruption issues.

Poverty Reduction: The IMF and World Bank consider Burkina Faso to be a strong performer in poverty alleviation. It was one of the first five countries to reach the HIPC completion point in 2002, obtaining about \$930 million in debt relief, and has since benefited from additional international financial institution relief to finance its poverty reduction strategy. Burkina Faso received \$12.9 million in assistance in 2005 through the MCC Threshold Program and is on track to sign a compact with MCC for approximately \$500 million in mid-2008. During 2007, bilateral and multilateral donors gave \$263 million to the Common Framework for Budget Support to support the goals of the Poverty Reduction Strategy Paper.

Labor/Child Labor/Human Rights: Burkina Faso has ratified all eight core ILO conventions. The law provides all workers (except police officers, the defense forces, and the prison service) the right of association, and workers exercised this right. The law allows unions to conduct their activities without interference, and the government generally

respected this right. Unions have the right to bargain directly with employers and industry associations for wages and other benefits. In practice, trade unionists were sometimes subjected to intimidation. The law provides for the right to strike, though this right has been narrowly defined. The law prohibits forced or compulsory labor, including by children; however, there were reports of trafficking in children. The law sets the minimum age for employment at 15 years and prohibits children under 18 years from working at night except in times of emergency; however, an estimated 51 percent of children worked, largely as domestic servants or in the agricultural or mining sectors where working conditions were harsh. The government is taking steps to reduce child labor and trafficking in persons. Burkina Faso participated in a USDOL-funded project, implemented by ILO-IPEC, to combat child labor in the mining industry, as well as a USDOL-funded anti-child trafficking project. Burkina Faso is coordinating with neighboring countries to eliminate trans-border trafficking in persons, with an emphasis on combating the trafficking of children and women. The government's human rights record remained mixed. Among the human rights problems reported were: security force use of excessive force; arbitrary arrest and detention; abuse of prisoners and harsh prison conditions; and occasional restrictions on freedom of the press and freedom of assembly.

BURUNDI

Status: AGOA-eligible

AGOA Trade: Burundi did not export any products under AGOA or GSP in 2007.

Market Economy/Economic Reform/Elimination of Trade Barriers: Although Burundi has liberal laws governing foreign direct investment and welcomes outside investors, private sector development is limited and local capital is only available at high interest rates. The private sector is still reeling from a series of shocks it encountered during the 1993-2005 civil war, including destruction of physical facilities, disruption of internal and external markets, emigration of many entrepreneurs, and a loss of capital. Burundi formally joined the East African Community (EAC) in July 2007 and is currently working on tasks related to meeting requirements allowing it to fully participate in the EAC Customs Union. As of January 2008, Burundi is also a member of the COMESA Free Trade Area. Government operations still depend largely on foreign aid. The government has undertaken initial steps to privatize the coffee sector, including private ownership of washing stations. The tea and cotton industries, fixed-line telecommunications, and electricity remain parastatals; and the government maintains a minority interest in several local banks and insurance companies. While under an IMF Poverty Reduction and Growth Facility between January 2004 and January 2008, Burundi generally followed the IMF's guidelines for macroeconomic policy, although there were some lapses. Burundi is modernizing its laws for the protection of intellectual property rights and is a member of the International Center for the Settlement of Investment Disputes.

Political Pluralism/Rule of Law/Anti-Corruption: Burundi has a multi-party political system. General elections at the local and national level were held in August 2005. At both levels international observers declared the elections free and fair. Opposition political parties are active in all institutions. Executive branch influence and a lack of judicial independence

and efficiency continued throughout 2007, though the UN and other donors are working with the government to improve the justice system. Corruption remains widespread even at the highest levels of government, but a presidential initiative and strong anti-corruption civil society organizations are attempting to address the problem. The government has created an Anti-Corruption Brigade within the national civilian police force and established an Anti-Corruption Court to investigate, prosecute, and discourage economic malfeasance within state organizations.

Poverty Reduction: In 2006, Burundi completed its first Poverty Reduction Strategy Paper (PRSP) through a broad-based participatory process involving all its development stakeholders. The strategy aims to strengthen political stability, consolidate peace, and reduce poverty through accelerated, sustainable, and equitable growth. Implementation of PRSP programs has been modest due to a shortage of internal and external funding and a lack of coordination from the federal government; impact on poverty reduction has therefore been minimal. In 2005, the President announced that free healthcare for children under five years of age would be provided by the government, and abolished all fees for attendance at public primary schools; these initiatives, however, are under-funded and pervasive poverty and inadequate healthcare remain significant problems. Burundi has a Poverty Reduction Growth Facility Program (PRGF) with the IMF that creates a framework for macro-economic, structural, and social policies to foster growth and reduce poverty through technical assistance. In January 2008, Burundi successfully completed its PRGF program and made progress on macroeconomic stability and structural economic reforms.

Labor/Child Labor/Human Rights: Burundi has ratified all eight core ILO conventions. The law provides workers in Burundi with the right of association, the right to organize, the right to strike, and the right to bargain collectively, except for some essential public-sector workers. While the law prohibits anti-union discrimination, the government often failed to protect workers in the private sector from discrimination by employers. The law also establishes acceptable conditions of work; however, there were few resources devoted to inspections and the law was not effectively enforced. The law prohibits forced or compulsory labor, including by children; however, there continued to be reports that it occurred. The labor code states that children under the age of 18 cannot be employed by an enterprise, except for the types of labor the Ministry of Labor determines to be acceptable, which includes light work or some apprenticeships. However, enforcement of these laws remains a problem. Despite improvements in some areas, the government's human rights record remained poor, with reports of extrajudicial violence, arbitrary arrest and detention, politically motivated arrests and detentions, and limitations on speech.

CAMEROON

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

AGOA Trade: Cameroon's 2007 AGOA/GSP exports were valued at \$173 million and consisted mainly of petroleum products, but also included cocoa paste, kola nuts, rubber products, and plywood.

Market Economy/Economic Reform/Elimination of Trade Barriers: Cameroon continues to implement macroeconomic and fiscal reforms in consultation with the World Bank and IMF. Although the state water utility was successfully privatized, long-promised privatizations of the national airline, national telecom provider and other entities have been delayed indefinitely. Cameroon fares poorly in the World Bank's ratings of business climate indicators, ranking 154 out of 175 countries in 2008. Difficulties in resolving commercial disputes, particularly the enforcement of contractual rights, remain serious obstacles to investment. The government has harmonized tariffs with other members of the Economic and Monetary Community of Central African States. Respect for and enforcement of intellectual property rights remains problematic. In March 2008, in an effort to reduce prices following a brief but intense period of civil unrest, the government suspended some duties on imported foodstuffs and commodities, including cement.

Political Pluralism/Rule of Law/Anti-Corruption: Although Cameroon is nominally a multi-party democracy, with four opposition parties represented in the National Assembly, the country's political system is dominated by one party and a strong presidency. In October 2004, President Biya was re-elected for his second seven-year mandate under the current constitution; in 2007, he passed the 25-year mark as head of state. In December 2006, the National Assembly adopted a law creating Elections Cameroon (ELECAM), a new organ intended to organize and administer the electoral process and also replace the National Elections Observatory. In March 2008, the Prime Minister was still consulting various groups in civil society to advise the President on naming the 12 members of ELECAM. Elections for the National Assembly and Municipal Councils in July 2007 were marred by irregularities in the run-up to the elections and on Election Day itself. In response to violent unrest in February 2008, the government took extraordinary actions to arrest more than 1,500 individuals. The arrest, detention and trial process has been condemned by Cameroonian lawyers and human rights organizations as arbitrary and in violation of domestic and international law. Cameroon's judiciary is widely perceived as corrupt and inappropriately influenced by the executive. Some companies have found that, even with a judicial finding in their favor, enforcement is problematic. In mid-March 2008, the government arrested a former cabinet member on charges of corruption during his tenure as a city mayor. The leadership of Cameroon's National Anti-Corruption Committee (CONAC) was named in March 2007, one year after its formation, but as of March 2008, CONAC had made no substantive impact in the fight against corruption in Cameroon. Cameroon is a participant in the Extractive Industries Transparency Initiative and is preparing for validation of its compliance with the program's criteria.

Poverty Reduction: In keeping with the IMF program, which is set to expire in 2008, the 2008 budget allocates substantial resources to pro-poor sectors like education, health, and infrastructure. Although the budget process remains relatively opaque, recent budgets have shown consistent progress toward increased transparency, especially with regard to expenditures in key sectors tied to poverty reduction. Despite the improvement in budget allocations to pro-poor sectors, execution of pro-poor spending is hampered by corruption and bureaucratic bottlenecks. Although Cameroon enjoys one of the higher per capita income levels in Africa, the population perceives that the rising cost of living and stagnant incomes have exacerbated poverty in Cameroon.

Labor/Child Labor/Human Rights: Cameroon has ratified all eight core ILO conventions. By law, workers may form and join trade unions; however, in practice the government has restricted union registration and harassed and fired union members and officers. Firms operating in EPZs are exempt from certain provisions of the labor code. The right to strike is recognized only after mandatory arbitration, but arbitration decisions are not enforceable by law and can be overturned or ignored by the government and employers. The law prohibits forced and bonded labor, yet authorities continue to contract out prison inmates to private employers or for municipal public works. While the law sets a minimum age of 14 for child employment and limits a child's workday to eight hours, child labor in the agricultural sector and child trafficking remain problematic. Cameroon is participating in a regional ILO-IPEC program to combat child trafficking and is cooperating with the ILO and other countries of the sub-region to eradicate trafficking in persons and child labor. Cameroon's human rights record remained poor, and in early 2008 unusual restrictions were placed on freedoms of speech, press, and assembly. There were reports of harassment of journalists. Security forces reportedly committed numerous unlawful killings and engaged in torture, beatings, and other abuses. Authorities allegedly arrested and detained on an arbitrary basis Anglophone citizens advocating secession, local human rights monitors and activists, and other citizens.

CAPE VERDE

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

AGOA Trade: Cape Verde's 2007 AGOA/GSP exports were valued at \$25,000 and consisted entirely of wood products.

Market Economy/Economic Reform/Elimination of Trade Barriers: Cape Verde has a market-based economy, but little industry and few exploitable natural resources. It relies heavily on tourism, remittances, and economic assistance from donors. Property rights are recognized and guaranteed by the constitution. Disputes between foreign investors and the government may be settled either by recourse to a single referee or an arbitration commission. Over 20 state-owned enterprises have been privatized, including banks and the national telecommunications and power companies. In December 2007, the WTO General Council approved Cape Verde's application for accession to the WTO.

Political Pluralism/Rule of Law/Anti-Corruption: Cape Verde enjoys a multi-party parliamentary democracy. Elections have historically been free and fair. Nationwide legislative and presidential elections held in early 2006 were declared generally free and fair. The constitution provides for the rule of law, due process, fair trials, and equal protection under the law. Cape Verde has an independent and impartial judiciary, though a backlog of cases causes significant trial delays. Cape Verde has a range of laws and regulations in place to combat corruption.

Poverty Reduction: Cape Verde has a National Poverty Alleviation Plan supported by the World Bank. Ninety-eight percent of school-aged children are enrolled in school and complete basic compulsory education, with no difference between completion rates for boys and girls. In July 2005, Cape Verde signed a \$110 million MCC compact to expand the Port

of Praia, improve road transport, remove constraints to private sector competitiveness and improve water capture. In July 2006, the IMF approved a three-year Policy Support Instrument non-lending program for Cape Verde. An IMF mission in March 2007 found that the government's economic and policy performance remains sound.

Labor/Child Labor/Human Rights: Cape Verde has ratified seven of the eight core ILO conventions. The law allows workers to form and to join unions of their choice without previous authorization or excessive requirements and allows unions to conduct their activities without interference. Workers exercised these rights in practice. The law provides for the right of workers to bargain collectively; however, there was very little collective bargaining. The law provides union members with the right to strike, but the government may invoke a "civil request" in an emergency or if coverage of basic needs is threatened. The law prohibits forced or compulsory labor, including by children, but there were reports that such practices occurred. There were no government programs to address child labor; however, a new labor law enacted in October 2007 raised the minimum age for employment to 15 years. Under the new code, punishments can be as high as 19 years imprisonment. Recent legislation criminalized child trafficking, as well as the use of children in prostitution or pornography. Victims can collect compensation in civil courts. The government generally respected the human rights of its citizens; however, problems were reported in some areas, including police abuse of detainees, lengthy pretrial detention, and excessive trial delays.

CENTRAL AFRICAN REPUBLIC

Status: Not eligible, largely because of concerns related to rule of law and human rights.

Market Economy/Economic Reform/Elimination of Trade Barriers: The Central African Republic (CAR) has a mostly subsistence agricultural economy that has not shown significant economic growth in the past five years. The government has undertaken substantial structural reforms to stimulate private-sector development and to attract domestic and international private investment in the country, with only mixed results. Having privatized various parastatals including water, petroleum and some banks, the government is now planning to privatize its telecommunication and electricity companies. Efforts to improve fiscal oversight and transparency are underway, but the progress is slow due to weak capacity, resource constraints, and uneven political will. The diamond and timber sectors represent the primary sources of export earnings, but are vulnerable to corrupt practices, including bribery, false customs declarations and illegal re-exportation. Respect for intellectual property rights remains relatively low.

Political Pluralism/Rule of Law/Anti-Corruption: The CAR legislative and presidential elections held in May 2005 were considered generally free and fair and returned the country to constitutional order. A National Assembly is elected every five years, though power is centralized in the executive branch. The government has control over only half of the national territory, and has little control of its borders, particularly those with the DRC and Sudan. The CAR judiciary is subject to executive influence. Because of continuing insecurity, many complaints never reach the formal judiciary. The Constitutional Court, the country's highest court, only recently reopened following the President's dismissal of the

court in April 2007 in anticipation of a ruling against the government. Former Prime Minister Elie Dote led an anti-corruption campaign over the past year, with limited results. A 2007 purge of “phantom” civil servants still on payrolls led many of those fired to challenge the government’s case, and many inactive civil servants were rehired. Corruption remains endemic and is one of the principal barriers to economic development.

Poverty Reduction: The CAR is one of the world’s least developed countries, with an annual per capita income of approximately \$350. In 2007, the government finalized a Poverty Reduction Strategy Paper along with an Action Plan Results Matrix for 2006-2008. These plans were presented to donors and international observers and resulted in partial funding for development projects in some sectors. In September 2007, the IMF announced that the CAR qualified for HIPC debt relief and had reached the Decision Point, and in January 2008 the Fund committed to provide the CAR with approximately \$5.5 million in interim financial assistance.

Labor/Child Labor/Human Rights: The CAR has ratified all eight core ILO conventions. Workers’ rights remained restricted. The law allows all workers, except for military and gendarmes, to form or join unions without prior authorization and to strike. A relatively small part of the workforce, primarily civil servants, exercised these rights. While the law forbids antiunion discrimination, it occurred. The law provides that unions may bargain collectively in both the public and private sectors and provides workers protection from employer interference in the administration of a union. In practice, workers’ rights remained restricted. The law forbids antiunion discrimination, but it has been known to occur. There is little enforcement of labor law and workers’ and union rights are often abused or neglected with little recourse for the victims. Labor laws are particularly ignored in the mining sector, where artisanal diamond miners and overseers often have little knowledge of the mining code or of legal prohibitions on child labor. Trafficking in persons and child labor, including instances of forced child labor and the worst forms of child labor, continue to be problems. Although legislation prohibits forced labor and employment of children under 14 years old, the government did not enforce these provisions. The government’s human rights record remained poor. Reports of the military killing civilians increased sharply due to government counteroffensive operations against rebels in the north. Security forces continued to torture, beat, and rape suspects and prisoners. Impunity, particularly military impunity, worsened. The government’s increased use of arbitrary arrest and detention, particularly in connection with fighting against rebels in the north, contributed to an increase in the number of detainees. Prolonged pretrial detention and denial of a fair trial continued to be problems. The government restricted freedom of the press, although to a lesser extent than in the previous year.

CHAD

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

AGOA Trade and Investment: Chad’s 2007 AGOA/GSP exports were valued at \$2.1 billion and consisted entirely of petroleum products.

Market Economy/Economic Reform/Elimination of Trade Barriers: Flows of foreign direct investment into Chad are concentrated almost entirely in the petroleum sector. Chad has a small formal sector and a large, thriving informal sector. Almost 80 percent of the population is involved in agriculture. The state remains heavily involved in most economic sectors, and parastatal and party-affiliated companies continue to dominate trade and industry. The government has made some progress over the last decade privatizing state enterprises, eliminating price controls and liberalizing the economy. Although the government continues to express interest in encouraging foreign direct investment, investors report that the business climate could be significantly improved. Additionally, the active rebellion in eastern Chad and widespread corruption dampen Chad's economic prospects. Chad has no discriminatory rules to deter foreign investors. As a member of the CEMAC and a signatory to the Organization for the Harmonization of African Business Law, Chad participates in regional efforts to standardize tax policies and commercial law, but limits investment in sectors deemed sensitive, such as cotton, electricity production, and telecommunication. Chad has made little progress in reducing impediments to investment such as weak infrastructure, chronic energy shortages, high-energy costs, scarcity of skilled labor, a high tax burden, and corruption.

Political Pluralism/Rule of Law/Anti-Corruption: The government has a weak record on rule of law, political pluralism, and the safeguarding of due process rights. In May 2006, flawed presidential elections were held and major political opposition groups did not participate. While the law provides for an independent judiciary, the judiciary remained weak and subject to significant political intervention. Corruption has been identified as one of the most serious problems in Chad.

Poverty Reduction: Chad remains one of the poorest countries in the world. Under a July 2006 agreement with the World Bank (which allowed the Bank to reengage in Chad following the government's break of the revenue management agreements for oil sector infrastructure financing), 70 percent of government revenue in 2007 was to be allocated to poverty reduction. While priority development expenditures have increased in recent years, the government did not reach this target, due to continued high levels of military spending, reflecting threats from rebel groups based in Sudan. The IMF is considering a six-month extension of Chad's Poverty Reduction and Growth Facility, but Chad has been off-track for the entire duration of its three-year IMF program and is unlikely to implement the program's requirements in the near future. In early 2008, the IMF expressed concerns about Chad's deteriorating fiscal performance.

Labor/Child Labor/Human Rights: Chad has ratified all eight core ILO conventions; however, a comprehensive executive decree harmonizing Chad's legal code with ILO Conventions 182 on the Worst Forms of Child Labor and 138 on Minimum Age for Employment, submitted to the Council of Ministers in 2005, has yet to be approved. Chadian law allows all employees except members of the armed forces to join or form unions of their choice without excessive requirements, and the government generally respects this right. Unions may organize and bargain collectively; however, the law permits imprisonment with forced labor for participation in illegal strikes. The law prohibits forced or compulsory labor, including by children; however, there continued to be reports of forced labor practices in the

formal economy and isolated instances of local authorities demanding forced labor by both children and adults in the rural sector. Laws providing for acceptable conditions of work are generally ignored by the government. The labor code stipulates that the minimum age for employment in the formal sector is 14 years, which is not consistent with the compulsory education age; however the government does not enforce the law. Few children have the opportunity for education beyond the primary level. The government's efforts to combat the worst forms of child labor have been centered on laying the legal foundation to meet its commitments to international labor conventions aimed at protecting children. The government is also partnering with UNICEF on child protection activities. The government's human rights record remained poor. Human rights abuses included extrajudicial killings and abuses by security forces; politically motivated disappearances; harsh and life-threatening prison conditions; arbitrary arrest and detention; denial of a fair public trial; use of excessive force and other abuses in the internal conflict, including reported use of child soldiers; and limits on freedom of speech, press, and assembly, including harassment and detention of journalists.

COMOROS

Status: Not eligible.

Market Economy/Economic Reform/Elimination of Trade Barriers: Economic development in the past two decades has been hindered by a combination of recurrent political crises, macro-economic imbalances, and external shocks. This has resulted in a progressive decline in real GDP per capita at an average annual rate of about one percent since mid-1990s. In the past, vanilla and ylang-ylang (a perfume essence) were exported in significant quantities from Comoros. Now, most formal sector workers are employed by the Union or Island Governments. The majority of Comorans live on subsistence farming and fishing, as well as remittances from family abroad. The Union government has taken modest steps to implement macroeconomic and structural reforms. An IMF staff team visited the country in March-April 2007 to review performance under the Staff Monitored Program. At that time, the IMF Country Director sought to bring Comoros to the IMF Board to approve a new Program, but the impasse with Anjouan (see below) prevented a decision. In December 2007, the African Development Bank forgave over \$34 million in Comoran debt in recognition of steps taken by President Sambi's government. The government welcomes trade and investment and there are no specific barriers to U.S. companies. Dubai World (hotels) and Kuwait Holdings (hotels, banking, telecommunications, and infrastructure) have initiated projects totaling tens of millions of dollars in new investment. Comoros is a member of the World Intellectual Property Organization. However, enforcement of intellectual property rights is limited by a shortage of trained personnel, legal capacity and resources.

Political Pluralism/Rule of Law/Anti-Corruption: In May 2006 citizens of the Comoros elected Union President Ahmed Abdallah Mohamed Sambi in elections that international observers described as free and fair. This was the first peaceful transfer of power in the country's history. In June 2007, individual island elections on Grande Comore and Moheli were held on schedule and judged to have been free and fair. On Anjouan Island, however,

former Island President Mohamed Bacar refused to allow an impartial process and remained in power by force without the consent of the Anjouanese people, Union Government, or international community. In March 2008 military action by Comoran and African Union forces restored constitutional order on the island and an interim island president, Laili Zmane, was later inaugurated. Anjouan presidential elections are scheduled to be held between May and July 2008. Disputes between the Union and Island governments and parallel administrations hinder economic policy coherence and can be confusing for foreign investors. The Comoran Constitution would benefit from a clearer division of responsibility and revenue sharing between Union and Island Governments, and such federalism issues are scheduled to be addressed on an all-island basis following the Anjouan elections. Corruption is endemic, but some corrupt officials have been prosecuted under the new administration. President Sambu increased transparency by publishing his salary and allowances, accepting a reduction from his predecessor. Many prisoners convicted of minor crimes who did not receive adequate due process were granted amnesty. The Union government has consistently denounced the issuance of offshore banking licenses by Anjouan's Offshore Finance Authority and has launched an international information campaign to financial institutions that featured warnings about illegally granted banking licenses in Anjouan. The restoration of Union authority over Anjouan will allow the authorities to address the problem of shell banks registered on Anjouan.

Poverty Reduction: According to the World Bank, Comoros has performed adequately under its poverty reduction strategy. An Interim Poverty Reduction Strategy Paper with a focus on fostering economic growth, led by the private sector, and improving the provision of public services in the social sectors was presented to the World Bank in May 2006. The IMF noted that moving toward a formal Poverty Reduction Growth Facility (PRGF) would require continued operation of the revenue-sharing mechanism between the different governments, as well as agreements to clear external payments arrears. Also needed is an agreement on a policy reform program for the coming three years, including on a budget. IMF Staff were hopeful these pre-conditions could be met, which would allow the IMF Board to consider a PRGF soon now that the Anjouan impasse is resolved.

Labor/Child Labor/Human Rights: Comoros has ratified all eight core ILO conventions. However, the domestic legal framework does not adequately provide for workers' rights. In recent years, organized teachers, dockworkers, and taxi-drivers have availed themselves of their right to strike and to protest nonpayment of salaries or other grievances. The rarely enforced labor code does not include a system for resolving labor disputes, and it does not prohibit anti-union discrimination by employers. No safety or health standards have been established for work sites. The law prohibits forced or compulsory labor by adults with certain exceptions for obligatory military service, community service, etc. There are no specific prohibitions against forced or compulsory child labor, and there were some reports that such practices occurred. The law defines the minimum age for employment as 15 years, but the government did not always enforce this law. The Union government generally respected the human rights of its citizens on the two islands under its effective control, although there were some areas of concern. During Bacar's tenure on Anjouan, his loyal forces arbitrarily detained, imprisoned, and beat opposition supporters. Restrictions on freedom of religion were a problem on all three islands.

REPUBLIC OF THE CONGO

Status: AGOA-eligible.

AGOA Trade: The Republic of the Congo's (ROC's) 2007 AGOA/GSP exports were valued at \$1.6 billion and consisted almost entirely of petroleum products.

Market Economy/Economic Reform/Elimination of Trade Barriers: The ROC continues its transition to a free 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 in the sectors of oil, timber and mining. The government has sought to address several outstanding trade-related issues raised by U.S. firms operating in the country.

Political Pluralism/Rule of Law/Anti-Corruption: President Sassou-Nguesso was elected in 2002 in elections deemed "not to contradict the will of the people" by independent monitors; however, there were some allegations of irregularities and manipulation in the administration of the elections. Presidential elections will next take place in 2009. The president's party also won legislative elections in 2007, which also were marred by irregularities and poor planning. The president's party now controls 125 seats in the 136-seat National Assembly. The judiciary is overburdened, under-funded, and reportedly subject to political influence, bribery, and corruption. By late 2007, the government had implemented an EITI (Extractive Industries Transparency Initiative) commission and an Independent Anti-Corruption Observatory commission. However, transparency and economic governance remain serious problems. The government needs to intensify its efforts to improve transparency, especially in the petroleum sector. Although the government has strong laws against corruption, enforcement is lax.

Poverty Reduction: Despite some positive developments, Congo continues to face major challenges in addressing poverty. Meeting these challenges will require structural reforms and prudent macroeconomic management. The IMF announced in October 2007 that it could not complete the third review of the Poverty Reduction and Growth Facility because of concerns about spending overruns that exceeded the targets of the program; after a three-month review, the IMF reached the same decision in December 2007. The government is currently discussing a staff-monitored program with the IMF in an attempt to get back on its reform track and to allow the resumption of interim HIPC relief. To accelerate progress toward achieving the Millennium Development Goals, the government plans to use oil revenues that are in excess of budget assumptions to raise poverty-related spending.

Labor/Child Labor/Human Rights: Congo has ratified all eight core ILO conventions. The law generally protects worker rights, including the right of association, the right to organize and bargain collectively, and the right to strike. Almost all workers in the public sector and about 25 percent of the workers in the formal private sector are union members. The law prohibits anti-union discrimination, but there were some reports of illegal dismissals for organizing activity. The constitution prohibits forced or compulsory labor, although there

are unconfirmed reports of these practices. The minimum age for employment or apprenticeships was 16 years; however, this law generally was not enforced, particularly in rural areas and in the informal sector. There were also reports that children have been trafficked and used for prostitution. Although there were fewer documented human rights abuses during the year, serious problems remained. Among the human rights problems reported were poor prison conditions, extrajudicial violence by security forces, arbitrary arrest and detention, and limits on freedom of the press.

COTE D'IVOIRE

Status: Not eligible, largely for reasons related to a lack of progress on key political and economic reforms.

Market Economy/Economic Reform/Elimination of Trade Barriers: Despite the ongoing political crisis, Cote d'Ivoire has retained its free-market economy and is the seventh largest economy in sub-Saharan Africa. Economic growth is set to resume a modest growth path of nearly three percent after languishing during the country's five-year-long political crisis. Reforms in the telecommunications sector have been on hold during the political crisis and remain incomplete. The government and U.S. shareholders have resolved a longstanding commercial dispute involving a U.S.-owned telecommunications company embroiled in an investment/expropriation claim. U.S. companies doing business in Cote d'Ivoire continue to face many challenges, such as slow VAT reimbursement for exporters. Both foreign and domestic businesses face harassment and demand for bribes by security forces, irregular militia and ex-rebel groups at roadside checkpoints throughout the country, despite stated efforts by the coalition government to eliminate this practice.

Political Pluralism/Rule of Law/Anti-Corruption: The March 4, 2007 Ouagadougou Political Agreement (OPA) between President Gbagbo and Forces Nouvelles leader Guillaume Soro provided Cote d'Ivoire an opportunity to emerge from the political crisis in which it has been mired since 2002. Results of implementation of the Agreement have been mixed. Disarmament of the militias and unification of the armed forces has only occurred on a limited scale, but the first stage of the critical national identification process has made significant process, and the coalition government functions somewhat effectively. President Gbagbo has declared that presidential elections will be held in June 2008, but most observers believe elections later in 2008 or early 2009 are more likely given the extent of progress that must be made on the disarmament, identification, and voter registration components of the OPA. Corruption remains a major hindrance to sustained economic growth. Transparency International ranks Cote d'Ivoire in the bottom tenth of the 166 countries in its Perceptions of Corruption Index. Many companies cite corruption and a lack of confidence in the legal system as significant barriers to doing business. Reforms and greater transparency in the cocoa and oil/gas sectors have been identified as priority targets by international financial institutions, which demand improvement as part of their engagement. Responding to those concerns, Cote d'Ivoire instituted an Extractive Industries Transparency Initiative accord, agreed to strict fiscal supervision by the IMF and the World Bank, and is engaged in ongoing negotiations to increase transparency in the cocoa sector. Weak rule of law is also a serious obstacle to sustainable institution-building and to larger-scale foreign investment.

Poverty Reduction: In June 2007, the World Bank, IMF, and African Development Bank restarted their engagement with the government of Cote d'Ivoire, providing post-conflict assistance and budget support. In February 2008, Cote d'Ivoire fulfilled the requirements of an accord with the World Bank to clear its longstanding arrears, setting the stage for the negotiation of a Poverty Reduction Growth Facility and a Poverty Reduction Strategy Paper. While GDP growth is forecast to reach three percent in 2008, unemployment and poverty have risen since the beginning of the political crisis, exacerbated by weak performance of cotton, textiles, sugar and other major employers.

Labor/Child Labor/Human Rights: Cote d'Ivoire has ratified all eight core ILO conventions. The law guarantees the right of workers to unionize, strike, and bargain collectively. However, the law requires protracted negotiations and a six-day notification before a strike can take place. The government does not consistently enforce laws pertaining to acceptable conditions of work. The law prohibits forced or compulsory labor, including by children, and the government made efforts to improve enforcement of the law during the year. However, there were reports such practices occurred. Child labor remains a concern. The government, which is carrying out a large-scale study to survey the extent of the problem, found that 22 percent of children in a test area within the cocoa-growing regions were involved in cocoa production, and over 80 percent of them were subjected to at least one form of the worst forms of child labor, e.g. carrying heavy loads. Other studies showed that children engaged in a number of tasks that were likely to harm their health and safety, including clearing fields, applying pesticides, carrying heavy loads, and using machetes. The Ministry of Labor and the prime minister's Child Labor Task Force support and collaborated with NGOs and international partners to combat the worst forms of child labor. In September 2007, the government adopted a National Action Plan on Child Labor and Trafficking and pledged about \$4.5 million to implement the plan. The ongoing political stalemate has prevented any measurable improvement in human rights. Extrajudicial killings by both government security forces and militias continued to undermine public confidence in institutions of governance and security. Security forces enjoyed impunity for their crimes in most cases. Police harassment of noncitizens has also continued.

DEMOCRATIC REPUBLIC OF CONGO

Status: AGOA-eligible.

AGOA Trade: The Democratic Republic of Congo's (DRC's) 2007 AGOA/GSP exports were valued at \$44 million and consisted mainly of petroleum products, but also included refined copper products, gums and resins, and semi-manufactured gold.

Market Economy/Economic Reform/Elimination of Trade Barriers: The development of a market-based economy continues to progress slowly in the DRC. The Congolese franc has floated freely since mid-2003 without significant government intervention. A nearly nine-month period of exchange rate stability during 2007 was followed at the end of 2007 by ten percent depreciation. Private sector development is a key objective for the one-year-old government, in partnership with international financial institutions. Rather than outright privatization, the government has instituted public enterprise reform of the approximately 60

Congolese parastatals, including the placement of outside management in key administrative positions. The government has ratified key international IPR conventions, but there is a general lack of enforcement. Cumbersome business registration procedures, degraded infrastructure and a complicated, opaque taxation regime all act as deterrents to investment. The government is working with the World Bank and the IMF to improve the poor investment climate. Several multinational mining corporations, including one U.S. company, are developing large-scale projects, with planned investments totaling billions of dollars over the next ten years. The U.S. has a Bilateral Investment Treaty with the DRC that includes investment dispute settlement procedures.

Poverty Reduction: The government has gradually increased its level of pro-poor spending. It began implementing its Poverty Reduction Strategy Paper in July 2006. One-third of the government's 2008 budget of over \$3 billion dollars is allocated for social spending and poverty reduction programs, including the health and education sectors. It is hoped that a renegotiated PRGF will lead to Heavily Indebted Poor Country debt relief and outside budgetary assistance by end 2008.

Labor/Child Labor/Human Rights: The DRC has ratified all eight core ILO conventions. The constitution provides all workers – except government and security force workers – the right to form and join trade unions without prior authorization or excessive requirements. The law also provides for the right of unions to conduct activities without interference, to bargain collectively, and to strike. However, a lack of enforcement of workers' rights continued to be pervasive throughout the country. An estimated 80 to 90 percent of the Congolese workforce is in the informal sector, and therefore does not benefit from even nominal labor law protection. The constitution prohibits forced or compulsory labor, including by children; however, both were practiced throughout the country. The minimum age for full-time employment without parental consent is 18; employers may legally hire minors between the ages of 15 and 18 with the consent of a parent or guardian. The practice of recruiting child soldiers occurs in the country. A \$5 million, three-year U.S. DOL program begun in 2008 seeks to improve the child labor situation. The government's human rights record remained poor with reports of extrajudicial violence and abuses by security forces, poor prison conditions, and prolonged pretrial detention. Members of the security forces also continued to abuse and threaten journalists, contributing to a decline in freedom of the press.

DJIBOUTI

Status: AGOA-eligible.

AGOA Trade: Djibouti's 2007 AGOA/GSP exports were valued at \$73,000 and consisted entirely of cereal flours.

Market Economy/Economic Reform/Elimination of Trade Barriers: Djibouti has a market-based, liberal economic regime with minimum interference from the government. It offers attractive incentives to foreign investors and does not impose barriers to U.S. trade. The Djibouti Free Zone, managed by Dubai Ports World (DP World), also offers incentives,

including tax breaks, simplified administration, and 100 percent foreign ownership. Djibouti's GDP relies heavily on services, which account for more than 80 percent of its GDP. Economic growth was estimated at five percent for 2007, spurred by an increase in foreign direct investment and a hike in port activities and construction. Construction on the second phase of the Doraleh Oil Terminal project, a container terminal funded by DP World and the government of Djibouti, began in November 2006 and is expected to be completed by the end of 2008. Three new banks opened in Djibouti within the two last years, and four more banks are planning to open in 2008. A revamped Commercial Code, geared toward trade facilitation and foreign direct investment, is currently being finalized.

Political Pluralism/Rule of Law/Anti Corruption: Following a 13-month, nationwide voter registration campaign, Djibouti held legislative elections in February 2008. Voters returned the ruling five-party coalition to all 65 seats in the National Assembly. Three opposition parties boycotted the elections. International election observers from the African Union and the Arab League characterized the elections as free, fair, and transparent. While there were some improvements in rule of law, complaints about lack of transparency in the judicial system remained. The Chamber of Accounts and Fiscal Discipline, a public expenditures audit board established to fight corruption and promote transparency, has released annual reports on government expenditures indicating qualitative improvements in some government departments.

Poverty Reduction: Poverty exceeds 40 percent; unemployment is estimated at 60 percent among those under age 30. The government's anti-poverty plan is laid out in its Poverty Reduction Strategy Papers submitted to the World Bank and IMF. The government has substantially increased spending on education and health. In 2007, President Guelleh initiated a national social development program aimed at accelerating job creation and reducing economic inequalities. The Djiboutian Agency for Social Development created in December 2007 and funded by the government and international donors, will manage this new program.

Labor/Child Labor/Human Rights: Djibouti has ratified all eight core ILO conventions. While the law and the constitution provide for the right to form and join unions and allow unions to conduct activities without interference, the government either restricted or did not protect these rights in practice. Workers did exercise the right to strike in practice. Government approval is required for public demonstrations, and this has restricted freedom of assembly and interfered with labor activities. The law prohibits forced or compulsory labor, including by children, and there were no reports that such practices occurred. The law prohibits all labor by children under the age of 16, but the government does not always enforce this prohibition effectively, and child labor exists. The Ministry of Labor is responsible for monitoring work places and preventing child labor, but a shortage of labor inspectors reduced the likelihood that reports of child labor would be investigated. There is no program undertaken by the government to reinforce the work of inspectors. The government's human rights record remained poor although there were improvements. Problems included abuse of detainees; harsh prison conditions; arbitrary arrest and detention; prolonged pretrial detention; and restrictions on freedom of the press, assembly, and association.

EQUATORIAL GUINEA

Status: Not eligible, largely for reasons related to political pluralism, rule of law, and corruption.

Market Economy/Economic Reform/Elimination of Trade Barriers: Equatorial Guinea has experienced high economic growth as a result of expanding petroleum production. Real GDP growth was estimated at between seven and ten percent. The government has permitted publication of all recent IMF reports in an attempt to demonstrate transparency. In 2007, the government organized a national economic conference that generated a national development strategy that was approved by decree in early 2008. Among other things, the strategy provides for reforms to improve the business climate. The government passed a new Hydrocarbons Law in 2006, and in 2007 the first of many shipments of liquefied natural gas (LNG) was shipped to the United States. Reforms to reduce the government's role in the economy are ongoing, including privatization of the distribution of petroleum products, liberalization of telecommunications, and reduction of red tape. The government has modernized its commercial law code. Equatorial Guinea accepts binding international arbitration of investment disputes and is a member of the International Center for the Settlement of Investment Disputes.

Rule of Law/Political Pluralism/Anti-Corruption: President Obiang has ruled since 1979 and was re-elected with 97 percent of the vote in December 2002, in an election that was judged by international observers as flawed. Legislative elections in April 2004 were also seriously flawed, but did result in two opposition seats being gained in Parliament (out of 100 seats). The government is attempting to modernize its institutions and legal codes, but the judicial system remains slow and fraught with administrative and legal bottlenecks. Judicial corruption and lack of due process remain problems. Courts and administrative agencies often favor domestic firms and executive influence on decisions is pronounced. An EU-funded training program for judges appears to be making progress. The government has made reducing corruption one of its major goals. Government officials are required to declare their personal assets to a National Commission for Ethics, though there were no reports in 2007 that officials had done so. Bribes and malfeasance are prohibited by law, but progress is slowed by a cultural reluctance to prosecute violators. In February 2008, Equatorial Guinea acquired the status of an Extractive Industries Transparency Initiative Candidate Country, although validation of compliance with the program's criteria is likely to take some time. In preparation for upcoming municipal and legislative elections of May 2008, the government organized sessions that included all the political parties and conducted outreach throughout the country. These sessions were widely broadcast and the associated debates were apparently open and without restrictions.

Poverty Reduction: Equatorial Guinea is among Africa's wealthiest countries by per capita income, but income distribution remains unequal and poverty widespread. Much progress continues in infrastructure development. Billions of dollars worth of construction contracts have been awarded in the last few years, and new roads, bridges, schoolrooms, hospitals and clinics, housing, can be seen throughout the country. There have also been improvements in water, phone and electrical systems. Nonetheless, the process of allocating a more significant

portion of oil revenues to improvement of quality of life indicators for citizens has been slow and uneven. Access to potable water, electricity and health care is still limited for the majority of the population. The government has not provided a Poverty Reduction Strategy Paper to the World Bank and IMF; however, they have elaborated a survey of the poverty in Equatorial Guinea which is a first step of the elaboration of such an agreement.

Labor/Child Labor/Human Rights: Equatorial Guinea has ratified all eight core ILO conventions. The law provides workers the right to establish unions and affiliate with unions of their choice, without previous authorization or excessive requirements; however, the government placed practical obstacles before groups wishing to organize. The law stipulates that a union must have at least 50 members from a specific workplace to register; this rule effectively blocked union formation. The law allows unions to conduct activities without interference, but the government did not protect this right in practice. Workers were effectively prohibited from striking. The Labor Code does not protect workers from anti-union discrimination. While no comprehensive child labor law has been passed, in practice a series of decrees and resolutions forms the basis for the government's efforts to combat the worst forms of child labor. The legal minimum age for employment is 14 years. The government's human rights record improved during in 2007, though isolated, credible reports of torture and other physical mistreatment of prisoners and detainees by police continued. Among other problems were harassment and deportation of foreign residents and restrictions on freedom of speech, press, right of assembly, and association. In addition, there continued to be arbitrary arrest and detentions.

ERITREA

Status: Not eligible, largely for reasons related to human rights, political pluralism, and rule of law.

Market Economy/Economic Reform/ Elimination of Trade Barriers: Eritrea's economy is centrally directed by the government and the ruling party. Most private businesses of any size are either directly affiliated with the government/ruling party or have their activities strictly controlled. The government does not allow Eritreans to possess currency other than the local Nakfa and requires non-Eritreans to submit detailed paperwork before repatriating foreign currency. Violators are subject to severe fines and/or imprisonment. The government regularly implements policies and practices contrary to free-market principles. For example, it requires private businesses to request special permits to import goods. These requests are routinely denied. The government also has a history of expropriating profitable businesses or using government coercion, such as fuel restrictions or drafting employees into national service, to drive out private competitors to state- or party-run businesses. The Central Bank focuses its effort on financing government operations through monopolizing foreign currency exchange. Government practices, restrictions on imports, and limits on foreign exchange have virtually eliminated all trade with the United States.

Political Pluralism/Rule of Law/Anti-Corruption: The Eritrean government is headed by an unelected president who rules by proclamation. A constitution was approved in 1997, but has never been implemented. National Assembly elections have not been held and none are

scheduled. Political opposition groups are not tolerated. Arbitrary arrest is common. Senior government officials arrested in 2001 without formal charges remain in detention incommunicado and without due process of law. The judicial system is heavily influenced by the executive and former fighters from the struggle for independence from Ethiopia. A system of special courts accountable only to the Office of the President operates as a parallel legal system to the traditional judiciary. Special court judges are often former fighters with little or no legal training, and their decisions are not consistently based on rule of law. The deteriorating economy and increasing desperation of the population has led to increasing reports of corruption. The government has initiated public campaigns to combat corruption and established stringent legal measures against it. Yet, reports indicate the greatest corruption has occurred within the ranks of senior military officials, with the knowledge of the President's Office.

Poverty Reduction: The government's policy of "self-reliance" created increasingly difficult working conditions for NGOs, causing over 75 percent to close operations over the past four years, most often by government order. Forced labor conscription confined over 400,000 citizens to military or civil service jobs paying below the national minimum wage, impoverishing families, and draining the economy of wealth-building workers. The government subsidizes basic food distribution through rationing, but supplies are increasingly limited and accessibility to ration cards is conditional upon completion of national service. Eritrea is progressing on health issues and boasts a relatively low HIV infection rate of three percent. Vaccination programs and anti-malarial campaigns have been notably successful. The government has rejected offers to partner with the World Bank and IMF on poverty reduction programs. It drafted an interim Poverty Reduction Strategy Paper in 2003, but it was neither finalized nor published.

Labor/Child Labor/Human Rights: Eritrea has ratified seven of the eight core ILO conventions. It has not ratified Convention 182 on the Worst Forms of Child Labor. The law provides workers with the legal right to form unions to protect their interests; however, some government policies restricted free association or prevented the formation of some unions, including within the civil service. All unions were controlled by the government. The government did not encourage the formation of independent unions. While the law allows unions to conduct their activities without interference and the right to strike, workers did not exercise these rights in practice. As much as one-third of Eritrea's workforce is conscripted into the national service, in which employees are forced to work in specific jobs with no job mobility or end date, and are paid well below the national minimum wage. The legal minimum age for employment is 18 years, although apprentices may be hired at age 14. The law prohibits children, young workers, and apprentices under age 18 from performing certain dangerous or unhealthy labor. The government's human rights record remained poor, and authorities continued to commit numerous serious abuses, including unlawful killings by security forces; torture and beating of prisoners, sometimes resulting in death; arrest and torture of national service evaders; harsh and life threatening prison conditions; arbitrary arrest and detention; and severe restrictions of basic civil liberties.

ETHIOPIA

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

AGOA Trade: Ethiopia's 2007 AGOA/GSP exports were valued at \$9 million and included apparel, foliage, cut flowers, nuts, beans, spices, and footwear.

Market Economy/Economic Reform/Elimination of Trade Barriers: Although Ethiopia has encouraged greater private sector activity in recent years, the state remains heavily involved in most economic sectors; parastatal and party-affiliated companies continue to dominate trade and industry. Several areas, including banking, insurance, telecommunications, broadcasting, shipping and forwarding, and large-volume passenger air transport, remain closed to foreign investors. Ethiopia is in the process of acceding to the WTO. In recent years, Ethiopia has simplified its tariff system and reduced tariff rates. Business disputes involving a foreign investor or the state may be submitted to an Ethiopian court or to international arbitration within the framework of any bilateral or multilateral agreement to which the government and the investor's state of origin are contracting parties. Ethiopia is not a member of the International Center for the Settlement of Investment Disputes.

Political Pluralism/Rule of Law/Anti-Corruption: Ethiopia continues to progress toward a more democratic political system. The elections in May 2005 were the most openly contested in Ethiopia's history and gave birth to the country's first truly multiparty parliament. Despite some irregularities, the results of the election were generally credible. The opposition parties in parliament freely voice alternative viewpoints. Outside of parliament, political parties' unwillingness to compromise over regulations and composition of democratic institutions caused an initially promising process of inter-party dialogue to break down in mid-2007. Harassment of opposition leaders and supporters at a local level in rural areas continued throughout 2007, hampering opposition parties' ability to prepare for April 2008 local elections. While the first half of 2007 was marked by the trial of prominent journalists and opposition leaders, the Ethiopian government's pardon of most of these individuals in July 2007 provided an opening for further positive political engagement in the second half of the year. While the law provides for an independent judiciary, the judiciary remained weak and overburdened. Some NGOs perceived the judiciary to be subject to significant political intervention. Corruption continues to be a problem.

Poverty Reduction: Ethiopia's GDP per capita is about \$130, making it one of the poorest countries in the world. Poverty alleviation and food security remain priorities for the government. The 2007/08 government budget allocations reflect poverty reduction priorities. The government has decreased military spending over the last several years (though it remains relatively high at over eight percent of GDP), and is redirecting the savings to poverty reduction and capacity building efforts. In coordination with donors, the government is implementing its 2006-2010 Plan for Accelerated and Sustainable Development to End Poverty in Ethiopia.

Labor/Child Labor/Human Rights: Ethiopia has ratified all eight core ILO conventions. The law provides most workers with the right to form and join unions, and the government allowed this in practice. However, the law specifically excludes teachers and civil servants from organizing unions. Government interference in trade union activities continued in 2007, including harassment of union leaders. Although the law prohibits anti-union discrimination, unions reported that employers frequently fired union activists. The law provides for strikes but there are restrictions and exclusions. The law prohibits forced or compulsory labor, but there were reports of these practices, including the trafficking of women for involuntary domestic labor and sexual exploitation. There were laws against child labor; however, the government did not effectively implement these laws in practice, and child labor remained a serious problem. Under the law, the minimum age for wage or salary employment is 14 years; however, the minimum age for employment was not effectively enforced. There are reports of forced or bonded labor of children who have been trafficked to work as domestic servants. The government is implementing a National Plan of Action for Children, participating in a USDOL-funded child labor and education project, working to combat human trafficking, and partnering with UNICEF on child protection and education activities. Some human rights abuses continue with reports of: unlawful violence by security forces, sometimes targeted at opposition supporters; arbitrary arrest and detention, particularly of those suspected of sympathizing with opposition or insurgent groups; lengthy pretrial detention; use of excessive force by security services in internal conflict and counter-insurgency operations; and restrictions on freedom of the press.

GABON

Status: AGOA-eligible.

AGOA Trade: Gabon's 2007 AGOA/GSP exports were valued at \$1.7 billion and consisted almost entirely of petroleum products.

Market Economy/Economic Reform/Elimination of Trade Barriers: Gabon's economy is heavily dependent on oil, manganese, and timber extraction. The government has made progress in privatizing the largest industries (e.g., water and electricity) and sold the state telecommunications company, though that transaction remains bogged down in a legal dispute. Recent high oil prices have contributed to an overall budget surplus. Increased revenue should prevent the accumulation of further significant arrears, which has been a problem in the past. In July 2007, Paris Club creditors reached agreement with the government on early repayment of its debt. With oil production set to decline in the coming years, the government is working to diversify its economy. In 2007, the IMF approved a \$127 million stand-by arrangement in which the government is expected to require implementation of structural and fiscal reforms, as well as good governance measures. The IMF's first review of Gabon's performance under the arrangement indicated that the program is largely on track, though continued vigilance will be necessary. Gabon is generally open to foreign investment, but regulatory and judicial bodies are subject to influence. American businesses have complained about difficulties with investment, tax, and customs procedures. Most problems are resolved before going to court.

Political Pluralism/Rule of Law/Anti-Corruption: President Bongo was re-elected to another seven-year term in November 2005; he has been in office since 1967. Local elections were held in April 2008. There are a number of opposition parties, but the president's party dominates the government. The ability of citizens to change their government has been a problem, as has widespread corruption. The judiciary is subject to political interference. There is a lack of accountability, oversight, and control in the government's budget process, which can be seen in other areas of the country's economy. Companies have complained of a lack of transparency in customs and other government administrative affairs. There is an anti-corruption authority which is charged with publishing quarterly and annual reports on its activities. Since its creation in 2004, however, no reports have been published. Gabon is a participant in the Extractive Industries Transparency Initiative. In December 2007, the Gabonese Minister of the Interior temporarily suspended 20 environmental NGOs for what he claimed was inappropriate political activity. The suspension was lifted following international pressure.

Poverty Reduction: Gabon has one of Africa's highest per capita incomes, estimated at \$7,200 in 2007. Still, income distribution is skewed, and Gabon's ranking on human social indicators is well below that of countries with comparable income levels. In December 2005, the government completed a Growth and Poverty Reduction Strategy. However, it is not clear to what extent the Strategy is used by the government to set priorities for expenditures.

Labor/Child Labor/ Human Rights: Gabon has ratified seven of the eight core ILO conventions, including Convention 182 on the Worst Forms of Child Labor. The constitution places no restrictions on the right of association and recognizes the right of citizens to form trade unions. Virtually the entire private sector workforce is unionized. The Labor Code provides for collective bargaining by industry, but not by firm. The law provides workers the right to strike; however, they may do so only after eight days advance notification and also only after arbitration fails. While the law prohibits forced or compulsory labor, some Baka (Pygmies) reportedly were employed under conditions tantamount to slavery and without effective recourse to the judicial system. Although children below the age of 16 may not work without the express consent of the government, child labor was a serious problem. The government enforces child labor laws with respect to Gabonese citizens, but is less successful with respect to children from other countries. The government's UN Development Assistance Framework (2007-2011) includes a component to align national laws with ILO Convention 182 and its bilateral and regional agreements to combat child trafficking. The government also has established a National Program of Action to Combat Child Trafficking and a National Plan to Fight Child Labor. Gabon's human rights record remained poor, although there were improvements in several areas. Unlike in previous years, there were no reports that the government or its agents committed unlawful killings. There were reports of excessive force, including torture, on prisoners and detainees, and arbitrary arrest and detention. There were also restrictions on the freedom of speech, press, association, and movement.

THE GAMBIA

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

AGOA Trade: The Gambia's 2007 AGOA/GSP exports were valued at \$36,000, consisting entirely of tomato paste.

Market Economy/Economic Reform/Elimination of Trade Barriers: The Gambia has a small, fragile, but open economy based on regional trade, agriculture, tourism and fisheries. The government is seeking increased foreign investment, particularly through a joint project with the World Bank to foster development and to establish export processing zones. There is little state control of business activities, but privatization of state-owned enterprises is proceeding slowly. Intellectual property rights are not always adequately enforced. The Gambia is open to foreign investment, but registration processes are lengthy. The government accepts international arbitration in the settlement of investment and trade disputes. In January 2007, the government launched the Alternative Dispute Resolution mechanism to settle private disputes.

Political Pluralism/Rule of Law/Anti-Corruption: The Gambia is a multi-party democracy with a president and a national assembly elected every five years. Presidential elections took place in September 2006, National Assembly elections in January 2007, and local government elections in January 2008; all were judged as credible with some shortcomings. President Jammeh, the incumbent, won the presidential race against two opposition candidates. His ruling party won a majority of seats in the National Assembly and most local government positions. The opposition is weak but contested all recent elections. The judicial system operates slowly, with frequent delays and interruptions. Corruption remains a problem, but the government has taken steps to combat it.

Poverty Reduction: The Gambia's second three-year Poverty Reduction Strategy Paper cycle is underway, following the slow implementation of a previous three-year cycle. In February 2007, the IMF approved a new Poverty Reduction and Growth Facility for \$21 million, with a positive six-month review conducted in summer 2007. The Gambia reached HIPC Completion Point in December 2007 and qualified for the Multilateral Debt Relief Initiative and other debt relief measures. The 2008 budget outlines greater expenditures for health and education based on these debt relief programs.

Labor/Child Labor/Human Rights: The Gambia has ratified all eight core ILO conventions. The new Labor Act applies to all workers, including foreign or migrant workers, and specifies that workers are free to form associations, including trade unions, and workers exercised this right in practice. Unions must register to be recognized. The law authorizes strikes but also places restrictions on strikes by requiring unions to give the commissioner of labor 14 days' written notice before beginning an industrial action. No strikes occurred during the year. The law permits unions to conduct their activities without interference; however, in practice the government interfered with unions' right to strike. The constitution and law prohibit forced or compulsory labor, including by children; however, there were reports that women and children were trafficked for forced sexual exploitation.

The Children's Act, designed to protect and promote the welfare of children, sets the minimum employment age for "light" work at 16 and 12 years for engaging in apprenticeships in the formal sector. Child labor in informal sectors is difficult to regulate and remains a problem. Although the constitution and law provide for protection of most human rights, there were problems reported including: arbitrary arrests and detentions, extrajudicial violence by security forces, and restrictions on freedom of speech and press.

GHANA

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

AGOA Trade: Ghana's 2007 AGOA/GSP exports were valued at \$69 million and include petroleum products, apparel, plywood, yams, cocoa paste, wood ornaments, cassava, and baskets.

Market Economy/Economic Reform/Elimination of Trade Barriers: Ghana has a market-based economy with few barriers to trade and investment. Sound macroeconomic policies and debt relief have resulted in declining inflation and interest rates, a stable currency, and real economic growth averaging 5-6 percent per year. The business climate continues to improve, but remains challenging. Ghanaian law protects private property rights, although disputes over land tenure are common. Ghana has divested all or part of its holdings in all but a handful of the more than 350 enterprises it once controlled, but some of the largest ones remain. Few divestitures have been made since 2001 and a number of the remaining state-owned enterprises are in poor financial condition. Ghana has passed legislation to bring its intellectual property laws into compliance with WTO TRIPS requirements, but legislation necessary for full implementation has not yet been passed.

Political Pluralism/Rule of Law/Anti-Corruption: President Kufuor was re-elected in December 2004 in an election that was generally considered free and fair by international observers. Presidential and parliamentary elections are scheduled for December 2008. Ghana has 11 political parties, although two parties are dominant. "Fast Track" High Courts deal with routine commercial disputes and high profile corruption cases. The judiciary is occasionally subject to executive influence, corruption, and long delays in processing caseloads. The government's "zero-tolerance" policy on corruption has yielded a few prosecutions. Government anti-corruption institutions continue to be weak and underfunded. The government passed a law mandating transparency in government procurement; however, there are loopholes in the law and, in some cases, winning bidders have seen contracts awarded to other competitors with little or no explanation. The government passed a whistleblower law in 2006 but has not yet implemented it. Ghana is a participant in the Extractive Industries Transparency Initiative and is preparing for validation of its compliance with the program's criteria.

Poverty Reduction: In partnership with donors, Ghana is implementing its second poverty reduction strategy, which focuses on enhancing private sector competitiveness, investing in human resource development, and improving governance. There is strong donor coordination. The government's anti-poverty efforts are bolstered by significant debt relief

Ghana receives under the HIPC Initiative and the Multilateral Debt Relief Initiative. The \$547 million MCC compact signed in 2006 aims to raise farmer income through private-sector led agribusiness development. Ghana is expected to benefit from about \$1.3 billion in debt relief.

Labor/Child Labor/Human Rights: Ghana has ratified seven of the eight core ILO conventions, including Convention 182 on the Worst Forms of Child Labor. The law allows most workers to form and join unions of their choice without previous authorization or excessive requirements and allows unions to conduct their activities without interference. Workers exercised these rights in practice. The law recognizes the right to strike, except for workers deemed essential; however, there have not been any legal strikes since independence. The constitution prohibits forced or compulsory labor; however there were reports that such practices occurred. The law sets the minimum employment age at 15 years, 13 years for employment that is not likely to be harmful to the child and does not affect the child's attendance or capacity to benefit from school, and prohibits night work and certain types of hazardous labor for those under 18. However, child labor remains a serious problem in the informal sector. The government continued to implement its 2006 National Plan for the Elimination of the Worst Forms of Child Labor. With the support of the government, NGOs and foreign countries have funded recent programs to combat child labor. Education and sensitization workshops were conducted with police, labor inspectors, local governments, and communities. Forums were held throughout the country to develop and implement an ILO/IPEC Time-Bound Program, which aimed to eliminate all forms of child labor under specified time periods and benchmarks. The government generally respected the human rights of its citizens, though police abuses reportedly included excessive use of force and arbitrary arrest and detention.

GUINEA

Status: AGOA-eligible.

AGOA Trade: Guinea's 2007 AGOA/GSP exports were valued at \$206,000 and included wood ornaments, musical instruments, tuna, kola nuts, and spices.

Market Economy/Economic Reform/Elimination of Trade Barriers: Guinea is open to foreign direct investment; however, the income and import tax burden on international businesses is significant. The government exacts a value-added tax on items at a uniform rate of 18 percent. Exports, international transportation, and certain basic food items are excluded. Trade disputes are handled by the under-funded judiciary system or by an arbitration court staffed by local businessmen. Inflation ranged from 13-40 percent in 2007. Unemployment remains high; ranging as high as 50 percent by some estimates. There is significant investment in the mining sector, with approximately \$25 billion in investment planned over the next five years. However, most private sector activity is still in the informal sector. In early 2007, as part of a negotiated agreement to suspend a union labor strike, the government agreed to increase subsidies on fuel and rice. It also banned exports of agricultural, forestry and petroleum products, in an attempt to stabilize domestic commodity prices and supply. These agreements remain in effect. At the end of 2007, the IMF and the

government agreed to implement a new Poverty Reduction and Growth Facility program, in recognition of progress toward economic reforms. Guinea maintains a “managed float” foreign exchange regime.

Political Pluralism/Rule of Law/Anti-Corruption: Guinea is a constitutional government in which power is concentrated in a strong presidency. The presidential election in 2003, which some major opposition parties boycotted, lacked transparency and revealed widespread irregularities that favored the incumbent. Local elections held in late 2005 were considered flawed. National elections to elect a new legislature, originally planned for June 2007, are now scheduled for December 2008. Guinea’s enforcement of the rule of law is irregular, inefficient, and subject to corruption. The constitution provides for the judiciary’s independence; however, judicial authorities often 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 executive and legislative branches of government and is a major obstacle discouraging U.S. investment. While the government has indicated that combating corruption is one of its objectives, its anti-corruption efforts are under-funded, and the country lacks the independent judiciary needed for such efforts. Guinea is a participant in the Extractive Industries Transparency Initiative and is preparing for validation of its compliance with the program's criteria.

Poverty Reduction: As part of its budgetary review process, the government began working on a new Poverty Reduction Strategy Paper in 2006, which helped encourage the IMF and World Bank to re-engage with Guinea on a poverty reduction facility program. Donor funding is the major source of health and education spending. Good performance under the current Poverty Reduction and Growth Facility program with the IMF will help Guinea move toward its HIPC completion point; currently anticipated for the end of 2008. HIPC relief will free up over \$40 million for use by the government to improve health and education throughout the country.

Labor/Child Labor/Human Rights: Guinea has ratified all eight core ILO conventions. The law and constitution provide for the right of employees to form and join independent labor unions, and this right was respected in practice. Under the labor code, unions may organize in the workplace and negotiate with employers or employer organizations, and workers exercised this right in practice. The law also protects the right to bargain collectively without government interference, and employers established rules and hours of work in consultation with union delegates. The law grants salaried workers, including public sector civilian employees, the right to strike, but only after ten days advance notice, and workers exercised this right in practice. Although the law specifically prohibits forced or compulsory labor, including by children, there were reports that such practices occurred. Child labor remained a serious problem. It was reported that most children engaged in some type of work, mainly in the informal sectors, many in the worst forms of child labor. By law the minimum age for employment is 16 years and apprentices may start to work at 14 years of age. In practice, enforcement by ministry inspectors was limited to large firms in the modern sector of the economy. The government spoke out against child labor but lacked the resources, enforcement mechanisms, and legislative will to combat the problem. Serious human rights abuses occurred during 2007, particularly during the January-February general

strike and demonstrations when security forces killed and injured people. The current government was appointed, in consultation with civil society, following the abuses; and a commission of inquiry was established to investigate the abuses. However, some human rights abuses remain including reports of abuses by security forces, arbitrary arrests and prolonged pretrial detentions, as well as limitations on freedoms of speech and the press. Trafficking in persons and ethnic discrimination also occurred.

GUINEA-BISSAU

Status: AGOA-eligible.

AGOA Trade: Guinea-Bissau did not export any products under AGOA or GSP in 2007.

Market Economy/Economic Reform/Elimination of Trade Barriers: The government supports the 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. Although restrictions on foreign operators in the cashew production sector have been lifted, further deregulation is needed in order to promote cashew exports more effectively.

Political Pluralism/Rule of Law/Anti-Corruption: Guinea-Bissau is a multi-party state and the government, led by Prime Minister Cabi, is a coalition of three parties. The national court system continued to function, albeit with serious resource constraints. The constitution and law provide for an independent judiciary, but there is little independence and some judges have been accused of corrupt acts. Corruption is pervasive, especially related to narcotics trafficking.

Poverty Reduction: Guinea-Bissau ranks 175 out of 177 countries in the United Nations Global Development Index. More than two-thirds of the population lives below the poverty line. The World Bank estimates Gross National Income per capita at \$185. A Poverty Reduction Strategy Paper has been circulated to donors but has not yet received funding support. The government succeeded in early 2008 in qualifying for post-conflict assistance from the IMF. Guinea-Bissau was also selected to receive developmental and structural reform assistance from the United Nations Peace Building Commission.

Labor/Child Labor/Human Rights: Guinea-Bissau has ratified five of the eight core ILO conventions, but not Convention 182 on the Worst Forms of Child Labor. The constitution grants all civilian workers the right to form and join trade unions. The law provides for the right to strike and protection against retribution for engaging in lawful union activity. However, the law does not provide for or protect the right to collective bargaining, although consultations on wages between unions and employers did occur through a government-sponsored council. The law prohibits forced or compulsory labor, but there were reports of these practices, as well as trafficking in persons. The legal minimum age is 14 years for general factory labor and 18 years for heavy or dangerous labor, including labor in mines. There are no specific laws that protect children from exploitation in the workplace, and child labor and trafficking occurred. The government generally respected the human rights of its

citizens; however, problems occurred in some areas, including the arbitrary killing of a demonstrator and arbitrary arrest and detention. Restrictions on freedom of speech and press occurred. There were also violent dispersals of demonstrations.

KENYA

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

AGOA Trade: Kenya's 2007 AGOA/GSP exports were valued at \$255 million and included apparel, nuts, cut flowers, sporting equipment, plastic goods, and jewelry.

Market Economy/Economic Reform/Elimination of Trade Barriers: Kenya has a fairly diversified economy that grew seven percent in 2007. Although the government and opposition signed a power-sharing agreement on February 28, 2008, the violence which broke out after the December 27, 2007 presidential election cost the economy an estimated \$1.5 billion in damages and lost income just in January 2008, according to the Kenya Association of Manufacturers (KAM). KAM projects first half year losses will reach about \$3.9 billion. In 2007, Kenya made some progress on economic and market reform. President Kibaki signed several bills that address constraints to economic growth: the Supply Practitioners Management Act, the Licensing Laws and Repeal Act, which abolished 140 business licenses, and five labor reform laws. The Finance Ministry abolished an additional 110 business licenses and fees. Kenya launched an Electronic Regulatory Registry to speed up registration of new companies, enhance transparency in accessing information on registered companies, and cut regulation costs. The government sold a 51 percent stake in its monopoly fixed-line telephone company, Telkom Kenya. To strengthen intellectual property rights, the government established an enforcement division within the Kenya Copyright Board in November 2006, but Parliament failed to pass an Anti-Counterfeit Goods bill before it adjourned in late October 2007.

Political Pluralism/Rule of Law/Anti-Corruption: The voting in the December 27 national elections was free and fair, but the subsequent tallying of the presidential vote was flawed and nontransparent. Anger over the vote count triggered two months of ethnically-charged political violence in western Kenya, the Rift Valley, and parts of Nairobi, which displaced over 350,000 Kenyans and, according to the Ministry of Health, left 1,020 dead. Mediation efforts led by former UN Secretary General Annan resulted in a February 28 power-sharing agreement between President Kibaki's Party of National Unity and opposition leader Raila Odinga's Orange Democratic Movement. This agreement created a coalition with Odinga as prime minister and was subsequently codified into law by the Kenyan Parliament. Civil society and political parties are active and influence all major policy debates. Kenya is making some progress toward improving the rule of law; however, the judiciary is susceptible to executive branch influence. Kenya received a \$12.7 million grant in March 2007, as a MCC Threshold Program country, to reduce corruption in public governance. The Miscellaneous Amendment Act of 2007 will increase the number of judges and courts, which may reduce the backlog of about one million cases. Corruption remains a significant problem. The November 2007 Transparency International Corruption Perceptions Index ranked Kenya among the world's ten most corrupt nations. In 2007 Kenya empowered

the Public Procurement Oversight Authority's advisory board to implement the Public Procurement and Disposal Act of 2005, designed to close loopholes for graft in the government procurement of goods and services.

Poverty Reduction: Kenya's 2007 National Household Survey concluded that poverty nationwide declined from 52 percent in 1997 to 46 percent in 2005/6. The government has a mixed record of implementing its pro-poor "Economic Recovery Strategy," which was designed jointly with the World Bank and the IMF in 2003. In November 2007, the IMF completed the third and final review of Kenya's economic performance under a three-year Poverty Reduction and Growth Facility arrangement. Universal, free public primary education has been provided since 2003, but remains seriously under-funded. In January 2008, the government began offering a program of free secondary education, subject to some restrictions. The Kibaki Administration introduced its Youth Enterprise scheme in early 2007 to offer low-interest loans, entrepreneurship training, and marketing assistance to young Kenyans to reduce widespread unemployment and poverty. The government established a similar program for women later in the year.

Labor/Child Labor/Human Rights: Kenya has ratified seven of the eight core ILO conventions, including Convention 182 on the Worst Forms of Child Labor. The law provides that all workers, including those in the export processing zones (EPZs), are free to form and join unions of their choice, and workers exercised this right. Workers also have the right to legitimate trade union organizational activities and the right to strike, but workers found it difficult to exercise this right and there was often a lack of enforcement of workers' rights. In late October 2007, President Kibaki signed five labor reform laws pending since 2003, which should improve workers' rights. Anti-union discrimination persists, and employers make great efforts to prevent or block union organization. Workers in EPZ garment factories have reported increasing instances of forced, unpaid overtime, sexual harassment, and unsafe working conditions. The law prohibits slavery, servitude, and forced and bonded labor, but there were reports of forced or compulsory labor by children. The law prohibits all forms of child labor that are exploitative, hazardous, or would prevent children under age 16 from attending school, but child labor was a serious problem and over one million children reportedly work in Kenya. There are no minimum age restrictions in the agricultural sector, where approximately 70 percent of the labor force was employed. ILO/IPEC and World Vision are implementing programs to address child labor in several economic sectors. The government also works with the IOM to combat trafficking. The government in many areas respected the human rights of its citizens or attempted to institute reforms to address deficiencies; however, serious problems remained including reports of extrajudicial violence and excessive force by police; harsh and life-threatening prison conditions; arbitrary arrest and detention; prolonged pretrial detention; and disrespect for freedom of speech and of the press. The government took limited steps to prosecute abusers.

LESOTHO

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

AGOA Trade: Lesotho's 2007 AGOA/GSP exports were valued at \$380 million and consisted almost entirely of apparel.

Market Economy/Economic Reform/Elimination of Trade Barriers: Lesotho's current macroeconomic situation is positive and stable. Diamond production, which Lesotho reinvigorated in 2004, helped to diversify the nation's exports slightly and has led to increased economic growth rates. The government projects a GDP growth rate of 6.5 percent in 2008-2009. However, the continued vulnerability of the textile sector to external shocks and the predicted decline in future Southern African Customs Union revenue-sharing payments will likely temper an otherwise strong macroeconomic situation. The government has taken measures to reduce the cost of doing business in Lesotho, including: 1) the creation of a "one-stop shop" within the Ministry of Trade to reduce the number of steps required to register and license companies; and 2) the streamlining of procedures to obtain import and export permits, reducing wait times from several days to several minutes.

Rule of Law/Political/Pluralism/Anti-Corruption: Lesotho is a constitutional monarchy. The Prime Minister is head of government and has executive authority. The King serves a largely ceremonial function; he has only limited executive authority and does not actively participate in political initiatives. In the nation's February 2007 National Assembly election, the Lesotho Congress for Democracy retained its control of the National Assembly, in which nine opposition parties are represented. There were isolated reports of government corruption during the year. However, the government took serious actions to combat it. Anti-corruption legislation passed in 1999 was implemented through the creation of an autonomous anti-corruption unit, the Directorate on Crime and Economic Offenses. This unit actively prosecutes corruption cases at various levels of authority. A leading official in the Ministry of Justice and Human Rights was arrested for fraud in 2007 and is currently awaiting trial on corruption-related charges.

Poverty Reduction: The government's national poverty strategy for 2008-2103, the Lesotho Strategy for Growth and Poverty Reduction, aims to reduce poverty through broad-based economic growth designed to create jobs, generate income, and empower citizens to make investment decisions that will increase their quality of life. The government signed a \$362.5 million MCC compact in July 2007. The compact aims to reduce poverty through developing urban and rural water infrastructure, enhancing health care infrastructure, and stimulating private sector development by removing barriers to foreign and local private sector growth.

Labor/Child Labor/Human Rights: Lesotho has ratified all eight ILO conventions. The law allows workers, except for civil servants and police, to join and form trade unions and allows unions to conduct their activities without interference, and the government generally protected these rights in practice. Workers have a limited right to strike and in the private sector, the labor code requires a series of procedures to be followed by workers and

employers before strike action is authorized. The legal minimum age for employment in commercial or industrial enterprises is 15 years, or 18 years for hazardous employment. Children under 18 may not be recruited for employment outside the country. Child labor was a problem in informal and agricultural sectors, which are not covered by child labor laws, and the government had no mechanism for inspection for those sectors. The increasing numbers of orphans resulting from the HIV/AIDS pandemic have placed children at risk of employment in the informal sector. Lesotho is participating in two regional USDOL-funded projects to mitigate the incidence of child labor. The government generally respected the human rights of its citizens. However, the government's human rights record deteriorated for a brief period in mid-2007 as a result of the government's response to violent attacks on senior government and political figures, during which security forces reportedly committed serious abuses, including unlawful deprivation of life, torture, and use of excessive force. Lengthy pretrial detention, long delays in trials, and restrictions on press freedom occurred.

LIBERIA

Status: AGOA-eligible.

AGOA Trade: Liberia's 2007 AGOA/GSP exports were valued at \$19,000 and consisted entirely of mineral fuels.

Market Economy/Economic Reform/Elimination of Trade Barriers: Liberia's socio-economic indicators are among the worst in the world, due largely to the many years of civil conflict up until 2003. However, the situation is improving and the government is pursuing policies that enhance fiscal discipline, solidify the rule of law, and lower barriers to trade and investment. The government is revising the investment code, has formed a commission to deal with land tenure issues, and is reviewing tax and tariff regimes to harmonize them with ECOWAS neighbors. The National Investment Commission reported \$97 million in new investment in 2007 and has set a target of \$100 million a year for future years. The IMF deemed the government's 2007 performance under an informal Staff Monitored Program "acceptable," and the IMF and World Bank have approved a formal program to clear Liberia's \$1.5 billion in arrears to international financial institutions. In February 2007, Liberia signed a Trade and Investment Framework Agreement and an Open Skies agreement with the United States. Trade remains complicated by the inefficient port, lack of basic infrastructure, and opaque administrative procedures that foster corruption. The government continues to regulate trade in "strategic commodities," which it defines as rice, petroleum, and cement; and land ownership is restricted to Liberian citizens. Liberia is a participant in the Extractive Industries Transparency Initiative and is preparing for validation of its compliance with the program's criteria. Liberia is not yet a member of the WTO but has expressed an interest in acceding.

Political Pluralism/Rule of Law/Anti-Corruption: President Sirleaf's Unity Party government was inaugurated for a six-year term in January 2006 following elections in October-November 2005 in which 30 registered political parties participated. The elections were considered free and fair by domestic and international observers. There are ten parties represented in the legislature. Reform of the justice system, from the police to the courts, is an ongoing priority of the government. However, the judiciary remains weak. Salaries are

low and administrative support and training of legal professionals is inadequate. The executive branch does not interfere overtly with the judiciary, but there were reports of executive branch influence. The government is tackling corruption but it remains systemic. The government has articulated a zero-tolerance policy for corruption among government officials, embraced the Governance and Economic Management Assistance Program with international donor partners, and in early 2008 submitted a rigorous Act for an Anti-Corruption Commission to the legislature. There have been improvements in the transparency of government procurement, and the increase in government revenue in Liberian FY2006-07 reflects progress in plugging revenue leaks.

Poverty Reduction: The government is finalizing a Poverty Reduction Strategy Paper (PRSP) that will serve as a framework for establishing priorities and coordinating poverty reduction efforts beginning in summer 2008. The government has made unprecedented efforts to reach out to formerly ignored or marginalized populations as part of the PRSP process, culminating in a national census in March that will, when results are tabulated, provide clear indicators of population size, location and needs, allowing for better planning for education, health and infrastructure. The government is on track to complete its PRSP in one year, ahead of schedule.

Labor/Child Labor/Human Rights: Liberia has ratified six of the eight core ILO conventions, including Convention 182 on the Worst Forms of Child Labor. The law provides non-government workers the right to associate in trade unions, to organize and bargain collectively, and to strike, and workers exercised these rights in practice. The law does not prohibit antiunion discrimination. The law prohibits forced or compulsory labor, including by children; however, there were reports that such practices occurred. The law prohibits the employment and apprenticeship of children under the age of 16 during school hours, which is consistent with the compulsory educational requirement; however, the government did not effectively enforce the law. Child labor remains widespread in almost every economic sector. Trafficking in persons also remains a problem. Liberia participates in a USDOL-funded project providing education alternatives for vulnerable children. The government generally respected the human rights of its citizens; however, problems continued in some areas including reports of police abuses, arbitrary arrest and detention, lengthy pretrial detention and denial of due process.

MADAGASCAR

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

AGOA Trade: Madagascar's 2007 AGOA/GSP exports were valued at \$284 million and consisted mostly of apparel but also included packing materials and semiprecious stones.

Market Economy/Economic Reform/Elimination of Trade Barriers: Madagascar continues to implement its program of macro-economic and structural reforms, including fiscal reforms and the privatization of state-owned companies under the guidance of the World Bank and IMF. For the first time since 2002, the inflation rate in 2007 was single digit, at about eight percent, and the GDP growth rate reached six percent. The damage from

two cyclones in February 2008 may have a negative impact on economic growth in 2008. Large-scale private foreign investment is occurring in the mining and petroleum sectors. The government has taken significant steps to liberalize trade and there are generally no specific barriers to U.S. trade and investment. Madagascar is a member of the World Intellectual Property Organization and in February 2008 ratified the Madrid Protocol on the international registration of trademarks. In August 2007, the government and the main operators in the extractive industries signed the Extractive Industries Transparency Initiative (EITI). As of February 2008, Madagascar was named an EITI Candidate Country, although validation of compliance with the program's criteria is likely to take some time.

Political Pluralism/Rule of Law/Anti-Corruption: The government continues to post a positive record on the rule of law, political pluralism, and the safeguarding of due process rights. By all accounts of national and international observers, 2007 elections for the National Assembly and mayors were free, fair and transparent. An independent candidate defeated the candidate of the president's party in the mayoral election in Antananarivo, the capital. BIANCO, the independent anti-corruption office, continues to tackle the long term challenge of overcoming a culture of corruption.

Poverty Reduction: The government's 2006 development policy, the Madagascar Action Plan, is supported by assistance from the World Bank. In January 2008, President Ravalomanana announced his three main goals for Madagascar's sustainable development. The first is to achieve seven to eight percent economic growth. The second is to promote rural development by doubling food production by 2009 and tripling it by 2012. The third goal is poverty reduction through the increase of agricultural productivity, the revival of community involvement and job creation for youth. Madagascar was the first country to sign a compact with the MCC, for \$110 million in 2005. The compact supports financial system reform and helps rural Malagasy secure formal rights to land, access to credit, and training in agriculture production, management and marketing.

Labor/Child Labor/Human Rights: Madagascar has ratified all eight core ILO conventions. The constitution and the labor code grant most workers the right to establish and join labor unions and to bargain collectively. Civil servants and maritime workers have their own labor code; workers in other essential services, such as magistrates, have a recognized but more restricted right to strike. Discrimination against union organizers is prohibited, but enforcement of labor regulations is still hampered by the lack of government resources, particularly in the Export Processing Zones. The labor code prohibits forced or compulsory labor, including by children, but at times the government did not respect this prohibition, specifically with respect to prison labor. The minimum age for employment is 15, consistent with educational requirements. The law prohibits persons under the age of 18 from working at night and at sites where there is an imminent danger to health, safety, or morals. The reduction of child labor is one of the main goals in the government's national development strategy. In July 2007, the government adopted a decree regulating the working conditions of children, defining the worst forms of child labor, identifying penalties for employers, and establishing the institutional framework for its implementation. Despite this progress, some human rights problems were reported in 2007, including unlawful killings; harsh prison conditions that resulted in deaths; arbitrary arrest; and lengthy pretrial detention.

MALAWI

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

AGOA Trade: Malawi's 2007 AGOA/GSP exports were valued at \$59 million and included tobacco, apparel, sugar, nuts, and lentils.

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. The main constraint on investment is the generally poor business environment. The government is working to reduce or eliminate various tariff and non-tariff barriers. In 2007, it established a dedicated Commercial Court, which has improved judicial response to commercial cases, although significant backlogs remain. Implementation of a SADC Free Trade Area began in 2001, when member states started a phased tariff-reduction program; however, Malawi has reportedly been falling behind on implementation of its tariff-reduction schedule.

Political Pluralism/Rule of Law/Anti-Corruption: Malawi held peaceful presidential and parliamentary elections in May 2004. International observers considered the election to have been free but expressed some concerns regarding fairness. Constitutional power is shared between the president and the National Assembly. In September 2007, following an ongoing dispute over constitutional floor-crossing provisions, the president suspended a sitting session of the opposition-controlled parliament; parliament is scheduled to meet in spring 2008, but the agenda for the session has yet to be released. Although the political stalemate is likely to continue until the next presidential and parliamentary elections in May 2009, democratic and rule of law norms are broadly respected. Malawi has an independent but overburdened judiciary. The government's Anti-Corruption Bureau has actively pursued public and private sector corruption since the current administration took office in May 2004. There have been a number of major convictions of government officials. Capacity constraints within the Bureau continue to slow progress, and a number of corruption cases remain pending. In 2005, Malawi signed a \$20.9 million Threshold Program agreement with MCC to address corruption. In December 2007, Malawi became eligible for compact assistance.

Poverty Reduction: Malawi continues to work with international financial institutions and to use the Poverty Reduction Strategy process as the central planning framework for government budgeting. Increased macroeconomic stability, good weather conditions, and improved fiscal discipline have contributed to strong growth over the past two years. Malawi reached HIPC Initiative completion point in August 2006. Debt relief has enabled the government to reduce domestic borrowing and increase expenditures for development.

Labor/Child Labor/Human Rights: Malawi has ratified all eight core ILO conventions. The law allows workers to form and join trade unions of their choice without previous authorization or excessive requirements, and workers, including in the EPZs, exercised this right in practice. The law provides the right to organize and bargain collectively and

members of registered unions are allowed to strike. The government has not been fully effective in thwarting anti-union discrimination by employers or protecting other worker rights. The government prohibits forced or compulsory labor, including by children; however, there were reports that such practices occurred. The law sets the minimum age for employment at 14 years of age, and children ages 14 to 18 may not work in jobs that are considered hazardous or that interfere with their education; nevertheless, child labor was a problem. A public-private Child Labor Task Force, with membership among labor, private sector, and NGO organizations, has developed and implemented a national Code of Conduct on Child Labor. In 2007, the Ministry of Labor added 160 additional volunteer community child protection workers to the officers placed in each district of the country. The government continues to participate in several social programs to address child labor, including a three-year ILO project begun in 2005. The government generally respected the human rights of its citizens; however, there were problems in some areas, including unlawful killing by security forces; police use of excessive force; arbitrary arrest and detention; and restrictions on freedoms of speech, press, and assembly.

MALI

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

AGOA Trade: Mali's 2007 AGOA/GSP exports were valued at \$259,000 and included musical instruments, semi-manufactured gold, and jewelry.

Market Economy/Economic Reform/Elimination of Trade Barriers: Mali's landlocked status, high cost of electricity and transport, and an underdeveloped financial system all serve as constraints to economic development. These constraints are compounded by social factors such as the lack of skilled labor, low literacy levels, and poor health systems. The IMF Executive Board stated in October 2007, that Mali's economic program, supported by the IMF, has broadly succeeded in maintaining macroeconomic stability. Recent economic reforms include restructuring the Niger River Valley Authority and the ongoing privatization of the cotton parastatal CMDT and the telecommunication company SOTELMA that should be completed by the end of 2008. Mali's trade regime is relatively open and transparent. Mali is a member of the African Intellectual Property Rights Protection Council as well as African and Western Investment and Commercial Dispute Settlement bodies. Mali is a participant in the Extractive Industries Transparency Initiative and is preparing for validation of its compliance with the program's criteria.

Political Pluralism/Rule of Law/Anti-Corruption: Mali has held four presidential elections and elected two presidents since its transition to democracy in 1991. Presidential elections were held in April 2007 and legislative elections in July 2007. The presidential incumbent and several other political leaders ran for the presidency and President Amadou Toumani Toure won with over 70 percent of the vote. The legislative race was dominated by parties favorable to President Toure, although three opposition parties made a good showing during elections that were considered fair and free by domestic and international observers. Municipal elections are scheduled for 2009. The government is implementing its 10-year program for restructuring and modernizing the judiciary with the assistance of the donor

community. To compensate for extended pre-trial detention, the courts deduct excessive time spent awaiting trial from sentences of the accused. Insufficient government attention is paid to improving poor prison conditions. The General Auditor, selected by President Toure, is responsible for coordinating anti-corruption activities. The Auditor's first two full reports in 2006 and 2007 documented cases of corruption and fraud in both the private and public sectors. However, as of March 2008, no criminal prosecutions had resulted from the Auditor's findings.

Poverty Reduction: In December 2005, the IMF approved debt forgiveness for Mali under the Multilateral Debt Relief Initiative. Mali's Poverty Reduction Strategy Paper makes private sector-led growth the cornerstone of its development strategy. Measures such as strengthening property rights, streamlining the regulatory environment, and modernizing the public administration will help increase productivity, promote economic diversification, and enhance international competitiveness. Mali signed a \$461 million MCC compact in November 2006 to expand the Bamako-Senou International Airport and irrigated agriculture along the Niger River.

Labor/Child Labor/Human Rights: Mali has ratified all eight core ILO conventions. Workers have the right to form unions and bargain collectively and strike. The Higher Education Teachers' Union held a three-month strike from November 2006 to January 2007, with no violence or harassment from the government. A warning strike held by the same union in February 2008 was called off by union leaders when the government offered a negotiation of teachers' demands with a mediation committee led by prominent members of civil society. Forced and compulsory labor is prohibited. Hereditary servitude relationships between different ethnic groups were not eradicated despite growing awareness of this lingering problem. The labor code permits children between the ages of 12 and 18 to work for a specified time as defined within their age group. Child labor predominated in the agricultural, mining, and domestic help sectors and, to a lesser degree, in craft and trade apprenticeships and cottage industries. The government continues to implement several programs with UNICEF, the ILO, and local NGOs to combat child labor and child trafficking, including the rescue of trafficked children. The government generally respected its citizens' human rights; however, there were problems, including arbitrary arrest and detention, lengthy pretrial detention, prolonged trial delays, and restrictions on speech, press, and assembly.

MAURITANIA

Status: AGOA-eligible.

AGOA Trade: Mauritania became AGOA-eligible in June 2007. There were no reported exports under AGOA or GSP in 2007.

Market Economy/Economic Reform/Elimination of Trade Barriers: Large-scale private foreign investments are occurring in the petroleum, mineral and telecommunications sectors. Oil production began in February 2006, followed by large foreign-financed investments in infrastructure and the beginning of copper, gold, and uranium production in 2007. The

transitional government successfully completed an IMF Staff Monitored Program covering the first half of 2006. Mauritania is still under the HIPC initiative, and in June 2006 it benefited from IMF debt cancellation under the Multilateral Debt Relief Initiative owing to strong macroeconomic policies in the two previous quarters. The World Bank, African Development Bank and most bilateral development partners have also canceled Mauritania's debt. Mauritania has few discriminatory policies regarding foreign investment or imports and the commercial environment for U.S. products and investors is favorable.

Political Pluralism/Rule of Law/Anti-Corruption: Presidential elections were held in March 2007, culminating in the election of Sidi Ould Cheikh Abdallahi, who was inaugurated on April 19. The elections began a transition to democracy initiated by the junta that took power in a coup d'état in August 2005. International observers deemed the elections free and fair. Voter turnout was high and there were no allegations of electoral violence or intimidation. President Abdallahi has taken steps to address the political marginalization of ethnic groups in the south, and has permitted the return of refugees from these groups currently living in Senegal and Mali. In January 2008, working with UNHCR, the Mauritanian government began repatriating the 20,000 Mauritanian refugees living in Senegal. Mauritania is a participant in the Extractive Industries Transparency Initiative and is preparing for validation of its compliance with the program's criteria. President Abdallahi is continuing the good governance program adopted by the junta to help strengthen the judicial process. The government approved a financial transparency law requiring all high ranking government officials to publicly declare their assets and provided training for judges to improve the professionalism of the judiciary system. However, the judiciary remains weak and susceptible to corruption, and the enforcement of laws and contracts by the judicial system is spotty and unpredictable. Cronyism and corruption remain widespread, despite an official embrace of good governance principles. A specialized national market commission now supervises large-scale contracts, but preferential treatment remains common in government procurement and allocation of resources.

Poverty Reduction: Mauritania's IMF-approved Poverty Reduction and Growth Facility (PRGF) focused on poverty reduction and growth acceleration through the implementation of sound macro-economic policies and structural reforms in trade, good governance, oil revenue and external debt management, public enterprises restructuring and financial sector strengthening. The IMF's November 2007 review of the PRGF program found that macroeconomic performance met program expectations. The government has prepared a draft of the Poverty Reduction Strategy Paper covering the period 2006-2010. The long-term objective is to reduce the poverty rate from nearly 45 percent in 2005 to 15 percent in 2015. In December 2007 at the Consultative Group meeting in Paris, donors pledged \$2.1 billion to finance Mauritania's 2008 - 2010 development plan. Mauritania was named eligible for the MCC Threshold Program in December 2007.

Labor/Child Labor/Human Rights: Mauritania has ratified all eight core ILO conventions. The law allows most workers to form and join unions of their choice without authorization or excessive requirements, and workers exercised this right. The law provides that unions may organize workers freely without government or employer interference, and workers exercised this right in practice. However, the government has the power to decide whether to

recognize a trade union. The law provides workers, except for executive and managerial staff, with the right to strike, and workers exercised this right. The law prohibits forced or compulsory labor, including by children, but there were credible reports that such practices occurred. The law provides that children cannot be employed before the age of 14 in the nonagricultural sector or under age 13 in the agricultural sector unless the Minister of Labor grants an exception; however, child labor in the informal sector was a significant problem, particularly within poorer inner-city areas. The country does not have a comprehensive policy or national program of action toward the elimination of the worst forms of child labor. The governments of Mauritania and the United Arab Emirates (UAE) have established repatriation and reintegration programs for child camel jockeys from Mauritania working in the UAE. The government's human rights record improved during the year; however, there were reports of mistreatment of detainees by security forces, prolonged pretrial detention, and restrictions on freedoms of press, assembly, and association.

MAURITIUS

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

AGOA Trade: Mauritius's 2007 AGOA/GSP exports were valued at \$120 million and included apparel, tuna, sugar, sunglasses, and jewelry.

Market Economy/Economic Reform/Elimination of Trade Barriers: Mauritius has a market-based economy with a strong and dynamic private sector. In July 2006, the government embarked on a bold economic reform program aimed at moving Mauritius from reliance on trade preferences to global competitiveness. Trade licenses and other bureaucratic hurdles were abolished. The results of the economic reforms have been swift and tangible. The economy was turned around and grew by over five percent in 2007. It is expected to grow by seven percent in 2008. Encouraged by the signs of economic revival, the government's budget for July 2007-June 2008 continued along the path of liberal economic reforms. In this budget, the government introduced a 15 percent uniform rate of corporate and personal income tax, thus making Mauritius one of the lowest tax jurisdictions in the world. According to the Heritage Foundation-Wall Street Journal annual survey of 157 countries worldwide, Mauritius leads sub-Saharan Africa in economic freedom. The World Bank's 2008 Doing Business report ranks Mauritius first in Africa and 27th in the world for ease of doing business.

Political Pluralism/Rule of Law/Anti-Corruption: Mauritius is a vibrant multiparty democracy with regular, free, and fair elections. The national elections held in July 2005 resulted in victory for the opposition coalition. These were followed by municipal elections in October 2005 and village council elections in December 2005. The next general election is due to take place in 2010. The domestic legal system is generally nondiscriminatory and transparent. Members of the judiciary are independent of the legislative and executive branches. The government started to implement some of the judiciary reforms recommended by Lord Mackay, a visiting legal expert from the U.K., at the end of 2007. Mauritius generally has the legal and administrative framework to fight corruption and money laundering.

Poverty Reduction: The government provides free education and healthcare, basic pensions for those over age 59, and pensions for widows, orphans, the elderly, and the disabled. Under its social housing program, the government plans to build 1,500 housing units for 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. The government plans to invest \$170 million over the next five years in an Empowerment Program, which will offer a training-based program for the unemployed, particularly women formerly employed in the sugar and textile industries, home-ownership opportunities for the low-income, and financing and support to promote self-employment and the development of small and medium-sized enterprises.

Labor/Child Labor/Human Rights: Mauritius has ratified all eight core ILO conventions. The constitution and the Industrial Relations Act guarantee freedom of assembly and association as well as the right to organize and bargain collectively. Foreign workers have the same rights as local workers, and these rights are generally respected. Although there are some reports of restrictions on workers in the Export Processing Zone, the government generally intervenes rapidly to address problems there. The government is moving ahead with some significant labor market reforms. Mauritian law prohibits forced or compulsory labor as well as the trafficking of children; however, there were reports that such practices occurred. The minimum employment age is 16 years, which is consistent with the compulsory educational requirement. The government is making significant efforts to combat child sexual exploitation and raise public awareness of this issue. The government generally respected the human rights of its citizens.

MOZAMBIQUE

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

AGOA Trade: Mozambique's 2007 AGOA/GSP exports were valued at \$920,000 and included nuts, apparel, and lentils.

Market Economy/Economic Reform/Elimination of Trade Barriers: The government continues to work toward creating an investment-friendly, market-based economy. Mozambique's economy grew an average of eight percent per year during 1994-2007. Foreign direct investment, exports, and revenue collection all increased markedly during this time. The growth is from a very low base and is supported by substantial donor assistance. Mozambique's decade-long commitment to sound macroeconomic policies and structural reform, including substantial privatization, has led to significant improvement in economic performance. While foreign direct investment is welcome, there are still some obstacles. For example, private ownership of land is not allowed under the Mozambican constitution.

Political Pluralism/Rule of Law/Anti-Corruption: Mozambique has a democratically elected government and two major political parties, FRELIMO and RENAMO. FRELIMO is substantially larger and controls nearly all facets of the government. National elections as well as mayoral and provincial legislature elections are scheduled to be held by the end of 2009. 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. Corruption continues to be a problem that undermines Mozambique's democratic consolidation and economic growth. In April 2006, the government launched a National Anticorruption Strategy; however, a report submitted following a review by 18 donor nations stated that there had been "no progress on implementing the government's anticorruption strategy." In December 2007, the government's anti-corruption office lost many of its enforcement and prosecution powers. Mozambique's judiciary suffers from a lack of resources and is reportedly susceptible to pressure from high-ranking government and FRELIMO party officials.

Poverty Reduction: HIPC and Enhanced HIPC debt relief have provided the government with breathing room to focus efforts on alleviating poverty. Through its Action Plan for the Reduction of Absolute Poverty, the government continues to place the fight against poverty at the top of its agenda. Mozambique's second Plan for the Reduction of Absolute Poverty, covering the period of 2006-2009, aims to reduce the percentage of the population living below the poverty line from 54 to 45 percent by 2009. In June 2007, Mozambique signed a \$506.9 million MCC compact to reduce poverty and increase economic growth by providing water and sanitation to cities, towns and rural areas, expanding access to land titles, and improving road transport in northern Mozambique. HIV/AIDS continues to present a long-term challenge to Mozambique's poverty reduction and economic goals.

Labor/Child Labor/Human Rights: Mozambique has ratified all eight core ILO Conventions. The law provides that all workers except for government employees are free to join unions and to strike without previous authorization or excessive requirements, and workers exercised these rights in practice. Although the law provides for the right of workers to organize and engage in collective bargaining, such contracts covered less than two percent of the work force. The government generally respects labor rights; however, there was poor enforcement of labor legislation. The law prohibits forced and compulsory labor, including by children; however, forced and bonded child labor was a common problem and many children in rural areas were forced to work. In the formal economy, the minimum working age without restrictions is 18 years of age. Children between 12 and 18 are allowed to work under certain circumstances as defined by the law. Forced and bonded child labor was a common problem. Mozambique is participating in a USDOL-funded project to provide children who are engaged in, or at-risk of, exploitative labor with education alternatives. Reports of serious human rights abuses increased during the year, including unlawful killings by security forces; harsh prison conditions; arbitrary arrest and detention, and lengthy pretrial detentions.

NAMIBIA

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

AGOA Trade: Namibia's 2007 AGOA/GSP exports were valued at \$32 million and included, apparel, worked stone, and wooden ornaments.

Market Economy/Economic Reform/Elimination of Trade Barriers: Namibia's

economy remains relatively open and welcome to international investors. However, investors complain about the lengthy and administratively burdensome process of obtaining work permits. The government has created attractive tax benefits for potential investors and exporters. Many important sectors, such as transport, electricity, and telecommunications, remain under the control of parastatals, many of which, although required by law, do not produce public annual reports. The government is still in the process of updating copyright legislation to bring it in line with international standards. Land reform remains an important issue both for the government and the public at large, and is being carried out by “willing buyer-willing seller” principles in accordance with the Namibian constitution. The Minister of Finance announced plans to amend the Banking Institutions Act of 1998 in order to allow more competition in the market and to strengthen supervision.

Political Pluralism/Rule of Law/Anti-Corruption: Namibia’s constitution provides for an independent judiciary, and with few exceptions citizens generally enjoy the right to due process, a fair trial, and equal protection under the law. However, a large court backlog continues to cause lengthy delays of all types of trials. The next parliamentary and presidential elections will be held in November 2009. Most of Namibia’s ethnic minorities are represented in Parliament and Cabinet, and women occupy many leadership positions in the government. Civil society concerns have emerged surrounding the government’s calls for restraint and a Media Council in reaction to the independent media and civil society’s criticism of the government and the ruling party. The government’s independent Anti-Corruption Commission combats corruption, complements civil society’s anti-corruption programs, and supports existing institutions such as the Ombudsman’s Office and Attorney General. However, only a few cases of relatively low-level corruption have been brought to trial. The government has yet to take action on reports and recommendations from several presidential commissions investigating allegations of kickbacks and irregularities in Namibian parastatals.

Poverty Reduction: Namibia’s per capita income, among the highest in Africa, masks huge disparities in wealth and income between different populations. The government is committed to poverty reduction by increasing local value-added production of Namibia’s traditional primary product exports. In the 2008/09 budget, the government requested an increase in grants to pensioners, orphans and vulnerable children, as well as war veterans. The high prevalence of HIV/AIDS compounds the government’s challenge of reducing poverty. The government allocated more than 30 per cent of its budget to education, health, and social welfare in the 2008/09 budget. At the same time, the government requested a 41 percent increase in defense spending, accounting for 10 percent of the total budget. Namibia is currently negotiating with MCC toward a compact expected to be signed in summer 2008 for approximately \$300 million.

Labor/Child Labor/Human Rights: Namibia has ratified seven of the eight core ILO conventions, including Convention 182 on the Worst forms of Child Labor. The constitution provides for the freedom to form and join trade unions without previous authorization or excessive requirements, and most workers exercised this right in practice; however, workers in “essential” services are prohibited from doing so. The law allows unions to conduct their activities without interference and provides employees with the right to bargain individually

or collectively when a majority of the workers were members of that union; workers exercised these rights in practice. Except for workers providing essential services, workers have the right to strike once conciliation procedures are exhausted and 48-hour notice has been given to the employer and labor commissioner. The law prohibits forced or compulsory labor, including by children, although child labor existed. Under the law, the minimum age for employment is 14, with higher age requirements for night work and in certain sectors. The minimum age was inconsistent with the age for completing education requirements and children below the age of 14 often worked. The government launched a National Initiative to Eliminate Exploitative Forms of Child Labor and to determine the extent to which child labor exists in Namibia. The government generally respected the human rights of its citizens; however, there were problems reported in several areas, including abuse of criminal suspects and detainees by security forces; prolonged pretrial detention and long delays in trials; and government attempts to curb media and nongovernmental criticism.

NIGER

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

AGOA Trade: Niger's 2007 AGOA/GSP exports were valued at \$89,000 and consisted mostly of jewelry.

Market Economy/Economic Reform/Elimination of Trade Barriers: Niger's economy centers on subsistence agriculture, livestock, and uranium, which is the country's principal export commodity. The government maintains and promotes an open economy and a free trade policy, welcomes foreign investment, and has privatized several state-owned industrial enterprises over the past five years. Equal treatment of all investors is guaranteed, and total foreign ownership is allowed. Niger is a member of the West African Economic and Monetary Union. Although Niger has a court system to protect property and commercial rights, the administration of justice can be slow. The investment code provides for the settlement of disputes and indemnification. The government has publicly committed to the principles of the Extractive Industries Transparency Initiative, in order to bring about more transparency and better management of Niger's important natural resources.

Political Pluralism/Rule of Law/Anti-Corruption: Niger is a democracy and held three sets of elections in 2004, electing municipal leaders, national assembly deputies, and the president. International observers called the 2004 elections generally free and fair. The next legislative and presidential elections are scheduled for 2009. In 2007, a National Assembly vote of no confidence forced the prime minister and his cabinet to resign. The president appointed a new prime minister, who formed a new cabinet. The transition occurred peacefully and followed constitutional guidelines. Judicial corruption and inefficiency are problems. Although the judiciary shows signs of independence, family and business ties can influence lower court decisions. Detainees endured poor jail conditions, often exacerbated by prolonged pretrial detention. Niger publicly acknowledges that corruption of government officials is a problem. The government has established a National Committee on Anti-Corruption to address corruption issues. The government, NGOs, international financial

institutions, the media, and political opposition have all been active in promoting anti-corruption awareness and measures to reduce corruption and improve transparency.

Poverty Reduction: Niger has had modest success in combating poverty and increasing educational opportunities, but still faces severe resource constraints. In 2008, Niger signed a \$23 million Threshold Program agreement with MCC to reduce public corruption, improve public procurement systems and support the anticorruption efforts of civil society and the media. The grant will also bolster girls' education by building "girl-friendly" schools. The World Bank and the IMF support budgetary and expenditure reform through the government's Accelerated Poverty Reduction Strategy, which is expected to continue through 2012.

Labor/Child Labor/Human Rights: Niger has ratified all eight core ILO conventions. The law allows all workers to form and join trade unions without previous authorization or excessive requirements and unions to conduct their activities without interference. Workers, except for police and security forces, are allowed to strike. The law prohibits forced or compulsory labor; however, hereditary servitude is still practiced in some regions. The employment of children under age 14 is prohibited, except as authorized by decree; however, child labor was a problem. Work by children under the age of 18 is regulated, and children under the age of 12 may not work at all. The government is participating in two USDOL-funded projects to provide children at-risk of exploitative child labor with educational alternatives. The government is also working with UNICEF and the ILO to determine the extent of child labor in Niger. In July 2007, Niger signed a multilateral regional agreement to eliminate trans-border trafficking in persons, with an emphasis on combating the trafficking of children and women. Human rights abuses continue to be a problem in 2007 including extrajudicial killings and use of excessive force by security forces; arbitrary arrest and detention; prolonged pretrial detention; excessive use of force and other abuses in internal conflict; and restrictions on freedom of speech, press, assembly, religion and movement.

NIGERIA

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

AGOA Trade: Nigeria's 2007 AGOA/GSP exports were valued at \$30.1 billion and consisted mainly of petroleum products but also included hides and skins, soup preparations, tungsten, cassava, and spices.

Market Economy/Economic Reform/Elimination of Trade Barriers: President Yar'Adua entered office in May 2007 with the goal of implementing market based reforms; however, progress has been slow. Nigeria implements the ECOWAS Common External Tariff (CET) but differences between Nigeria and ECOWAS caused the postponement of the scheduled January 2008 implementation of the ECOWAS harmonized CET covering all import classifications. Negotiations on "Type B" exceptions and the 50 percent duty band for luxury items are ongoing. The United States continues to have serious concerns about the Nigerian government's use of non-tariff barriers to trade. A potential sign of progress is the

new government's promise to review existing import bans. The government's lack of capacity to address IPR issues is a major constraint to enforcement. The National Assembly is considering a bill that would amend several laws covering trademarks, patents and designs, plant and animal varieties, and establish an industrial property commission.

Political Pluralism/Rule of Law/Anti-Corruption: The general elections held in April 2007 were seriously flawed, with credible reports of malfeasance, vote rigging, and incidents of violence and voter intimidation across the country. Despite these problems, the May 29, 2007 inauguration marked the first civilian-to-civilian transfer of power in Nigeria's history. The two leading opposition candidates petitioned the electoral tribunal to nullify the election. The tribunal has upheld the results of the presidential poll, and the petitioners have appealed to the Supreme Court. Despite the formation of an electoral reform committee, there has been little substantive progress toward electoral reform by the new administration. Civil and criminal cases move slowly through Nigeria's courts. The government has taken steps to tackle corruption, such as establishing two anti-corruption commissions and announcing measures to improve fiscal responsibility in federal budgeting and procurement. However, corruption remains endemic throughout society and all levels of government. Corruption cases involving senior government officials and state governors are pending before various courts. Nigeria is a participant in the Extractive Industries Transparency Initiative and is preparing for validation of its compliance with the program's criteria.

Poverty Reduction: The government's economic reform program, the National Economic Empowerment and Development Strategy is undergoing a review that would incorporate President Yar'Adua's seven-point agenda. Though Nigeria no longer has a Policy Support Instrument with the IMF, it maintains a cordial relationship with the IMF which allows for evaluation of economic policies and provision of advisory services.

Labor/Child Labor/Human Rights: Nigeria has ratified all eight core ILO conventions. The law provides all workers, except those deemed as essential and some workers in the EPZs, with the right to form or belong to any trade union or other association for the protection of their interests. While workers exercised this right in practice, some statutory limitations on the right of association and on trade unions restricted this right. There are restrictions to union organizing, collective bargaining, and striking. Minimum wages, the length of the workday or workweek, and general health and safety provisions are statutorily mandated, but enforcement remains weak. Although the law prohibits forced or compulsory labor, including by children, there were reports that it occurred. In most sectors the minimum work age is 15 years, which is consistent with the age for completing educational requirements; however, child labor remained a problem. The law prohibits employment of children less than 15 years of age in commerce and industry and restricts other child labor to home-based agricultural or domestic work. Private and government initiatives to stem the incidence of child employment continued but were ineffective. The government continued to implement the ILO/IPEC Sustainable Tree Crop Program in the cocoa and other agricultural sub-sectors to combat hazardous child labor and to prevent child trafficking for labor exploitation. Reports of human rights problems included: security forces' use of excessive force and involvement in unlawful killings, including some that were alleged to be politically-motivated; and mistreatment of prisoners and detainees.

RWANDA

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

AGOA Trade and Investment: Rwanda's 2007 AGOA/GSP exports were valued at \$4.1 million and consisted mostly of tungsten concentrates but also included jewelry, baskets, and semiprecious stones.

Market Economy/Economic Reform/Elimination of Trade Barriers: Rwanda faces numerous challenges, including physical isolation, a small market, high energy costs, developing infrastructure and lingering regional instability, most recently shown in Kenya's post-election turmoil. Almost 85 percent of the population is in subsistence agriculture. The government has implemented several initiatives to increase investment and improve the climate for doing business in Rwanda, with particular emphasis on faster processing of imports. In February 2008, President Bush and President Kagame signed a Bilateral Investment Treaty, which will provide legal protections for U.S. and Rwandan investors. In 2007, Rwanda joined the East African Community, a regional intergovernmental organization which aims at greater economic cooperation. There are no significant trade barriers that affect the importation of goods and services to Rwanda, and market liberalization remains a key policy goal. The government appears committed to continue privatizing the few remaining parastatals and doing so in a transparent manner. Many draft commercial laws, including the establishment of a commercial court system, are close to being enacted.

Political Pluralism/Rule of Law/Anti-Corruption: In 2003, President Kagame was elected to a seven-year term, with 95 percent of the vote. Members of Parliament were also elected to five-year terms. In February 2006, local officials were elected to five-year terms in elections at the cell, sector and district levels. The next legislative elections will be held in 2008, presidential elections in 2010, and local elections in 2011. The 2003 presidential and legislative elections were peaceful but marred by serious irregularities. The nonpartisan 2006 local elections were also marred by irregularities, although they were conducted peacefully. In June 2007, a new political party's law abolished restrictions on political parties' ability to organize and open offices at all administrative levels. Independent parties report they are now free to circulate and attract supporters throughout the countryside. The government continues to make efforts to strengthen the independence and capacity of the judiciary. In most cases, the judiciary operated without government interference. Members of the national bar association noted increased judicial independence during the year, citing the increased willingness of judges to rule against the government and a higher standard of judicial training and education. Government officials sometimes attempted to influence judicial outcomes, mostly regarding the community-based justice system known as "gacaca." The judiciary has undertaken extensive efforts to reduce the backlog of pending cases. A new legal training institute began operations in 2007. Corruption was a problem, although the government continued efforts to combat it. The law provides criminal penalties for official corruption, and the government implemented these laws with increasing effectiveness. The government has provided training to the National Police to improve

professionalism and to promote respect for rule of law. In 2007, the government prosecuted several senior officials on corruption charges.

Poverty Reduction: The government has made efforts, with measurable results, to reduce poverty and to improve access to health care and education, despite severely limited resources. Under its national policy of universal primary education, the government provides free primary education to all children. A joint government-donor task force is focusing on improvement of girls' education. The government is attempting to improve access to health care through greater decentralization to ensure adequate health services at the local level. The IMF considers Rwanda's Poverty Reduction Growth Facility program to be on track. At the Development Partners' meeting in the fall of 2007, Rwanda announced that it was making good progress at meeting many of the Millennium Development Goals, although it was not likely achieve its 2015 targets regarding poverty reduction.

Labor/Child Labor/Human Rights: Rwanda has ratified all eight core ILO conventions. The law provides all salaried workers, except for civil servants, with the right to form and to join unions of their choice without previous authorization or excessive requirements and to organize, and workers exercised these rights in practice. The right to collectively bargain is severely restricted and does not extend to agricultural workers. A mandatory, complicated negotiation process curtails the right to strike. The law prohibits forced or compulsory labor, and the government generally enforced this right; however, prisoners were assigned work details that generally involved uncompensated public maintenance duties. The minimum age for full-time employment is 18 years (14 years for apprenticeships), provided that the child has completed primary school. Except for subsistence agricultural workers, the law prohibits children under the age of 16 from working without their parents' or guardians' permission and prohibits children under 16 from participating in night work or any work deemed hazardous or difficult by the Minister of Labor. However, the government did not effectively enforce the law, and child labor, including forced prostitution, was prevalent. As part of its youth employment policy, the government has undertaken a child labor study and has outlined strategies for withdrawal of children involved in child labor and mechanisms for prevention. The government supports two U.S. DOL-funded regional projects targeting child soldiers and children affected by HIV/AIDS and several UNICEF-funded projects to combat child prostitution and child labor. In January 2008, the government introduced a national policy for the elimination of child labor. Significant human rights abuses occurred, although there were important improvements in some areas. Extrajudicial killings by security forces increased. There was a dramatic drop in reports of torture and abuse of suspects. Overcrowding decreased significantly in prison and detention centers, although conditions remained harsh. Security forces arbitrarily arrested and detained persons. Prolonged pretrial detention was a problem. There continued to be limits on freedom of speech and association, and restrictions on the press increased.

SÃO TOMÉ AND PRÍNCIPE

Status: AGOA-eligible.

AGOA Trade: São Tomé and Príncipe's 2007 AGOA/GSP exports were valued at \$31,000 and consisted entirely of chocolate.

Market Economy/Economic Reform/Elimination of Trade Barriers: São Tomé and Príncipe (STP), with a population of approximately 140,000 people, is one of the poorest and most heavily indebted nations per capita in Africa. The estimated gross national income per capita in 2006 was \$780. STP is a MCC Threshold Country, and was awarded \$8.7 million to improve its tax administration and customs program. STP's economy has historically been based on cocoa exports and international donor assistance; now, expectations for oil discoveries and eventual oil production are high. Six blocks in the Nigeria-São Tomé and Príncipe Joint Development Zone (JDZ) have been awarded for oil exploration. To date, Chevron is the only company to have drilled an exploratory well. STP hopes for an oil boom, but this remains uncertain.

Political Pluralism/Rule of Law/Anti-Corruption: STP has a reputation as a vibrant democracy. International observers deemed presidential and legislative elections in 2006 to have been free and fair. However, the strength of STP's commitment to democracy has also been tested in recent years by a failed military coup in July 2003, the near collapse of the government in 2005, and a mutiny by select army units in late 2007. Failure to make progress on a budget deal led to the appointment of a new prime minister and cabinet in February 2008. Serious challenges remain for the new administration. A 2005 report by the Attorney General concluded that procedures followed in awarding the JDZ's second round bids were seriously flawed and failed to meet minimum acceptable standards. Since the publication of the report, neither the National Assembly nor the executive branch has acted on the report. The country's proposed money-laundering legislation remains bogged down in the National Assembly, which led the Financial Action Task Force (an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing) to issue a warning concerning transactions conducted with STP. As of February 2008, STP was named an Extractive Industries Transparency Initiative Candidate Country, although validation of compliance with the program's criteria is likely to take some time.

Poverty Reduction: The government has been performing satisfactorily under an IMF-approved three-year Poverty Reduction and Growth Facility arrangement. The country has made some progress toward stabilizing its economy, and inflation has been reduced. However, there remain considerable risks for the medium-to-long-term future, including heavy pressure for higher wages, weak implementation capacity, and uncertain oil prospects. Having met triggers related to public expenditure management, governance and social indicators, the government received debt relief under the HIPC process as of March 2007. The MCC's two-year, \$8.66 million Threshold Program Agreement with São Tomé and Príncipe seeks to improve the country's performance on MCC's Economic Freedom indicators.

Labor/Child Labor/Human Rights: São Tomé and Príncipe has ratified all eight core ILO conventions. The constitution provides for freedom of association, the right to bargain collectively, and the freedom to strike. The government generally respects these rights.

Working conditions in many of the cocoa plantations (the largest wage-employment sector) are extremely difficult. The law establishes a minimum age of employment of 18, which is respected in the formal sector; however, children are often engaged in labor from an early age in the informal sector. There were government initiatives to prevent child labor. The government generally respected the human rights of its citizens; however, there were problems in some areas, including: harsh prison conditions, and prolonged pretrial detention.

SENEGAL

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

AGOA Trade: Senegal's 2007 AGOA/GSP exports were valued at \$233,000 and included live birds, musical instruments, wooden ornaments, and leather products.

Market Economy/Economic Reform/Elimination of Trade Barriers: Senegal's market-based economy is heavily dependent on agriculture. In 2007, Senegal launched an Accelerated Growth Strategy with broad donor support aimed at achieving at least a 7.5 percent growth rate by 2010, targeting the agro-industry, fisheries, tourism, textile, and information technology sectors. Also in 2007, Senegal and the IMF agreed to a new, non-disbursing Policy Support Initiative designed to improve the country's management of its budget and public finances. Foreign investors face a difficult regulatory environment, particularly on labor issues, and also weak commercial law enforcement due to a lack of resources and specialized judicial expertise. Senegal is a member of the International Center for the Settlement of Investment Disputes. In theory, the government accepts binding foreign arbitration of investment disputes, but no case has yet completed the process. Senegal is a member of the World Intellectual Property Organization and a signatory to the Bern Copyright Convention. In 2008, Senegal is to implement an enhanced and more transparent public procurement code. The majority of Senegal's financial and trade regulations are guided by its membership in the West African Economic and Monetary Union.

Political Pluralism/Rule of Law/Anti-Corruption: Senegal is an active democracy with no history of coups d'état or military government. In February 2007, President Wade was re-elected to a new, five-year term through an electoral process widely considered to be fair. In the southern Casamance region, low-level separatist activity continued despite the signing of a truce in December 2004. Corruption remains a problem, particularly with centralized decision-making, opaque budget disbursements, and the lack of systematic and independent audit. Senegal has one of Africa's first fully established financial intelligence units, which has the legal authority to independently investigate money laundering and other financial crimes.

Poverty Reduction: The government's second poverty reduction strategy, approved in 2006, increased its focus on rural poverty and healthcare, and has improved integration of the Millennium Development Goals by tracking progress on those goals as well as for poverty reduction. The poverty reduction strategy is expected to guide both government and donor programs. Senegal is eligible for Millennium Challenge Corporation funding, and is currently working to develop a compact proposal.

Labor/Child Labor/Human Rights: Senegal has ratified all eight core ILO conventions. Although freedom of association and the right to strike are recognized, many restrictions remain. By law all workers, except for security forces, customs officers, and judges, can form and join unions. Collective bargaining agreements were negotiated and are generally respected. The law prohibits forced or compulsory labor, including by children; however, there were reports such practices occurred. The minimum age for employment was 15; however, children under the age of 15 continued to work in traditional labor sectors, particularly in rural areas where there was no enforcement of child labor laws. According to the ILO, 37 percent of children between the ages of five to 14 were engaged in child labor. However, the government is working to remedy this by raising awareness of the dangers of child labor through seminars with local officials, NGOs, and civil society. The government also participated in a donor-funded project to withdraw 3,000 children and prevent 6,000 others from exploitive child labor. The government participated in an ILO project to combat child labor. The government generally respected citizens' rights; however, there were problems in some areas. Mistreatment of detainees and prisoners and overcrowded prisons were problems. Long pretrial detention existed. There were also limits on freedom of speech, press, and assembly. Trafficking in persons was reported.

SEYCHELLES

Status: AGOA-eligible.

AGOA Trade: Seychelles did not export any products under AGOA or GSP in 2007.

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, with the important exception of land, and a number of incentives are offered to stimulate private sector investment. Price controls on imported goods, apart from basic foodstuffs, were lifted in February 2008. The government has also removed the 12.5 percent goods and services tax on basic foodstuffs. Privatization is likely to gain momentum in 2008, with the planned sale of the Seychelles Savings Bank and several units of the Seychelles Marketing Board. The government also intends to amend the Companies Act, the Licenses Act and the Tourism Incentives Act with the aim of improving the investment climate and boosting private business. Seychelles implemented rapid depreciation of its currency in the twelve months prior to October 2007 – after embarking on long-awaited reforms in October 2006 that realigned the currency basket and removed the peg against the U.S. dollar – but the readjustment appears to have come to a halt in recent months.

Rule of Law/Political Pluralism/Anti-Corruption: After 27 years, President Rene handed over power to then-Vice president Michel in April 2004. Presidential elections were held in July 2006, and President Michel was elected for a five-year term. Legislative elections were held in May 2007. The constitution calls for an independent judiciary, but the legal system is slow and reportedly subject to executive interference. Prolonged pretrial detention is a problem. The government recently announced its intention to review the

functioning of the judiciary with a view to enhance its effectiveness. Seychelles has lower perceived corruption than all but a handful of sub-Saharan African countries, according to Transparency International. The government announced a new policy initiative in February 2008 for the introduction of a Public Officers Ethics Bill to tackle corruption and provide for wealth declarations.

Poverty Reduction: Health and education have long been government priorities; as a result, Seychelles now enjoys one of the highest literacy rates and the best health facilities in sub-Saharan Africa. Education is free and compulsory between the ages of six and sixteen. The social welfare system includes basic pensions, homecare for the elderly, and unemployment benefits.

Labor/Child Labor/Human Rights: Seychelles has ratified all eight core ILO conventions. Workers generally have the right to form and join unions and to engage in collective bargaining. However, the government has the right to review and approve all collective bargaining agreements. Workers have the right to strike, but only after extensive, mandatory arbitration procedures. Strikes are illegal without first exhausting arbitration procedures. Foreign workers do not have the same rights as indigenous workers, and there have been several complaints about poor living conditions and difficulties in repatriating salaries. The law states that the minimum age for employment is 15, subject to certain exceptions. There have been no reports of child labor. The government generally respected the human rights of its citizens; however, the following human rights problems were reported: prolonged pretrial detention; abuse of detainees; and restrictions on speech, press, and assembly.

SIERRA LEONE

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

AGOA Trade: Sierra Leone's 2007 AGOA/GSP exports were valued at \$211,000 and included vegetables and rubber products.

Market Economy/Economic Reform/Elimination of Trade Barriers: Sierra Leone has a market-based economy and an open, rules-based trading system. It continues to recover from the economic impact of the 11-year civil war. Among the serious economic problems the government faces are a reliance on imported goods, limited diversification in various sectors, and shortfalls in government revenue. The government has embraced in principle a World Bank-sponsored trade barrier reduction strategy. There are no impediments or restrictions specifically imposed on foreign investors.

Political Pluralism/Rule of Law/Anti-Corruption: The government is elected, and opposition parties are active participants in the political process. The All People's Congress came into power following the national elections in August and September 2007. International observers generally deemed the polls to be free and fair. Local elections are currently planned for July 2008. The judiciary is generally considered impartial. However, many observers have voiced concern that parliament's authority to approve the appointment of the Chief Justice has been usurped by the President's recent move to force the Supreme Court Chief Justice to take a leave

of absence and subsequent installment of an Acting Chief Justice. Corruption is rampant at all levels of government. President Koroma has publicly advocated a zero-tolerance policy on corruption, and the Anti-Corruption Commission is currently undergoing restructuring to improve its efficacy and provide it with prosecutorial authority. As of February 2008, Sierra Leone was named an Extractive Industries Transparency Initiative Candidate Country, although validation of compliance with the program's criteria is likely to take some time.

Poverty Reduction: The government has verbally committed to increasing access to education and health care, but direct action has yet to be taken. Limited government revenue to support the provision of even basic services is a concern. Though Sierra Leone is midway through its IMF Poverty Reduction and Growth Facility, the impact of the three-year plan has yet to be seen.

Labor/Child Labor/Human Rights: Sierra Leone has ratified six ILO core conventions, but has not ratified ILO Convention 182 on the Worst Forms of Child Labor. The law allows workers, except for government employees, to freely form and join unions. The law allows unions to conduct their activities without interference, and the government generally protected this right. Collective bargaining may take place in trade group negotiating councils, each having an equal number of employers and worker representatives. However, as of the end of 2007, the government had not granted a bargaining certificate to the Civil Servants' Union, whose application had been on file since 1986. There is a minimum wage, but it does not impact the informal sector. The law prohibits forced and compulsory labor, including by children; however, the government did not effectively enforce the law, and forced and bonded child labor remained a problem. In June 2007, parliament passed the Child Rights Act aimed at protecting children under 18 from early marriage, conscription into the armed forces, trafficking, domestic violence and exploitation. It also severely limits child labor, allowing light work at age 13, full-time work at age 15, and hazardous work at age 18. The law states that children under 13 should not be employed in any capacity. Despite laws protecting children from exploitation, child labor remains a problem. The bulk of the work conducted to improve the rights of children and labor is done by international organizations and non-governmental organizations. The government generally respected the human rights of its citizens. However, there were serious problems in a number of areas, including: security force abuse; arbitrary arrest and detention; prolonged detention, detention and harassment of journalists, forcible dispersion of demonstrations, harassment of opposition supporters, and restrictions on freedom of speech and press.

SOUTH AFRICA

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

AGOA Trade: South Africa's 2007 AGOA/GSP exports were valued at \$2.3 billion and included motor vehicles, petroleum products, metals and minerals, apparel, citrus fruit, wine, chemicals, raisins, nuts, and jewelry.

Market Economy/Economic Reform/Elimination of Trade Barriers: South Africa maintains a diverse market-based economy and provides national treatment to foreign investors. The country is making notable progress on improving IPR enforcement and addressing cumbersome IPR court proceedings. The Department of Trade and Industry

created an enforcement unit and the judiciary increasingly understands the complexity and specialized nature of IPR. Commercial Crime Investigative Units have been instituted within the South African Police Service; Specialized Commercial Crime Courts have been established in major cities; and seven specialized prosecutors have been designated since 2006 to exclusively manage IPR cases. The relevant South African Departments have formed an interagency group to enhance cooperation in combating IPR crimes.

Rule of Law/Political Pluralism/Anti-Corruption: South Africa maintains a multiparty parliamentary democracy in which political parties are allowed to operate freely. Free and fair municipal elections were held in March 2006. While the African National Congress holds an overwhelming majority in parliament and in other levels of elected government, several opposition parties are active. The government is committed to the rule of law and is working to strengthen its judicial and regulatory systems, but high crime rates have strained the judicial system's capacity. The judiciary is independent at all levels. Municipal service delivery and corruption remain a challenge. Under the anticorruption regulatory framework, the government has charged the former Deputy President, and prosecuted dozens of public officials, including the Chief of the South African Police Service, Members of Parliament and municipal councilors.

Poverty Reduction: Poverty reduction and job creation are major government priorities. The 2008 budget increased measures to improve the social welfare payment system and the delivery of public services, such as basic housing, water and sanitation, electricity, and telecommunications, especially to the rural poor. More than one-fourth of all South Africans receive government support of one type or another. The budget also allocated funds for civil projects that employ labor-intensive methods as a means to create employment and impart job skills. The Broad-Based Black Economic Empowerment Codes of Good Practice were published in February 2007. These Codes are designed to integrate previously disadvantaged minorities into the market economy.

Labor/Child Labor/Human Rights: South Africa has ratified all eight core ILO conventions. The constitution protects worker rights, including freedom of association and the right to organize and bargain collectively. South Africa has a strong trade union movement which organizes and bargains collectively on behalf of workers and participates in strikes. Farm workers and those deemed essential have limited worker rights. The law prohibits forced or compulsory labor, including by children; however, there were reports that such practices occurred. The law prohibits employment of a child less than 15 years of age or under the minimum school-leaving age; however, child labor was widespread in the informal and agricultural sectors. Child laborers, including some from Zimbabwe and Mozambique, worked illegally in the country on commercial farms, for the taxi industry, or as domestic servants. The government's Child Labor Program of Action integrated the priorities of government ministries to combat child labor. However, the single largest factor in reducing child labor remained the Child Support Grant which was recently increased to nearly \$30 per month and covers children up to 14 years old. The government participates in a USDOL-funded, regional ILO/IPEC project to eliminate the worst forms of child labor and supports a USDOL-funded project to provide educational alternatives for vulnerable children. The government generally respected the human rights of its citizens. However, the

government, nongovernmental organizations, and local media reported the following serious human rights problems: police use of excessive force against suspects and detainees; abuse of prisoners; lengthy delays in trials and prolonged pretrial detention; and forcible dispersal of demonstrations.

SWAZILAND

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

AGOA Trade: Swaziland's 2007 AGOA/GSP exports were valued at \$141 million and included apparel, sugar, prepared fruit products, and plastics.

Market Economy/Economic Reform/Elimination of Trade Barriers: Swaziland is a free market economy with relatively little government intervention. The government has publicly recognized the need to develop the private sector to create sustainable employment. Swaziland has a relatively strong apparel sector that employs thousands of women. In 2007, the Competition Bill was enacted and an insurance regulatory body was established. Also in 2007, the Swaziland Electricity Board changed its name to the Swaziland Electricity Company as a first step in implementing a privatization strategy. Several pieces of legislation to support a healthy investment climate are awaiting introduction in parliament. In 2008/09, the government has pledged to review the Small, Medium, and Enterprise Policy, with a view to incorporate micro enterprise development issues. There generally are no significant trade barriers for U.S. businesses and the country is relatively open to foreign investment.

Political Reforms/Rule of Law/Anti-Corruption: The 2006 Constitution has come into effect, but significant legislative and political power still rests with the King. Parliamentary elections held in 2003 were marred by irregularities. Municipal elections were successfully held in November 2007. The chairperson for the Elections and Boundaries Commission was appointed in March 2008 as the government prepares for Parliamentary elections in 2008. The legality of political parties is still not clear but the constitution allows freedom of association. A few political parties have declared their existence. The judiciary is generally considered independent. In 2007, the judiciary was officially separated from the Ministry of Justice and Constitutional Affairs and allocated its own funding. In February 2007, the Prevention of Corruption Act was enacted. In February 2008, the government appointed a former Malawian judge as the chairperson of the Anti Corruption Commission, a step applauded by civic society.

Poverty Reduction: Swaziland is deeply affected by poverty and income inequality. An estimated 69 percent of the population lives below the poverty line, and the country has the 7th most severe income inequality in the world. The government approved a Poverty Reduction Strategy and Action Program in May 2007, but has yet to implement a comprehensive approach for poverty alleviation. The country has one of the highest HIV/AIDS prevalence rates in the world at 26 percent.

Labor/Child Labor/Human Rights: Swaziland has ratified all eight core ILO conventions.

The law provides for the right to form labor unions and bargain collectively. The law does not specifically permit strikes, but it allows employees who are not engaged in “essential” services to participate in peaceful protest action to promote their socioeconomic interests. The Conciliation, Mediation, and Arbitration Commission is the government body tasked with mediating labor disputes and issuing certificates of non-resolution of dispute which allows a union to strike. It has a fairly good reputation for its handling of labor issues; however, employer interference has been reported especially in the garment sector. In January 2008, the High Court ruled that it was illegal for police and correctional officers to form unions. There have been reports that labor leaders were targeted for harassment and that their civil liberties were restricted. The constitution and law prohibit forced or compulsory labor, including by children; however, there were reports that such practices occurred. The minimum age of employment is 15 years, which is not consistent with the age for completing educational requirements. Child labor in both rural and urban areas was a problem. The government participates in a regional ILO/IPEC project to eliminate the worst forms of child labor and supports a USDOL-funded project to provide educational alternatives for vulnerable children. The government has made efforts to support orphans and vulnerable children by increasing education and vocational training opportunities. The Program Advisory Committee on Child Labor for Swaziland anticipates finishing an Action Program to Eliminate Child Labor by mid-2008. Human rights abuses continue to be a problem with reports of: unlawful killings by security forces; excessive violence and use of force by police; police impunity; arbitrary arrests and lengthy pretrial detention; limits on freedom of speech, the press, assembly and association; and prohibitions on political activity and harassment of political activists.

TANZANIA

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

AGOA Trade: Tanzania’s 2007 AGOA/GSP exports were valued at \$4.5 million and included apparel, unwrought gold, plant seeds, live birds, and semiprecious stones.

Market Economy/Economic Reform/Elimination of Trade Barriers: The economy depends heavily on agriculture, which accounts for more than 40 percent of GDP, provides 85 percent of exports, and employs 80 percent of the work force. The World Bank, the IMF, and bilateral donors have provided funds to rehabilitate Tanzania’s out-of-date economic infrastructure and to alleviate poverty. Continued donor assistance and solid macroeconomic policies supported real GDP growth of nearly seven percent in 2007. Tanzania has successfully divested more than 400 enterprises, though 36 large public utilities remain. The government has taken significant steps to encourage foreign investment by creating an attractive package of incentives for investors and easing bureaucratic requirements. As a result, foreign direct investment in Tanzania has increased steadily in the last five years. Tanzania is formally open to foreign investment in all sectors. Tanzania is a member of the East African Community Customs Union, which has a common external tariff and under which tariffs between founding members Tanzania, Uganda and Kenya are to be phased out by 2010. Seventy-five percent of the goods imported by investors registered with the Tanzania Investment Center are cleared directly through the green channel.

Political Pluralism/Rule of Law/Anti-Corruption: The December 2005 elections for president and members of parliament were considered by international observers to be generally free and fair. The October 2005 elections in the semi-autonomous archipelago of Zanzibar were marred by violence and serious irregularities. The opposition parties on both the mainland and in Zanzibar were allowed to register as legal parties and participate in the political process, although opposition leaders complained of an uneven playing field due to lack of resources. The law provides for an independent judiciary; however, the judiciary suffers from corruption, inefficiency, and executive influence. The judiciary remains understaffed, though the government took steps in 2007 to address judicial inefficiency and corruption by increasing the budget of the judicial branch. In February 2008 President Kikwete reshuffled his cabinet after the resignation of the prime minister and two cabinet ministers following allegations of corruption. In 2007, Tanzania's Ambassador to Italy was arrested for corruption and at year's end the case was still pending in court. In May 2006, the government signed a two-year, \$11 million MCC Threshold Program agreement to combat corruption and establish a financial intelligence unit.

Poverty Reduction: Tanzania's second Poverty Reduction and Growth Facility expired in August 2006. Since then, Tanzania has proposed a new role for the IMF via a Policy Support Instrument that seeks high and sustainable growth and more rapid poverty reduction based on enhancing public resource mobilization and efficiency of spending, increasing the financial sector's contribution to growth and the effectiveness of the monetary policy, and improving the business climate. In February 2008, President Bush and President Kikwete signed a five-year \$698 million MCC compact that will reduce poverty, stimulate economic growth, and increase household incomes through targeted investments in transportation, energy and water.

Labor/Child Labor /Human Rights: Tanzania has ratified all eight core ILO conventions. The law allows workers to form and join unions without prior authorization; however, in practice many private sector employers adopted anti-union policies or tactics that limited this right. The law provides for collective bargaining in the private sector, and workers and employers practiced it freely during the year. Labor laws in Zanzibar are different and are enforced separately. On Zanzibar, the law prohibits all workers from striking, and workers may not join mainland unions. The law prohibits forced or compulsory labor; however, there continued to be reports of forced and compulsory labor by children and of children trafficked for commercial sexual exploitation. The law establishes the minimum age for contractual employment at 14 and provides that children may be employed only to do light work that is unlikely to be harmful to their health and development and does not prejudice their attendance at school. Child labor is a problem, and the minimum employment age remains inconsistent with the age for completing basic educational requirements. Tanzania participates in an ILO-IPEC project that seeks to eliminate child labor in targeted sectors. A second project is targeting rural areas to provide education alternatives for children at risk of or working in exploitive conditions. There were reports of continuing human rights problems, including excessive force by police and prison guards; police impunity; and limitations on freedom of speech and of the press.

TOGO

Status: AGOA-eligible as of April 17, 2008.

Market Economy/Economic Reform/Elimination of Trade Barriers: Togo's economy has experienced a long period of stagnation that began in the early 1990's when political turmoil and human rights abuses by the government resulted in a cut-off of donor funding. This in turn led to a suspension of World Bank and IMF programs when the government could not service its debt to the World Bank. Togo's annual economic growth has improved in the past few years, from -0.8 percent in 2000 to 1.5 percent in 2006. While the government has privatized or liquidated 58 parastatals, its privatization program has stalled in recent years. The government plans to privatize an additional 16 parastatals but maintains control over the remaining 12. There is a relatively liberal investment code, but investors still face unofficial and official barriers. The World Bank ranked Togo 156 of 178 countries in its Ease of Doing Business survey. Large-scale investment disputes are rare. Togo has a large informal sector, including an active market for pirated goods that the government has been slow to combat. The largest export categories are salt, soil and stone, plaster, lime and cement, and iron and steel. Lome's deep water port is an increasingly important regional commercial hub and engine for the economy. After meeting a number of interim targets, Togo successfully completed a Staff Monitored Program with the IMF in June 2007 designed to help support macro-economic stability.

Political Pluralism/Rule of Law/Anti-Corruption: President Faure Gnassingbe came to power in a flawed and turbulent transition culminating in presidential elections in April 2005. These were criticized by the international community and widely rejected by the opposition. Since taking office, President Faure has surprised critics by embracing a democratic reform process and engaging the opposition in a comprehensive agreement that contains a roadmap for an exit from Togo's long-standing political crisis. A national unity government, headed by an opposition prime minister, was appointed in September 2006 and paved the way for parliamentary elections in October 2007. The 2007 legislative elections were declared to be free and fair by international and national observers. The elections were non-violent, and the military stayed in the barracks. The opposition gained seats and sat in the National Assembly for the first time. Despite this progress, the judicial branch continues to be heavily influenced by the executive. In 2006, the government and donors launched a judicial modernization program. The anti-corruption commission has been largely inactive and ineffective. The tax service has initiated a campaign to ensure compliance by taxpayers and extract unpaid balances from prominent customers that has wider implications for the government's anti-corruption efforts.

Poverty Reduction: Political and economic difficulties continue to hamper poverty reduction efforts. Most donors suspended significant development assistance in response to human right abuses and the stalled democratic transition of the 1990s. The EU has begun incrementally releasing development funds embargoed over the past 14 years. Corruption and inadequate public administration inhibit domestic and foreign investment, and key social indicators continue to decline. The government is unable to provide resources to sustain education, health and nutrition, sanitation, and other basic services, relying instead

on international donors, mainly UN-affiliated agencies, to combat health problems such as HIV/AIDS, malaria, tuberculosis, and cholera. Togo is in the process of writing a Poverty Reduction and Growth Strategy paper.

Labor/Child Labor/Human Rights: Togo has ratified all eight core ILO conventions. The constitution and law provide most workers with the right to form and join unions, and they exercised this right in practice. The Ministry of Labor does not adequately enforce the prohibition against anti-union discrimination. Workers have the right to strike and to organize and bargain collectively; however, the government limited collective bargaining to producing a single nationwide agreement that had to be negotiated and endorsed by representatives of the government, labor unions, and employers. Employees of EPZ firms did not enjoy the same protection against anti-union discrimination as did other workers. The labor code prohibits forced or compulsory labor, including by children; however, such practices occurred. The new labor code, adopted in December 2006, prohibits the employment of children under the age of 15 in any enterprise and prohibits children under age 18 from working at night. The government did not effectively enforce child labor laws, and child labor was a problem. Togo is reportedly a country of origin, transit, and destination for trafficking in persons, particularly women and children. The government adopted child anti-trafficking legislation in 2005 and is working to implement it. Togo is participating in a USDOL-funded ILO-IPEC project to promote education for victims of child trafficking and children at risk of being trafficked. The ministry funded a center for abandoned children and worked with NGOs to combat child trafficking. The human rights situation in the country improved; however, serious human rights problems continued, including abuse of detainees; arbitrary arrests and detention; lengthy pretrial detention; and restrictions on freedom of the press, assembly, and movement.

UGANDA

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

AGOA Trade: Uganda's 2007 AGOA/GSP exports were valued at \$1.7 million and included apparel, tungsten concentrates, cut flowers, wooden ornaments, and jewelry.

Market Economy/Economic Reform/Elimination of Trade Barriers: Uganda maintains a liberal trade and foreign exchange regime, promotes foreign investment, and largely adheres to IMF/World Bank programs to fight poverty, maintain macroeconomic stability, and restructure the economy. The government privatized most of its public enterprises over the past few years, although nearly 30 such enterprises remain and market observers expressed concern that the benefits went almost entirely to the individuals in charge of the privatization process. Uganda's economy suffered severe short-term economic effects when its primary trade route was impassable as a result of the violence following the Kenyan elections. Uganda is attempting to diversify its agriculture-based economy, focusing on cash crops and non-traditional, high-value items such as coffee, vanilla, processed fish, and cut flowers. The pace of economic growth has remained consistent over the last 18 years with annual GDP growth rates between 5 and 6 percent. 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. Despite significant progress, Uganda's current economic

growth is impeded by infrastructure deficiencies, energy shortages, corruption, the toll of HIV/AIDS and other diseases, as well as a long-running conflict in northern Uganda. Uganda's entry into the East African Community Customs Union formally eliminated internal tariffs on most goods originating within East Africa and set common external tariff rates for goods originating outside East Africa. Tariffs on many finished products from outside the region, including from the United States, were increased.

Rule of Law/Political Pluralism/Anti-Corruption: President Museveni was reelected in February 2006 with 59 percent of the vote. The major opposition candidate was subjected to politically motivated detention and prosecution on a variety of charges. Several opposition parties are active in parliament, although they have not been able to develop an effective alternative to the government's agenda. Outside of parliament, registered political parties operate, but those that have refused to register are not permitted to operate or hold meetings under current legislation. The government has negotiated a settlement that could end the 22-year old conflict with the rebel Lord's Resistance Army (LRA) in the north, but as of mid-April 2008, LRA Leader Joseph Kony had not signed the Final Peace Agreement. Hundreds of thousands of Internally Displaced Persons (IDPs) have returned to or near their homes; however, many IDPs are waiting for the government and LRA to sign the Final Peace Agreement before returning to their homes. Corruption remains a significant challenge, and many senior officials lack the political will to effectively address the issue. Several major public tenders in the past year have resulted in investigations for fraud, mismanagement, and abuse. In March 2008, the government tabled an Anti-Corruption Bill to deal with public and private sector corruption. The Bill will also strengthen the office of the Inspector General of Government and Director of Public Prosecutions. In February 2007, MCC approved a two-year, \$10.4 million Threshold Program for Uganda that aims to tackle corruption by improving government procurement practices, boosting its ability to investigate and prosecute, and enhancing the civil society's watchdog role. Uganda's judiciary is generally well-regarded but understaffed. Senior judges often render independent 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. With donor assistance, the government has set out a four-year program to reform the commercial justice system.

Poverty Reduction: The government has allocated significant resources to alleviate poverty and received large amounts of donor assistance for anti-poverty programs. Uganda's Poverty Eradication Action Plan focuses on primary education, health and sanitation, an improved transport system, and growth in the agricultural sector. Uganda has developed a model program to combat HIV/AIDS. USAID is currently implementing a \$35 million poverty reduction program aimed at improving rural livelihoods.

Labor/Child Labor/Human Rights: Uganda has ratified all eight core ILO conventions. The law allows workers to form unions, but all unions must be registered as part of one of two existing central unions. The law allows unions to conduct their activities without interference and provides for collective bargaining; however, the government did not protect these rights in practice. No public service unions, including medical staff and teachers, were allowed to negotiate their salaries and employment terms. The law provides for the right to

strike and workers exercised this right; however, the government did not always protect the right. The law prohibits forced or compulsory labor, including by children; however, there were reports that such practices occurred, particularly prison labor. The law prohibits employers from hiring workers below the age of 18; however, some exceptions apply. Child labor is common, especially in the informal sector and agricultural industries. The government reported new incidents of the worst forms of child labor, including children involved in illicit activities such as cross-border smuggling. The government participated in two projects implemented by international NGOs to combat exploitive child labor among war-affected children in Northern Uganda. It also supports two USDOL-funded regional projects to combat and prevent HIV/AIDS-induced child labor. The government's human rights record remained poor. Although there were improvements in a few areas, serious problems remained, including unlawful killings by security forces; instances of torture and abuse of suspects by security forces; arbitrary arrest; incommunicado and lengthy pretrial detention; and restrictions on the right to a fair trial and on freedoms of speech, press, and association. The government continued to take steps to improve human rights during the year. The armed forces continued to professionalize and demonstrated a marked improvement in respect for human rights, and the government continued to improve conditions in the central prisons.

ZAMBIA

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

AGOA Trade: Zambia's 2007 AGOA/GSP exports were valued at \$230,000 and included jewelry, wooden ornaments, and cut flowers.

Market Economy/Economic Reform/Elimination of Trade Barriers: Zambia has made significant progress toward macroeconomic stabilization. It experienced positive economic growth for the ninth consecutive year in 2007. The rate of inflation dropped from 30 percent in 2000 to about nine percent by December 2007 due to fiscal and monetary discipline and the growth of the domestic food supply. Zambia has qualified for substantial HIPC and G-8 debt relief programs. Zambia has liberalized markets and most prices are market-driven. Many trade barriers have been reduced and direct import and export subsidies have been removed, although the government still imposes import and export bans on key agricultural commodities and offers subsidized fertilizer and, in some cases, seed to farmers. Most state-owned companies have been privatized. However, key industries such as power generation, telecommunications, and oil refining remain under government monopoly control, and as a result, these services are inefficient, resulting recently in an electrical power crisis that is likely to last for years, and regularly recurring fuel shortages. Zambia is seeking increased private sector investment by offering generous incentives to both local and foreign investors, such as tax holidays and non-resident employment permits. However, the government announced plans to change the tax regime for the mining sector, which if implemented as planned would violate the contractual obligations made by the government in agreements for large copper mining projects.

Political Pluralism/Rule of Law/Anti-Corruption: Zambia has held four free, multiparty elections since 1991. International election observers agreed that the 2006 elections were

generally free and fair. At the outset of his presidency in 2001, President Mwanawasa launched an anti-corruption campaign to prosecute high-level corruption during the administration of former President Chiluba. Trials in these cases are underway, and have resulted in three convictions and one successful civil suit against former President Chiluba. The government is instituting programs to reduce the rampant levels of administrative corruption. Good governance reforms affecting a broad range of government institutions are underway, including review of the constitution, parliamentary and judicial reforms, and strengthening of public sector management. In mid-2008 Zambia is expected to complete its MCC Threshold Program to reduce corruption and improve government efficiency; it is being considered for a second Threshold Program. The constitution and law provide for an independent judiciary; however, the judicial system is hampered by inefficiency, corruption, and lack of resources. There are lengthy delays before trials. In 2007 the courts continued to act independently and at times made judgments and rulings critical of the government.

Poverty Reduction: The government has shown a commitment to poverty reduction. In the 2008 budget and the five-year National Development Plan, the government seeks to diversify the economy and create jobs, with a growing focus on agriculture; but the strategy remains strongly infused with socialist entitlements that continue to hinder meaningful growth and impede the reduction of poverty. HIV/AIDS presents a major challenge to economic development and poverty reduction.

Labor/Child Labor/Human Rights: Zambia has ratified all eight core ILO labor conventions. The law recognizes the right of workers to form and belong to trade unions, and workers exercised these rights in practice. Workers also have the right to conduct their activities freely and to bargain collectively. The law provides for the right to strike, except for those engaged in “essential services”; however, the law permits strikes only after all other legal recourse has been exhausted, and there has not been a legal strike since 1993. Unions remain a significant force in civil society and play a prominent role in public debate over political issues. The enforcement of the labor law generally remains weak. The law prohibits forced or compulsory labor, including by children, but there were reports that such practices occurred. The legal minimum age for employment is 15 for regular labor and 18 for hazardous labor. Nevertheless, child labor was a problem, and the law was not enforced. The government has taken several steps to address Zambia’s child labor problem, including supporting three USDOL-funded projects that aim to eliminate the worst forms of child labor and combat and prevent HIV/AIDS-induced child labor in the country. The government has also included efforts to eliminate and monitor exploitive child labor in its national development plan that was finalized in June 2006. The government’s human rights record remained poor, although there were improvements in a few areas. Human rights problems included: extrajudicial violence and abuses by security forces; arbitrary arrests and prolonged detention; restrictions on freedom of speech, press, assembly and association; and intimidation of journalists.

ZIMBABWE

Status: Not eligible, largely for reasons related to political pluralism, economic reform, corruption, rule of law, and human rights.

Market Economy/Economic Reform/Elimination of Trade Barriers: The government pays lip service to Marxist economic principles but has increasingly used ideology to mask growing official corruption. Zimbabwe is an unattractive investment destination for most foreigners and Zimbabweans alike. The IMF estimates the government's budget deficit at more than 60 percent of GDP, and predicted that inflation would end 2007 at 150,000 percent, which it indeed reached according to reliable private sector estimates. The Reserve Bank's decision to fix the exchange rate despite the country's hyperinflation has undermined what is left of the country's export sector and caused foreign exchange scarcity, fueling a parallel foreign exchange market. Zimbabwe's IMF voting rights remain suspended and the government has shown no political will to implement the comprehensive package of macroeconomic and structural reforms required for their restoration and to regain eligibility for IMF technical assistance and lending. The country is not servicing its large external debt and is falling further into arrears.

Political Pluralism/Rule of Law/Anti-Corruption: The government, dominated by President Mugabe and the ruling ZANU-PF party since independence, continued to resort to brute force to perpetuate its rule. The opposition and civil society operated in an environment of state-sponsored intimidation and violence. Elections in 2002 and 2005 were neither free nor fair as the government and the ruling ZANU-PF party, which controls the electoral machinery, used violence, intimidation and vote rigging to affect the outcomes. The government's assault on human rights and democracy increased significantly during the year despite a regional initiative to improve Zimbabwe's political environment for presidential and parliamentary elections in 2008. Security forces and ruling party supporters targeted political opposition party leaders in a brutal and systematic campaign to dismantle opposition structures. Government voter registration and education efforts were woefully inadequate. The opposition's access to the media and rights to freedom of association and free speech were curtailed. Despite these obstacles, the people of Zimbabwe voted for an opposition majority in the House of Assembly in the March 29, 2008 parliamentary elections. As of late April 2008, the Mugabe-appointed electoral commission refused to release the results of the presidential election held on the same day, despite international pressure to provide an honest accounting of the vote. Government efforts to influence and intimidate the judiciary have seriously eroded independence and undermined the rule of law. Senior government officials and police have willfully defied court orders that are not politically acceptable to the ruling party. The government and ruling party have closed independent news media in recent years. Corruption in government is endemic. The government has redistributed expropriated commercial farms to the ruling party elite and granted them privileged access to foreign exchange and fuel. The government-appointed Anti-Corruption Commission has yet to register any notable accomplishments. The government prosecutes individuals selectively, focusing on those who have fallen out of favor with the ruling party and ignoring transgressions by favored elite.

Poverty Reduction: The government maintains several programs that ostensibly provide food or basic services to the poor. However, the programs are grossly under-funded and their implementation is often influenced by politics, with areas represented by the opposition disadvantaged. Moreover, the government's economic policies have caused most Zimbabweans to grow progressively poorer. Human development indicators that were once

among the best in sub-Saharan Africa have deteriorated sharply. Zimbabweans will face acute food shortages again this year.

Labor/Child Labor/Human Rights: Zimbabwe has ratified all eight core ILO conventions. While the law provides private sector workers with the right to form or join unions without prior authorization, and workers exercised these rights, they were not always respected in practice. Although the law prohibits antiunion discrimination, in practice union members faced discrimination and harassment. The law provides workers with the right to organize and permits unions to bargain collectively over wages and conditions of employment, and workers exercised this right in practice; however, government harassment of union leaders sometimes made such negotiations difficult. The law recognizes the right to strike; however, severe limitations effectively prohibit strikes. In general, the government lacks the commitment and resources necessary to enforce labor standards effectively and frequently uses repressive laws and intimidation to limit workers' right to organize and hold labor union meetings. The government continues to harass the Zimbabwe Congress of Trade Unions (ZCTU), the country's largest trade union, and its leadership. In September 2007, police arrested three ZCTU members for distributing flyers about a labor action and reportedly beat them. In February 2008, ZANU-PF supporters abducted nine members of a ZCTU affiliate during a peaceful demonstration in Harare. The group was taken into the ZANU-PF Harare province headquarters and severely assaulted. There have been attempts to supplant legitimate labor leaders with hand-picked supporters. The law prohibits forced or compulsory labor, including by children; however, there were reports that such practices occurred. The minimum age for light work is 15 years, with certain exceptions; however, a 2006 government survey found that approximately 46 percent of children between the ages of five and 17 were engaged in economic activity. In 2007, the government incorporated child labor issues into its UN Development Assistance Framework, and signed an MOU with the ILO, UNICEF, IOM, and UNESCO for a program of collaboration to eliminate the worst forms of child labor. It also works with IOM to assist trafficking victims. Nonetheless, the government's commitment to children's rights and welfare remains weak. The government engaged in the pervasive and systematic abuse of human rights, which increased significantly during the year. Unlawful killings and politically motivated abductions occurred. State-sanctioned use of excessive force increased, and security forces tortured members of the opposition, student leaders, and civil society activists. Security forces arbitrarily arrested and detained the opposition, members of civil society, labor leaders, journalists, demonstrators, and religious leaders; lengthy pretrial detention was a problem. The government continued to use repressive laws to suppress freedoms of speech, press, association, academic freedom, assembly, and movement.

XI. Annexes

A. AGOA-Eligible Countries

Republic of Angola
Republic of Benin*
Republic of Botswana*
Burkina Faso*
Republic of Burundi
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 Liberia
Republic of Madagascar*
Republic of Malawi*
Republic of Mali*
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 Togo
Republic of Uganda*
Republic of Zambia*

* - qualified for textile and apparel benefits

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)).

C. Country Memberships in Major Regional Organizations

(i) **African Union (AU) Members:** All 53 countries in Africa, except Morocco.

(ii) **Central African Economic and Monetary Community (CEMAC) Members:** Cameroon, Central African Republic, Chad, Republic of the Congo(ROC), Equatorial Guinea, and Gabon.

(iii) **Common Market for Eastern and Southern Africa (COMESA) Members:** Burundi, Comoros, Democratic Republic of the Congo (DROC), Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

(iv) **East African Community (EAC) Members:** Burundi, Kenya, Rwanda, Tanzania, and Uganda.

(v) **Economic Community of West African States (ECOWAS) Members:** Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

(vi) **West African Economic and Monetary Union (WAEMU) Members:** Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

(vii) **Southern African Development Community (SADC) Members:** Angola, Botswana, Democratic Republic of Congo (DROC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

(viii) **Southern African Customs Union (SACU) Members:** Botswana, Lesotho, Namibia, South Africa, and Swaziland.

D. List of Frequently Used Acronyms

ADF	African Development Foundation
ADR	Alternative Dispute Resolution
AGCI	African Global Competitiveness Initiative
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
AU	African Union
BIC	Business Information Center
BIT	Bilateral Investment Treaty
BLNS	Botswana, Lesotho, Namibia, and Swaziland
CBP	U.S. Customs and Border Protection
CDC	Centers for Disease Control
CEMAC	Central African Economic and Monetary Community
CET	Common External Tariff
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
ECA	East and Central Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EDDI	Education for Development and Democracy Initiative
EPA	Economic Partnership Agreement
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

ICT	Information and Communication Technology
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
MCC	Millennium Challenge Corporation
MDRI	Multilateral Debt Relief Initiative
MOU	Memorandum of Understanding
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
PEPFAR	President's Emergency Plan for AIDS Relief
PMI	President's Malaria Initiative
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
TIDCA	Trade, Investment, and Development Cooperative Agreement
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
USITC..... U.S. International Trade Commission
USTDA U.S. Trade and Development Agency
USTROffice of the United States Trade Representative
WACIP..... West Africa Cotton Improvement Program
WTO World Trade Organization