CHAPTER 3
Regional Integration in Sub-Saharan Africa

This chapter provides information on the African Union (AU), as well as background, recent developments, and trade and investment information for the nine regional organizations that operate in sub-Saharan Africa:

- the Economic Community of West African States (ECOWAS);
- the Union Economique et Monétaire Ouest Africaine (UEMOA);
- the Common Market for Eastern and Southern Africa (COMESA);
- the Southern African Development Community (SADC);
- the Southern African Customs Union (SACU);
- the East African Community (EAC);
- the Intergovernmental Authority on Development (IGAD);
- the Indian Ocean Commission (IOC); and
- the Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC).

The data presented have been taken primarily from the U.S. Department of Commerce (trade statistics) and the World Bank (FDI). Qualitative information was drawn from a variety of sources, including the Economist Intelligence Unit, United Nations Integrated Regional Information Network, AllAfrica.com articles, and official regional organizations websites. The analysis presented focuses, whenever possible, on developments that occurred from the beginning of 2003 to mid-2004.

Regional Integration in 2003

In September 1999, the heads of state and government for the Organization of African Unity (OAU) declared their intent to accelerate regional integration efforts that seek to provide solutions to regional economic, political, and social problems. In July 2002, the AU, successor to the OAU, was launched at a meeting of heads of state in South Africa. The stated purpose of the AU is to support socio-economic integration within the continent and to promote peace, security, and stability. Primary goals include the creation of an African Common Market, to be phased in six stages, the promotion of peace and economic stability through conflict resolution, and the improvement of humanitarian conditions.[1] The AU has 53 member states, and is headquartered in Addis Ababa, Ethiopia.

The AU seeks to harmonize domestic policies and to renew focus on diversification of Africa's agricultural sector through the 2004-2007 Strategic Framework of the

African Union Commission that was developed in October 2003. Other activities include a project with the UNDP Regional Bureau for Africa that was signed in May 2004.[2] The project, with an estimated cost of $4.3 million, seeks to improve trade capacity building, to reduce poverty, and to encourage sustainable development. The AU also signed an agreement with the Government of the Republic of Finland in December 2003 and received approximately $848,000 to be used for conflict prevention and peace building. This contribution will also help the Protocol on Peace and Security Council, which entered into force in early December 2003. In July 2003, the AU voted to integrate NEPAD into its framework.[3]

Regional trade agreements within SSA focus on common sectoral policies that will lead to the creation of customs unions and a common currency. One way to achieve this goal is to create a common external tariff and to remove existing tariffs between regional trading members. Intra-regional trade and common investment policies have been increasing and can be attributed to such regional agreements. For example, ECOWAS members are seeking to merge by July 1, 2005, into the CFA Franc Zone created by members of UEMOA, and South Africa is coordinating finance and investment decisions for SADC members.[4] Various regional organizations have received outside assistance for such efforts. For example, the EU, through the WTO's trade-related technical assistance program, granted ECOWAS $1.8 million to be used to accelerate the elimination of tariffs for the creation of an economic union by 2005 and a common customs union by 2007. The EU also granted $1.9 million to CEMAC for a macroeconomic surveillance program to be completed by July 2006. The program activities include studies, workshops, and staff training on customs union harmonization policies.[5]

Conflict management is an important policy area for SSA regional organizations. For example, CEMAC has hosted numerous summits to examine conflict management and to propose solutions to the civil unrest in Chad and Sudan.[6] SADC has also pledged to reduce civil unrest within member states and in the Southern African region. Within the SADC Regional Indicative Strategic Development Plan, common policies include the Protocol on Politics, Defense, Security and Cooperation. Objectives include the protection of people, promotion of political cooperation, and promotion of democratic institutions and practices. In August 2003, the SADC member states signed a mutual defense pact that facilitates interaction, joint operations, and a collective response for security in southern Africa.[7] IGAD has set a July 2004 deadline for the establishment of a transitional federal government for Somalia as part of its efforts to resolve regional conflict and to provide security and a stable environment for attracting foreign investment into member states. In May 2004, IGAD also played a central role in conflict resolution when it chaired peace talks between rebels and the government in the ongoing conflict in Sudan. The peace talks led to the signing of three accords between the Sudan People's Liberation Army and the existing government, which will together form an interim government for 6 years before devolving power to the states.[8]

The United Nations Economic Commission for Africa (UNECA) has participated in numerous regional organization meetings and provided technical assistance for the intergovernmental bodies through five subregional offices. These subregional offices promote dialogue and support initiatives for harmonization in a number of different sectors, including poverty reduction, infrastructure development, employment and labor market growth, export diversification, and the attraction of private sector investment. In 2003, UNECA participated in various heads-of-state summits related to policy planning, including the SADC Annual Summit, the 13th Meeting of Trade and Customs Committee of COMESA, the NEPAD Chief Executives Meeting, and the 16th Meeting of the Council of Ministers of COMESA. UNECA also provides technical assistance. For example, the subregional office in southern Africa provided technical assistance to SADC and COMESA during the development stage of the SSA Transport Program Inter-REC Task Force.[9] UNECA helped develop terms of reference for the African countries undertaking institutional reforms and staff training within civil service roles. Other efforts have included assisting the SADC Mining Program and offering recommendations to facilitate implementation.[10]

ECOWAS

Economic Community of West African States

Members: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.[11]

Population: 249.4 million

GDP: $102.2 billion

Goals: To establish an economic union within West Africa by July 1, 2005, and to focus on transport and communication networks in order to facilitate the free movement of people, goods, and services.

Status and Structure:

ECOWAS was established in 1975 to promote regional economic integration in the transport, telecom, energy, commerce, and agriculture sectors, and to foster trade among its 15 member states. ECOWAS seeks to reduce intra-regional customs duties, to establish an external common tariff, to harmonize economic and financial policies, and to create a monetary union within West Africa.

The Office of the Chairman of ECOWAS is headed by an elected official from a member state. This position is currently held by Dr. Mohamed Ibn Chambas, a former minister from Ghana. The Secretariat and the Fund for Cooperation, Compensation, and Development are the two main institutions designed to implement policies and to ensure progressive development in the member states.

ECOWAS has a 115-member parliament that convenes twice per year to consider issues regarding economic cooperation; and includes a community court of justice aimed at peaceful settlement of disputes and a Council of Ministers.

In March 2001, the West African Monetary Institute was created to provide technical assistance that will allow member states to harmonize monetary policies as they establish a common West African Central Bank to pave the way for a second monetary zone in West Africa.

General Developments:

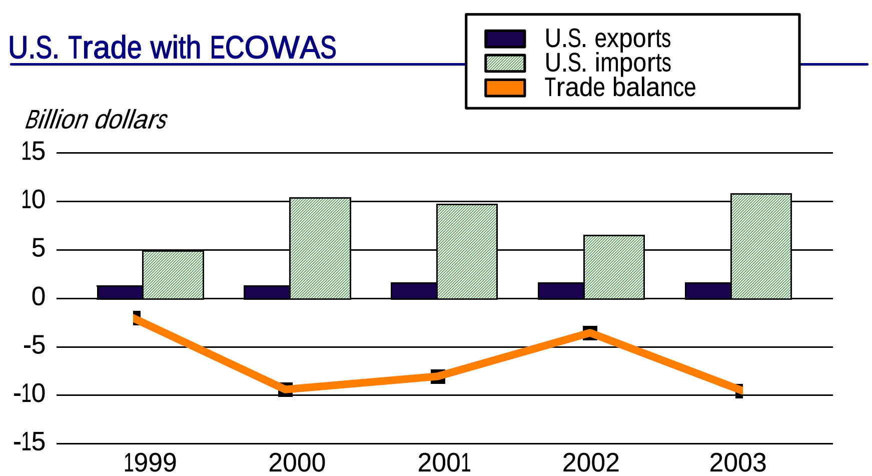
Although progress has been hampered by political instability in a handful of member states such as Côte d'Ivoire, progress has been made in the transportation sector with many projects near completion. For example, the West African highway network, one of many priority road transport programs, is 83-percent completed, and the trans-Sahelian highway is 87-percent completed.

The deadline to merge with the CFA Franc Zone has been rescheduled for July 1, 2005, to allow member states to fully comply with requirements for their financial sectors.

ECOWAS members have pledged to form a common customs union by 2007.

A joint ECOWAS / World Bank task force is to be created to help implement programs as agreed under NEPAD.

U.S. Trade with ECOWAS



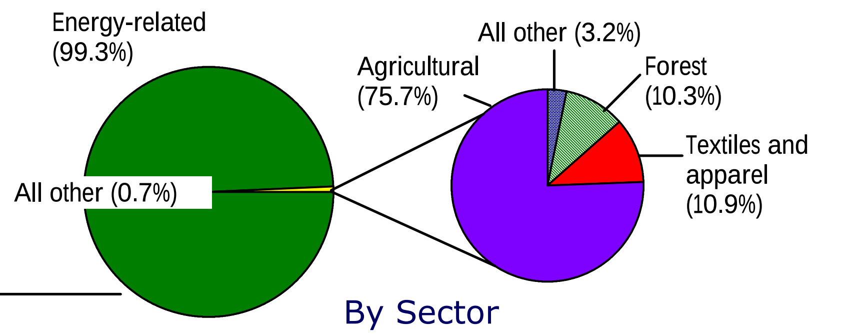
Economic Community of West African States

Trade and Investment:

In 2003, the EU pledged approximately $12 million in loans for the private sector and governments to increase exports from the West African region to European markets.

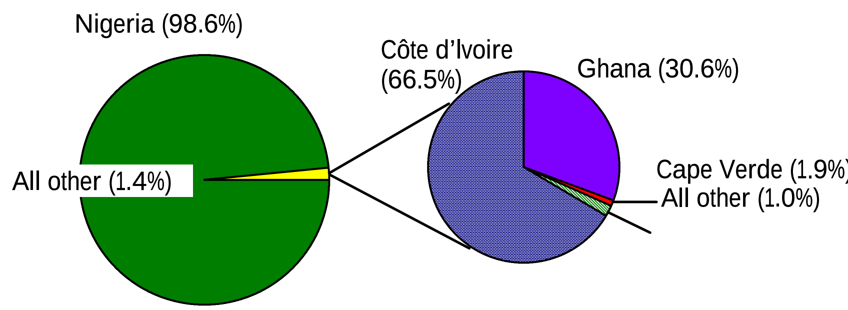
The World Bank pledged $4.9 billion for projects aimed at improving infrastructure and capacity building in the energy and communications sectors.

AGOA Imports in 2003



By Sector

$9.5 Billion



By Country

AGOA Imports from ECOWAS:

ECOWAS member countries that were AGOA eligible in 2003 were Benin, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

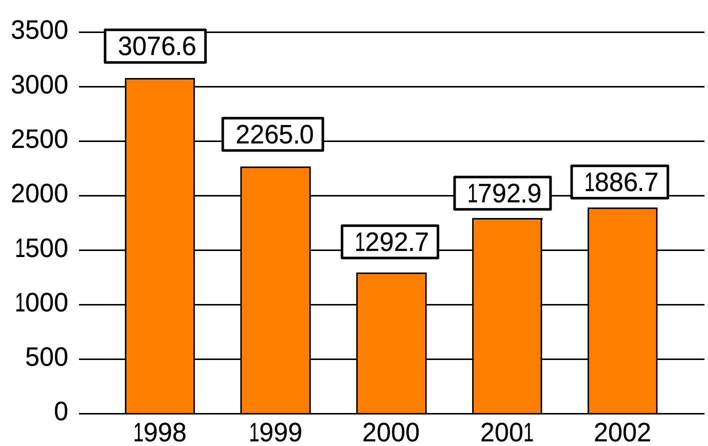
In 2003, AGOA imports from ECOWAS totaled $9.5 billion, an increase of 73 percent from 2002.

Imports from Cape Verde increased substantially, from $50,599 in 2002 to $2.5 million in 2003. Imports from Sierra Leone totaled $74,756 in 2003, a decrease of 66 percent compared to 2002 levels.

Imports of transportation equipment also increased substantially, from $4,303 in 2002 to $220,600 in 2003. U.S. minerals and metals sector imports decreased by nearly 50 percent, from $568,946 in 2002 to $291,080 in 2003.

ECOWAS Net Foreign Direct Investment, 1998-2002

Million dollars



UEMOA

Union Economique et Monétaire Ouest Africaine

Members: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.[12]

Population: 77.7 million

GDP: $36.3 billion

Goals: To increase economic and financial competitiveness through a common market, and to coordinate national policies relating to the agriculture, environment, transport, infrastructure, telecommunications, energy, industry, and mining sectors.

Status and Structure:

UEMOA was established in 1994 to develop a competitive market based on the free flow of goods, persons, services, and capital.

UEMOA is recognized by the WTO as a regional trade agreement.

In December 1995, UEMOA member countries concluded a preferential trade agreement that was a precursor to the establishment of a customs union and common external tariff in early 2000.

Members share a common currency, the CFA franc, pegged to the euro.

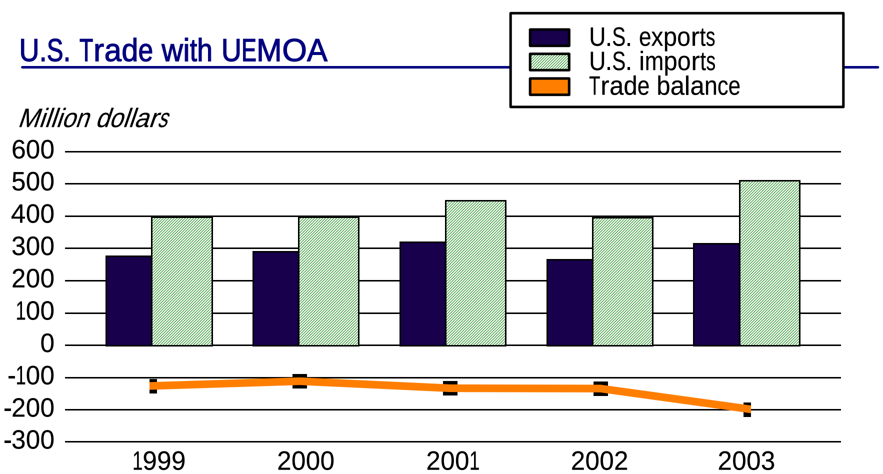
General Developments:

In early 2004, UEMOA members planned to merge their monetary union with the six members of the ECOWAS monetary union. The date for this merger has been delayed indefinitely.

At a March 2004 summit with ECOWAS ministers, UEMOA ministers declared a shift in priorities to focus on privatization of the energy sector through the elimination of monopolies.

UEMOA's common external tariff system will serve as the basis for the ECOWAS common external tariff system, which is anticipated to be in place by 2007.

U.S. Trade with UEMOA



Union Economique et Monétaire Ouest Africaine

Trade and Investment:

In April 2002, the United States signed a Trade and Investment Framework Agreement with the eight UEMOA members to promote trade, investment, and economic reform.

In June 2003, a common strategy was adopted by commerce and agriculture ministers from the member countries to promote cotton production in the UEMOA zone. UEMOA members anticipate that, by 2010, raw cotton processing will increase by 25 percent, creating 50,000 new jobs, and focus on thread production.

The World Bank has committed $408 million to the Capital Market Development Project. The goal of the project is to create a more stable economic environment for investors. Activities include mobilizing public and private sector financing for infrastructure improvement and providing technical assistance.

AGOA Imports from UEMOA:

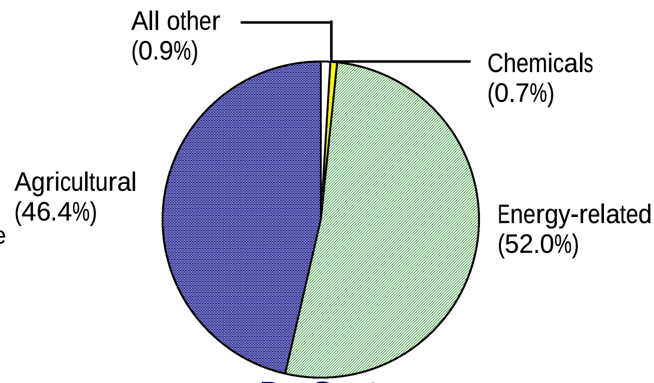
UEMOA member countries that were AGOA eligible in 2003 were Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, and Senegal.

In 2003, AGOA imports from UEMOA totaled $89.1 million, a 76-percent increase from 2002.

Niger experienced the largest percentage change, increasing AGOA exports to the United States by more than 100 percent from 2002 to 2003 (from $21,803 to $62,517).

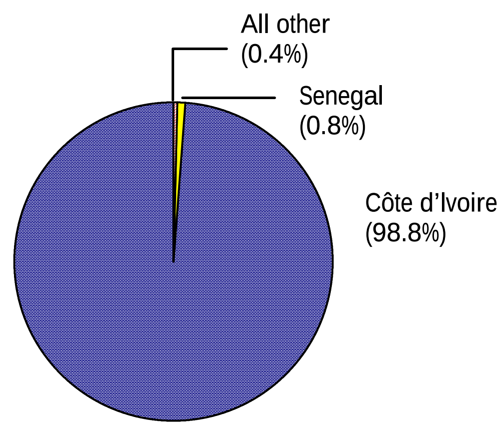
In 2003, AGOA imports of transportation equipment from UEMOA more than tripled from the level in 2002 (from $4,303 to $16,016), while minerals and metals sector imports decreased by more than 80 percent (from $211,000 to $39,372).

AGOA Imports in 2003



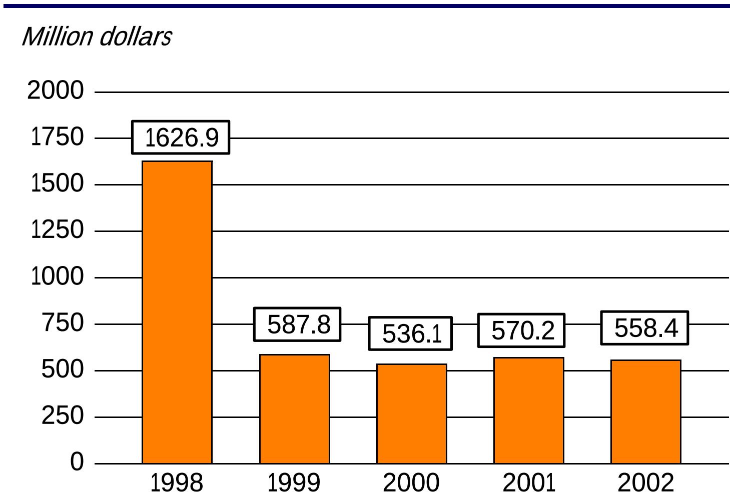
By Sector

$89.1 Million



By Country

UEMOA Net Foreign Direct Investment, 1998-2002



COMESA

Common Market for Eastern and Southern Africa

Members: Angola, Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.[13]

Population: 310.5 million (SSA countries only)

GDP: $91.5 billion (SSA countries only)

Goals: To implement a free trade area; to create a harmonized and competitive economic community for southern and eastern African nations through stronger communications and transport links; to coordinate regional monetary and macroeconomic policies, such as the creation of an FTA and a unified customs network; and to improve the movement of goods, services, and people across borders.

Status and Structure:

COMESA was founded in 1994 as a stepping stone for a regional trade area to replace the Preferential Trade Agreement that had been established in 1981; an FTA has been in place since 2000.

COMESA is recognized as a regional trade agreement by the WTO. The current chairman is emphasizing the export of processed products from the COMESA region.

The Authority of Heads of State and Government formulates general policy for all COMESA members. Interdisciplinary Committees are responsible for the development and implementation of programs within the following sectors: trade and customs, transport and communications, industry and investment, legal affairs, peace and security, and administrative and budgetary matters. A Court of Justice has also been established to arbitrate trade disputes in a peaceful manner.

COMESA hopes to achieve a common monetary area by 2025. As adopted in 1992, a formal exchange rate union will be established along with a central bank by 2004. Between 2005 and 2010, each member state will be required to fix its exchange rate within a given margin under the COMESA Exchange Rate Mechanism Plan.

During a meeting of the Council of Ministers in 2001, trade remedy regulations such as safeguard, anti-dumping, subsidy, and countervailing measures were adopted.

General Developments:

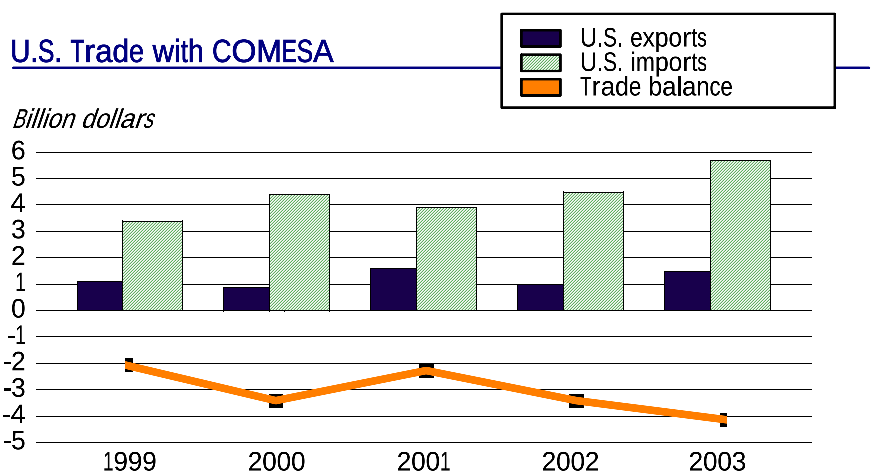
In mid-2004, Namibia withdrew from COMESA, deciding to focus on its SADC membership commitments.

In February 2003, COMESA launched negotiations with the EU to form an Economic Partnership Agreement (EPA).

In January 2003, the EU agreed to provide $2.4 million in grants to support capacity building for trade agreements throughout the region.

In June 2004, COMESA business leaders announced their support for common external tariff implementation by May 2005.

U.S. Trade with COMESA



Common Market for Eastern and Southern Africa

Trade and Investment:

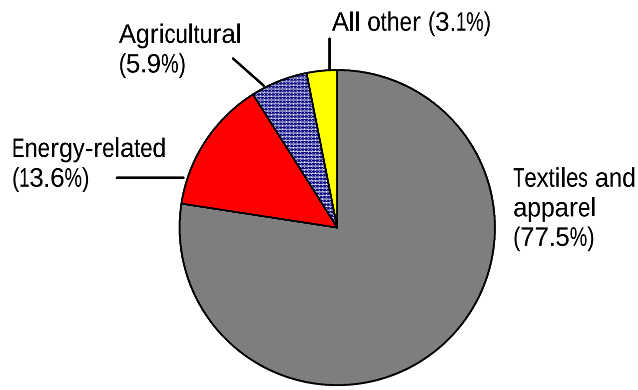
In March 2003, COMESA signed a Memorandum of Understanding (MOU) with the African Regional Intellectual Property Organization to facilitate capacity building in the pharmaceutical industry.

In 2003, a Ugandan-owned garment company, with $1 million in capital investment, opened in Kampala and aims to produce men's and women's clothing to be shipped predominantly to the COMESA market.

In January 2004, Rwanda and Burundi became members of the COMESA FTA. They continue, however, to impose their own national tariff rates on goods imported from outside the COMESA region.

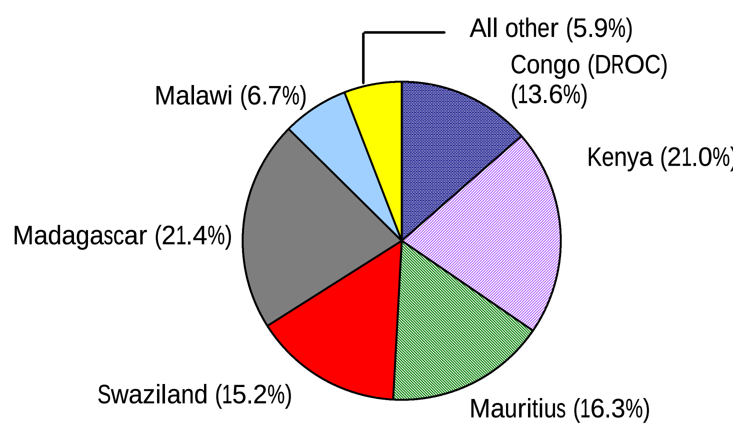
COMESA is to share a $24-million EU grant with EAC, IOC, and IGAD. Funding will enable the members to remove regulatory barriers and to improve communications technology connectivity.

AGOA Imports in 2003



By Sector

$879.8 Million



By Country

AGOA Imports from COMESA:

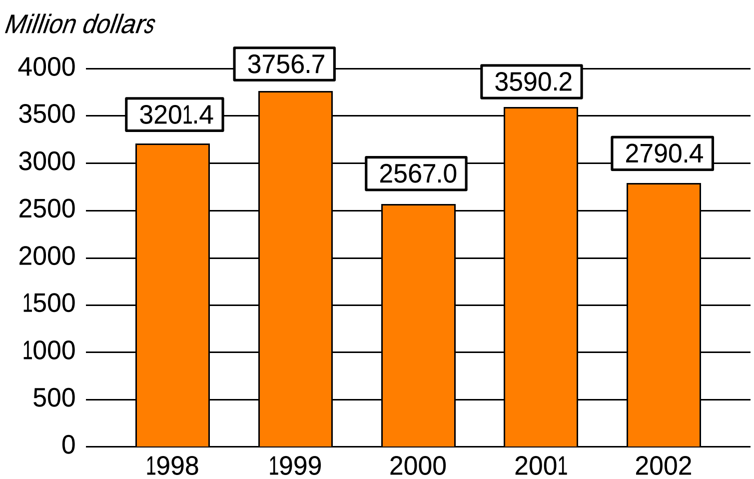
COMESA member countries that were AGOA eligible in 2003 were Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Uganda, and Zambia.

In 2003, AGOA imports from COMESA totaled $879.8 million, an increase of 46 percent from 2002.

The largest percentage increase in 2003 was in imports from Uganda, which increased from $31,886 in 2002 to $1.5 million in 2003. Imports from Eritrea decreased the most, falling to zero in 2003.

AGOA imports of miscellaneous manufactures more than tripled in 2003 (from $1.7 million in 2002 to $6.1 million in 2003). Minerals and metals imports increased substantially in 2003 (from $865,188 in 2002 to $15 million in 2003). AGOA imports of footwear, however, registered the largest percentage decline, falling 51.9 percent (from $17,904 in 2002 to $8,604 in 2003).

COMESA Net Foreign Direct Investment, 1998-2002



SADC

Southern African Development Community

Members: Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.[14]

Population: 215.4 million

GDP: $221.5 billion

Goals: To eliminate poverty, to promote economic development and growth while integrating political and social values, and to maximize employment through collective self-reliance policies and interdependence among member states while defending peace, security, and protection of the environment.

Status and Structure:

SADC was launched in 1980 by the governments of nine southern African nations. Five-year Regional Indicative Strategic Development Plans include development of the agriculture sector, creation of a common market, harmonization of macroeconomic policies, promotion of democratic governance, and improvement in the quality of health and social welfare.

In 2002, SADC created four "clusters" to centralize the promotion of trade and investment: Trade, Industry, Finance and Investment; Infrastructure and Services; Food, Agriculture and Natural Resources; and Social and Human Development and Special Programs. Final transfer of activities to the clusters was completed by mid-2004.

The SADC Protocol on Trade was signed in 1996, and was implemented by 11 countries by 2000. The Protocol aims to enhance the environment for domestic, cross-border, and foreign investment within the SADC region. The Protocol's specific goals include creating an FTA by 2008, a customs union and, ultimately, a common market by 2012. To date, all 14 countries have reduced tariffs under the Trade Protocol, including Angola, which was not an original signatory to the Protocol. In addition, common rules of origin were adopted in 2002, and members are currently adopting harmonized standards for customs and sanitary and phytosanitary regulations.

General Developments:

In 2004, the SADC Trade Protocol is set for a midterm review regarding the progress of tariff and nontariff barrier reduction. This review will also seek SADC member country central banks to achieve single digit inflation between 2004 and 2008 in the lead up to the creation of the FTA.

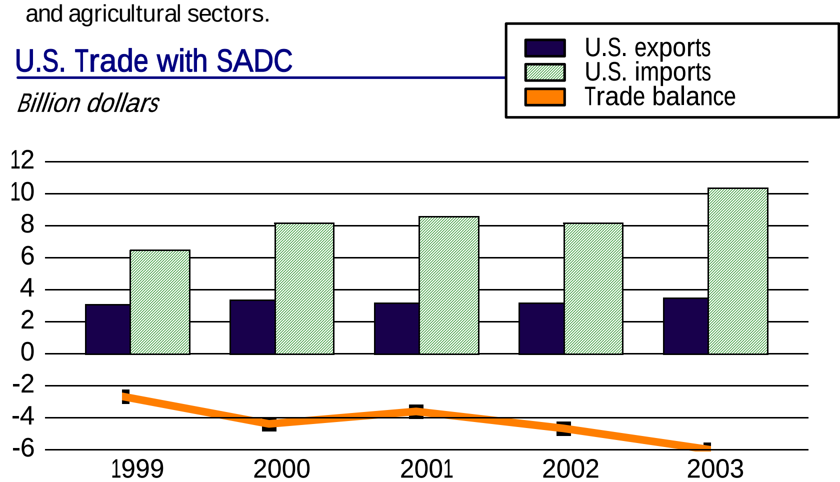
In early 2003, guidelines for reforming legislation in the transportation, communications, and meteorology sectors were finalized. The guidelines address legislative harmonization, the streamlining of licensing procedures and processes, and the promotion of small- to medium-sized enterprises.

In August 2003, Seychelles requested to withdraw from SADC, citing financial reasons.

In March 2004, SADC announced the launch of a Regional Indicative Strategic Development Plan to attract foreign investment in the mining and agricultural sectors.

U.S. Trade with SADC

Billion dollars



Southern African Development Community

Trade and Investment:

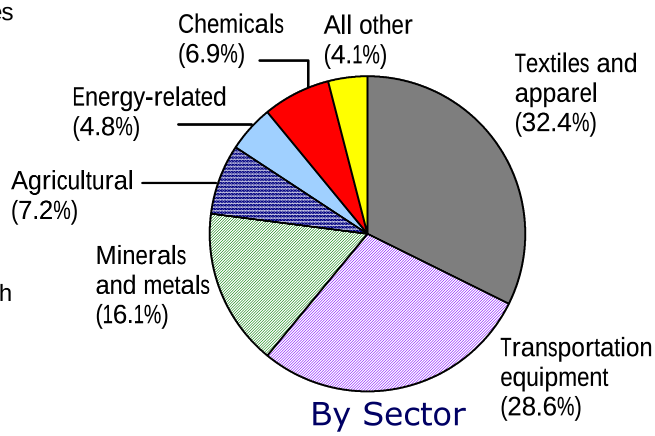
In August 2003, the Summit of SADC Heads of State explored the possibility of imposing a higher tariff scheme for products of South Africa until a free trade zone is achieved in 2008, to allow other member states to develop their manufacturing sectors.

In late 2002, the EU granted SADC $17 million for a 5-year Investment Promotion Program that will identify potential growth industries or sectors and encourage investment.

During 2000-05, the EU and SADC ministers are negotiating a potential EU-SADC FTA to begin after 2010.

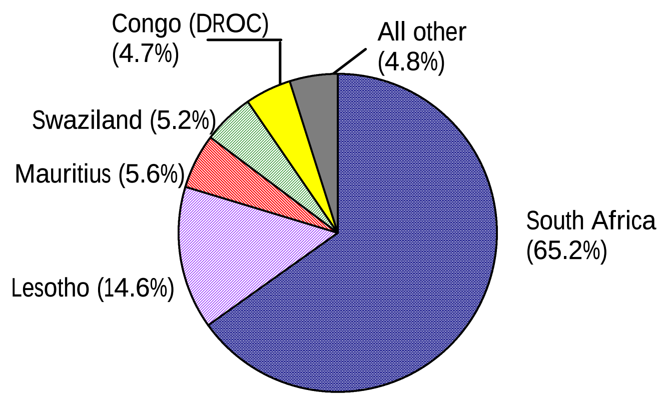
In July 2004, the EU proposed an Economic Partnership Agreement with seven of the SADC members to promote trade and development. Initial talks will establish rules to remove the remaining EU trade barriers for these SADC countries. South Africa will participate as an observer.

AGOA Imports in 2003



By Sector

$2.6 Billion



By Country

AGOA Imports from SADC:

SADC member countries that were AGOA eligible in 2003 were Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, and Zambia.

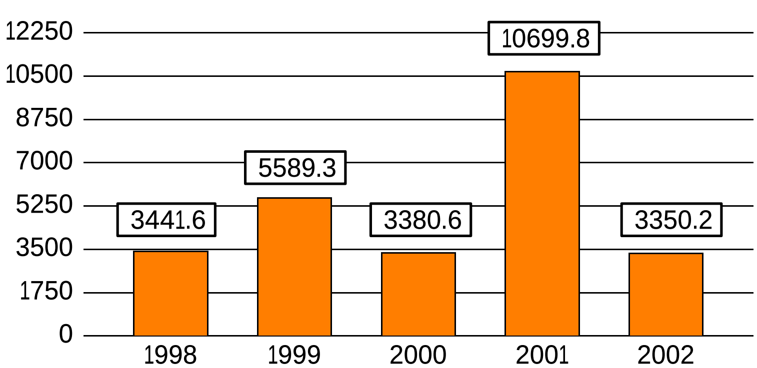
In 2003, AGOA imports from SADC totaled $2.6 billion, a 24-percent increase from 2002.

In 2003, AGOA imports increased by more than 25 percent from six SADC countries: Botswana, Malawi, Mauritius, Mozambique, Swaziland, and Zambia. AGOA imports from Namibia increased the most (from $1.7 million in 2002 to $46.8 million in 2003).

The footwear sector accounted for the greatest percentage gain in AGOA imports, increasing by more that 150 percent in 2003 (from $303,547 in 2002 to $789,389 in 2003). AGOA imports of miscellaneous manufactures were the second-highest gainer, with a nearly 50-percent increase (from $38.3 million in 2002 to $57.2 million in 2003). AGOA imports of machinery registered the greatest decline in 2003, decreasing by 38 percent (from $17.8 million in 2002 to $1.0 million in 2003).

SADC Net Foreign Direct Investment, 1998-2002

Million dollars



SACU

Southern African Customs Union

Members: Botswana, Lesotho, Namibia, South Africa, and Swaziland.[15]

Population: 52.4 million

GDP: $172.4 billion

Goals: To create a free trade area among member countries; to promote growth through common economic strategies for industry development, agricultural sector, competition policy; and to establish policies to address unfair trade practices.

Status and Structure:

SACU is the oldest regional agreement in southern Africa, dating back to 1910. In October 2002, after 8 years of negotiations between members, a revised framework for SACU was signed that would allow joint decision making for tariff and excise duty policies for all members, establish institutions to promote fair competition, and facilitate economic development through common policies.

SACU is recognized as a regional agreement by the WTO.

The Council of Ministers, which consists of one minister from each member, ratifies any change to external trade policy for the regional agreement that has been recommended by the SACU Tariff Board. A tribunal arbitrates disputes arising from changes in trade policy.

Botswana, Lesotho, Namibia, and Swaziland each will develop national tariff bodies that will conduct tariff and trade remedy investigations and present findings to the SACU Tariff Board.

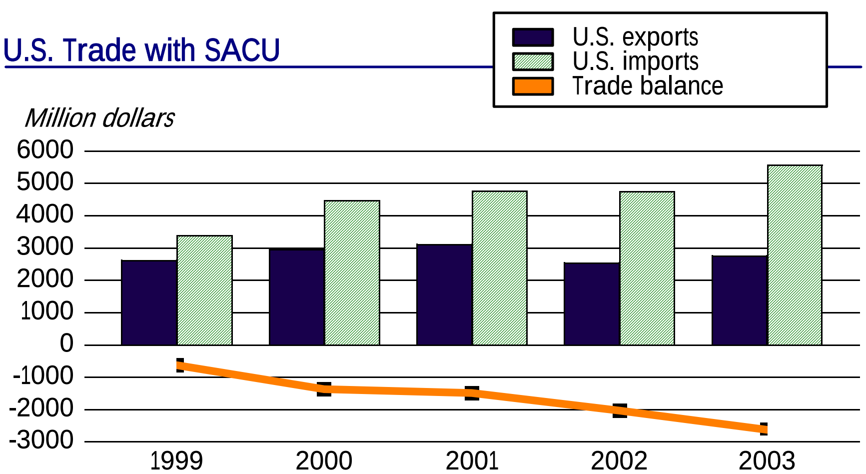
Because Botswana, Lesotho, Namibia, and Swaziland are significantly smaller and collect a larger portion of revenue from customs and excise duties, the 2002 agreement created a new Revenue Sharing Formula that changed the value of tariff revenue allocated them.

The 2002 agreement also maintains protection for infant industries in Botswana, Lesotho, Namibia, and Swaziland, allowing these countries to impose duties on imports from South Africa if they are also imposed on goods from outside the SACU region.[16] This protection is limited to 8 years, but may be extended by the Council of Ministers or coupled with additional measures.

General Developments:

In July 2003, the WTO released a trade policy review report emphasizing the importance of economic reform programs for the SACU region. The report commends the SACU members for continued policy harmonization, economic reform, and prudent fiscal policies that have led to a stable environment for investment.

U.S. Trade with SACU



Southern African Customs Union

Trade and Investment:

In November 2002, the United States notified Congress of its intent to launch FTA negotiations with SACU.[17] Negotiations began in June 2003 and should conclude by December 2004. In addition to addressing tariffs, the FTA is expected to cover services, investment, government procurement, electronic commerce, labor, and environment. In the June 2004 talks, SACU noted its concerns regarding investment, intellectual property rights, and services.

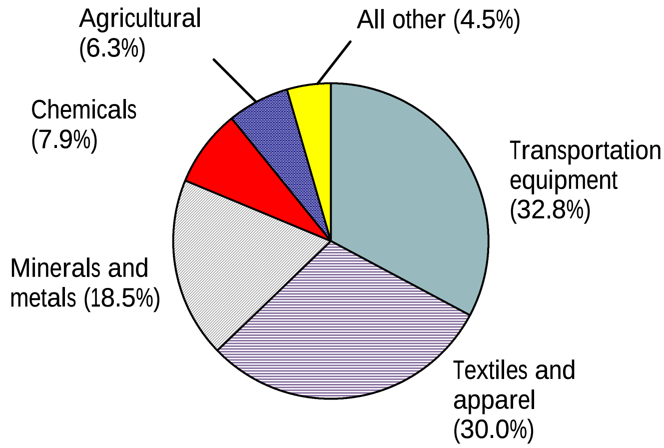
In January 2004, South Africa proposed that SACU initiate FTA talks with India and China, as well as consider such negotiations with other African and Middle Eastern nations.

In March 2004, SACU concluded its third round of negotiations with the EU regarding a potential FTA. SACU is seeking greater access for its agricultural exports to the EU market.

SACU and Mercosur expect that the framework of their FTA will be signed in 2004. Further talks regarding rules of origin will continue to take place. SACU is seeking to increase market access for industries such as engineering, agro-processing, and steel.

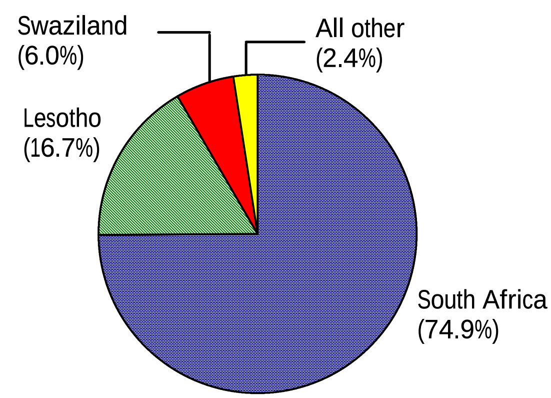
The United States is providing technical assistance to the SACU countries to help implement commitments under various WTO agreements.

AGOA Imports in 2003



By Sector

$2.2 Billion



By Country

AGOA Imports from SACU:

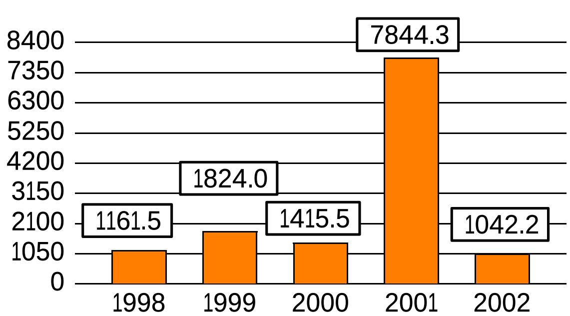
All SACU members were AGOA eligible in 2003.

In 2003, AGOA imports from SACU members totaled $2.2 billion, an increase of 27 percent from 2002. AGOA imports from Namibia experienced the greatest increase in 2003 at over 2,600 percent (from $1.7 million in 2002 to $46.8 million in 2003); Swaziland showed the second-largest increase, at 65 percent (from $81.3 million in 2002 to $134.0 million in 2003).

AGOA imports of energy-related products registered the largest percentage increase, over 200 percent (from $866,196 in 2002 to $2.8 million in 2003), followed by the footwear sector with growth in AGOA imports of 170 percent (from $289,997 in 2002 to $789,389 in 2003). AGOA imports of machinery registered the greatest percentage decline, decreasing by 38 percent (from $17.8 million in 2002 to $11.0 million in 2003).

SACU Net Foreign Direct Investment, 1998-2002

Million dollars



EAC

East African Community

Members: Kenya, Tanzania, and Uganda.[18]

Population: 94.7 million

GDP: $28.8 billion

Goals: To create a framework for regional cooperation and integration; to establish partnerships with the public sector; and to coordinate activities in a wide range of areas including trade, investment, industrial development, monetary and fiscal affairs, infrastructure, human resources, science and technology, agriculture and food security, environment and natural resources management, tourism, and wildlife management.

Status and Structure:

The EAC has its roots in the Agreement for Division of Assets and Liabilities of the East African Community, which was dissolved in 1977. In 1993, an agreement to establish the Tripartite Commission for East African Cooperation was signed.

The EAC is recognized as a regional trade agreement by the World Trade Organization.

The EAC operates on 5-year Development Strategies that detail policy guidelines, programs to be implemented, and timelines for their completion. A primary goal of EAC is sequentially creating a customs union, a common market, a monetary union, and a political federation.

Collaboration with other regional organizations such as the AU, COMESA, IGAD, and SADC help EAC realize its goals of regional cooperation and integration.

General Developments:

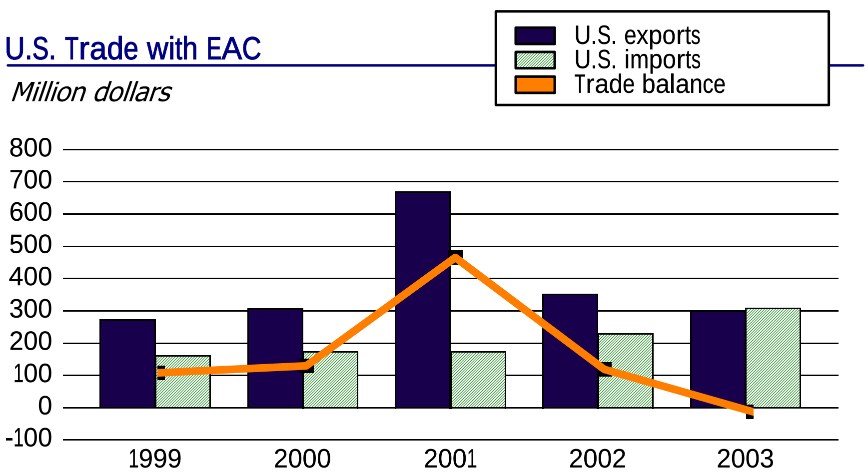
In March 2004, Burundi requested membership in the EAC. No affirmative date has been set for Burundi to make a formal application.

Uganda, Tanzania, and Kenya have agreed to a common external tariff, to enter into force in September 2004. The agreement, signed in March 2004, establishes duty-free imports of raw materials, a 10-percent tariff rate on intermediate goods, and a 25-percent tariff rate on finished goods entering the EAC markets. An agreement has also been reached on rules of origin.

Within the common external tariff scheme, Uganda and Tanzania will receive revenue from surcharges placed on goods from Kenya, which has a greater level of industrialization and development than its partners. Kenya will also allow duty-free access for imports from Uganda and Tanzania.

U.S. Trade with EAC

Million dollars



East African Community

Trade and Investment:

The EAC received a grant of approximately $670,000 from Germany to aid in the construction of new headquarters in Arusha, Tanzania.

Efforts are currently underway to create a joint stock market among EAC members.

The EAC has designated the Victoria basin as an economic zone. The EAC has plans to invest $600 million to improve fishing, to develop tourism facilities, and to improve transportation networks. The Swedish International Development Agency has also committed $160 million for development of the economic zone.

The World Bank has approved a loan of between $400 and $500 million that will help fund road transportation projects designed to link Tanzania, Kenya, and Uganda.

In July 2004, EAC member states representatives met to develop standards for goods and services originating from the common area. The project is to be funded by PTB (Germany), a national metrology institute, and will help improve the competitiveness of EAC goods and services.

AGOA Imports from EAC:

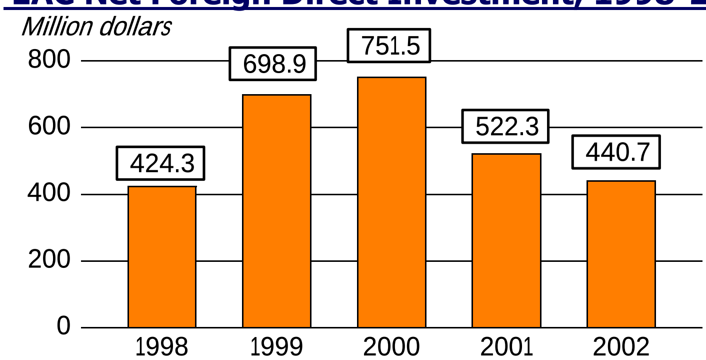
All EAC members were AGOA eligible in 2003.

In 2003, AGOA imports from the EAC totaled $187.5 million, an increase of over 40 percent from 2002.

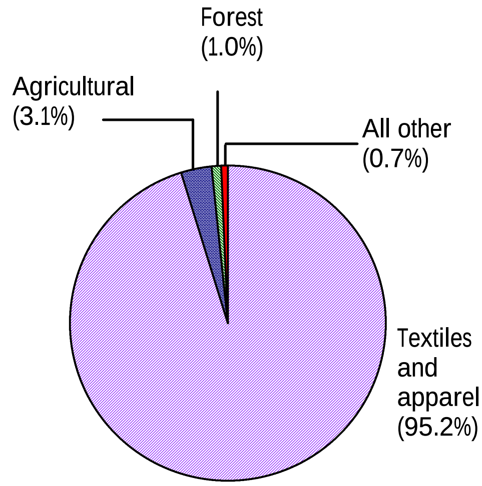
The largest percentage increase was from Uganda; AGOA imports from Uganda increased from $31,886 in 2002 to $1.5 million in 2003.

AGOA imports of electronic products registered an increase of over 500 percent (from $7,878 in 2002 to $48,890 in 2003), and AGOA imports of agricultural products, and textiles and apparel grew by 58 percent and 46 percent, respectively (from $3.7 million in 2002 to $5.8 million in 2003, and from $122.0 million in 2002 to $178.6 million in 2003, respectively). AGOA imports of chemicals and related products declined by 79 percent (from $734,224 in 2002 to $152,919 in 2003).

EAC Net Foreign Direct Investment, 1998-2002

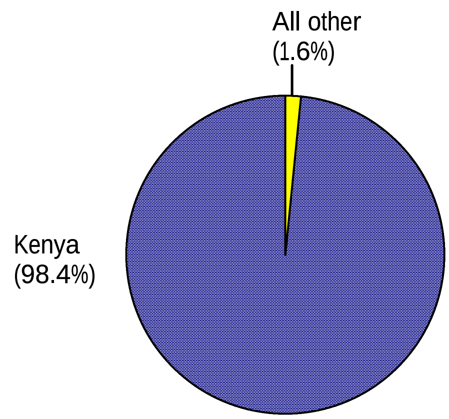


AGOA Imports in 2003



By Sector

$187.5 Million



By Country

IGAD

Intergovernmental Authority on Development

Members: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, and Uganda.[19]

Population: 177.6 million

GDP: $42.2 billion

Goals: To resolve regional conflict, to provide regional security, to restore regional peace, to develop communications and transportation infrastructure, to protect the environment, and to ensure food security.

Status and Structure:

The original agreement, the Intergovernmental Authority on Drought and Development (IGADD), was established to focus on drought and desertification issues. Members favoring the expansion of this mandate adopted the IGAD charter following a meeting of Heads of State and Government in 1996.

In keeping with the objective of ensuring peace and security in support of economic stability and eventual integration, Somalia and Sudan have established subcommittees to oversee conflict prevention and resolution. These committees are also focused on reducing illegal arms flows within the region.

IGAD was revitalized in 1996 as a regional political, economic, development, and trade entity that would mirror other regional agreements such as ECOWAS and SADC.

General Developments:

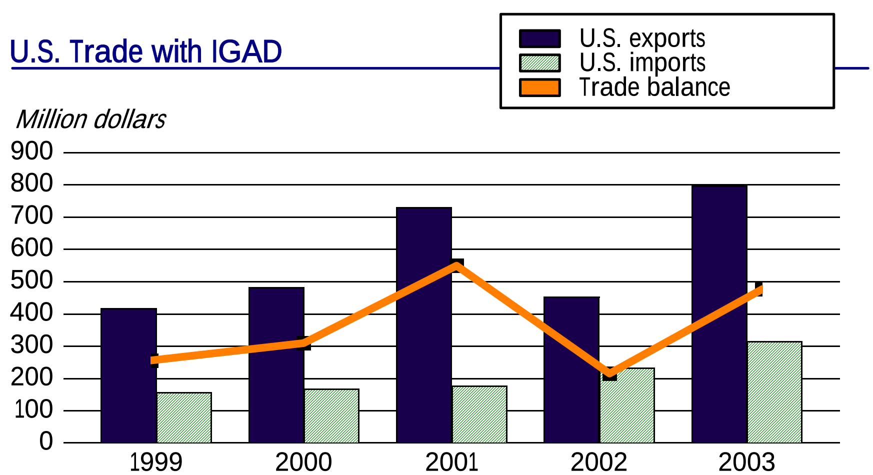
IGAD chaired negotiations between the Sudanese government and the Sudan People's Liberation Army that led to an agreement to create an integrated governing entity for a period of 6 years before granting power to the states.

To reduce dependence on imported food, IGAD plans to increase investment in the agriculture sector to ensure sustainable food production. IGAD also plans to promote the management of fresh water resources.

IGAD is currently implementing a 5-year strategy (beginning in 2004 and running through the end of 2008) to manage natural resources, including increasing crop production, food marketing efforts, water resources management, and environmental protection. Funding for sectoral projects has been requested from NEPAD.

The EU Development Fund has provided funding for infrastructure development projects, such as modernization of the railway between Kenya and Uganda, improvement and expansion of the Ethiopian railways container terminals, and rehabilitation of ports throughout the region.

U.S. Trade with IGAD



Intergovernmental Authority on Development

Trade and Investment:

In February 2004, IGAD participated in a meeting to launch the first session on Economic and Partnership Agreement (EPA) negotiations between 16 eastern and southern African countries and the EU.

Negotiations with the EU regarding the EPA will proceed in three phases. Phase I of the negotiations with the EU (March - August 2004) targeted a number of sectors for regional cooperation and policy harmonization. Phase II (September 2004 - December 2005) will include negotiations on the removal of tariffs and greater market access. The final phase, to begin in January 2006, will cover implementation of the EPA in 2008. IGAD plans to use the EPA to mobilize private sector investment in the region, and to increase its competitiveness in sectors such as tourism and agriculture.

AGOA Imports from IGAD:

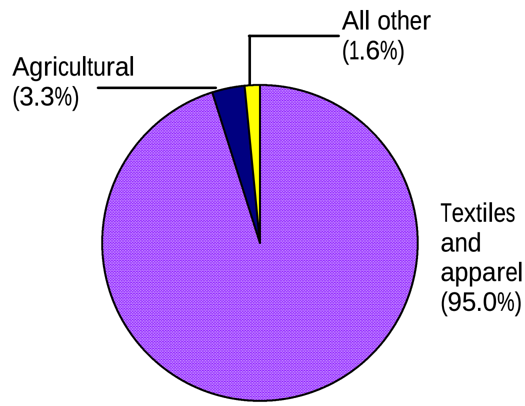
The IGAD member countries that were AGOA eligible in 2003 were Djibouti, Eritrea, Ethiopia, Kenya, and Uganda.

In 2003, AGOA imports from IGAD totaled $188.9 million, a 44-percent increase from 2002.

AGOA imports from Uganda registered the greatest percentage gain, increasing from $31,886 in 2002 to $1.5 million in 2003).

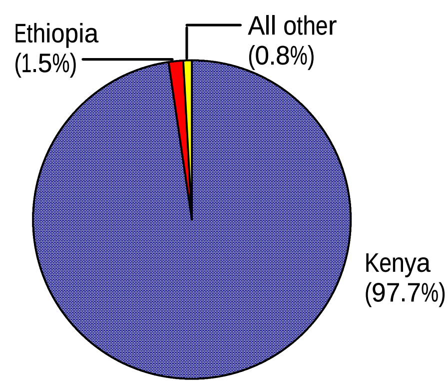
AGOA imports of electronic products accounted for the greatest percentage increase, with an 18-fold increase (from $7,878 in 2002 to $146,690 in 2003). AGOA imports of agricultural products also increased by over 50 percent and such textiles and apparel imports increased by 46 percent (from $3.9 million in 2002 to $6.3 million in 2003, and from $123.2 million in 2002 to $179.5 million in 2003, respectively).

AGOA Imports in 2003



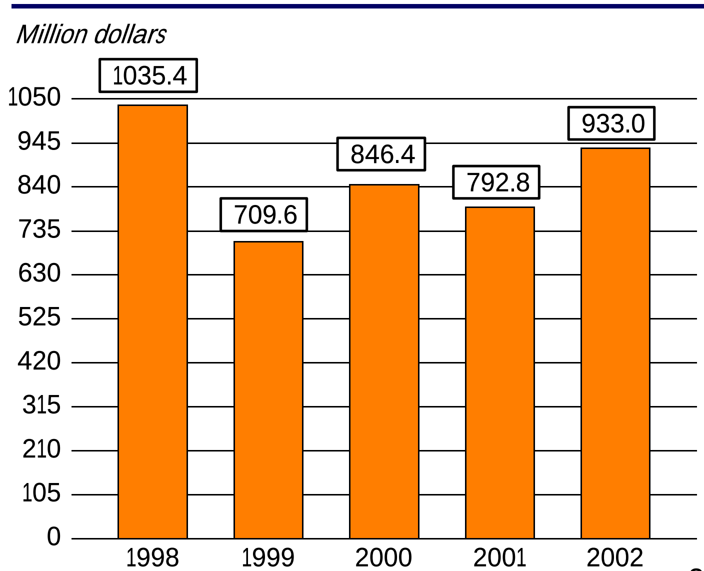
By Sector

$188.9 Million



By Country

IGAD Net Foreign Direct Investment, 1998-2002



IOC

Indian Ocean Commission

Members: Comoros, France (representing the French Overseas Department of Reunion), Madagascar, Mauritius, and Seychelles.[20]

Population: 19.4 million (SSA countries only)

GDP: $12.1 billion (SSA countries only)

Goals: To promote cooperation between members states in the areas of diplomacy, economy, trade, agriculture, maritime fishing, conservation of natural resources, education, and culture; and to promote tourism and conservation in coastal and coral reef regions.

Status and Structure:

The IOC was created in 1984, and original members included Madagascar, Mauritius, and Seychelles. Initially formed to strengthen links among the peoples of the member states and to improve the standard of living, the focus of the IOC is currently on promoting cooperation on social, economic, cultural, agricultural, and scientific policies.

The foreign ministers of the five member states meet annually to discuss IOC policy direction. A council ratifies or vetoes any proposals submitted by the Committee of the Permanent Officers of Connection, which develops and coordinates policies.

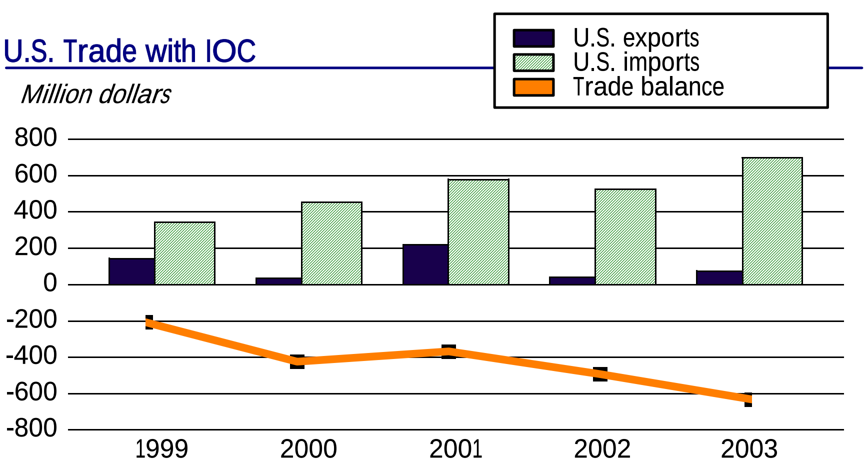
General Developments:

As part of its focus on promoting social, economic, and cultural cooperation, the IOC is a member of the inter-regional Committee on Coordination that seeks to implement programs in the transportation and communication sectors, as well as to improve existing national education programs.

The EU provides a substantial part of IOC financing, and as mandated by the Lome Convention guidelines, funds are dispersed by the European Development Fund (EDF). Since 1975, the EDF has funded projects totaling 118 million or (approximately $134 million).

U.S. Trade with IOC

Million dollars



Indian Ocean Commission

Trade and Investment:

The ninth EDF plan is promoting economic integration among member states, natural resources development and conservation, and modernization of transport and communications. IOC also uses EDF funds for poverty reduction efforts.

The IOC is also involved in the Cross Border Initiative with COMESA, EAC, and SADC. The program seeks to identify and remove barriers to intra-regional trade and investment, and is funded by the African Development Bank, the EU, and the IMF.

AGOA Imports from IOC:

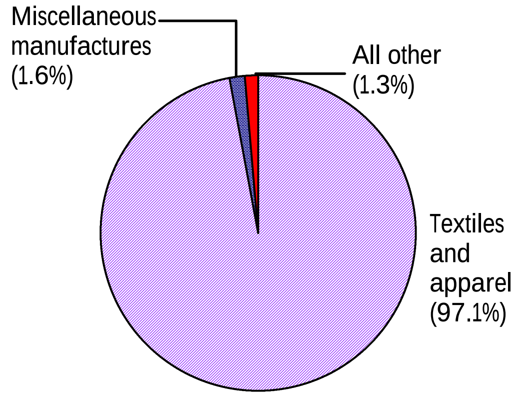
IOC members that were AGOA eligible in 2003 were Madagascar, Mauritius, and Seychelles.

In 2003, AGOA imports from IOC totaled $331.0 million, an increase of 71 percent from 2002.

The largest percentage increase in AGOA imports in 2003 was from Madagascar, with a 136-percent increase (from $79.7 million in 2002 to $187.9 million in 2003).

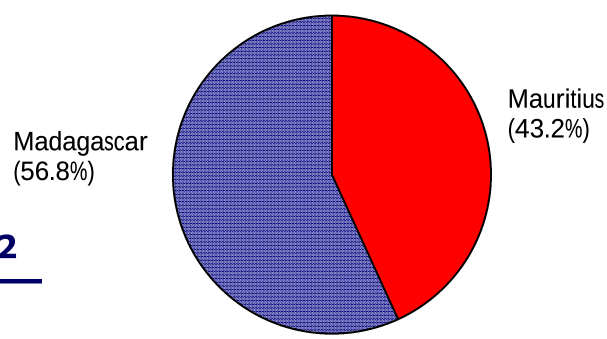
The sector with the largest percentage gain in AGOA imports in 2003 was miscellaneous manufactures, with a fivefold increase (from $1.0 million in 2002 to $5.3 million in 2003). The largest decline was registered by the agricultural sector, with AGOA imports declining by more than 80 percent in 2003 (from $7.4 million in 2002 to $1.4 million in 2003).

AGOA Imports in 2003



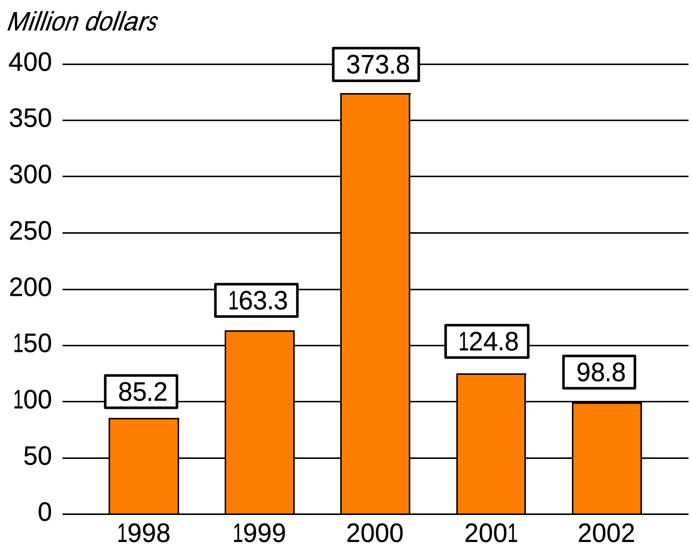
By Sector

$331.0 Million



By Country

IOC Net Foreign Direct Investment, 1998-2002



CEMAC

Communauté Economique et Monétaire de l'Afrique Centrale

Members: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea, and Gabon.[21]

Population: 45.5 million

GDP: $30.1 billion

Goals: To promote the national markets of member states, to encourage regional and monetary integration through trade liberalization, to establish a common external tariff scheme, to harmonize development policies, and to facilitate the free movement of goods, services, and people.

Status and Structure:

CEMAC, one of Africa's oldest regional agreements, became an economic and monetary union in 1994.

CEMAC is composed of two unions, the Economic Union of Central Africa (UEAC) and the Monetary Union of Central Africa (UMAC). A Conference of Heads of State determines policy for member states, and a council of ministers develops CEMAC policies.

General Developments:

As regional infrastructure and collective security are priorities for CEMAC, in January 2003, the council of ministers stated its intent to create an airline to serve the CEMAC region.

In December 2003, a meeting of the council of ministers proposed a nonaggression pact and the provision of mutual assistance during periods of civil unrest.

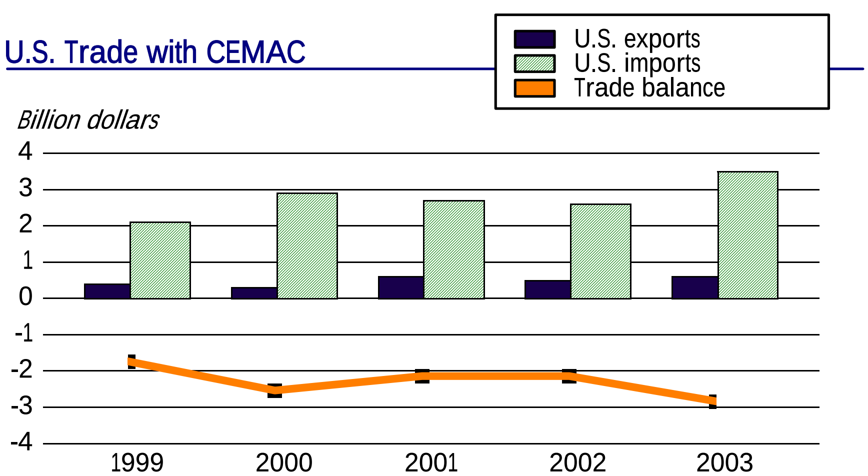
A CEMAC-wide passport scheme was proposed in January 2003, although progress has been slow.

CEMAC ministers are attempting to harmonize education policy. In January 2004, UNESCO organized a workshop for all education ministers from the CEMAC member states. The primary goal was to encourage education ministers to coordinate and integrate policies on new technology, HIV / AIDS education in schools, and teacher training.

Regulations governing money laundering have been adopted for the financial sector.

In early 2003, the World Bank announced a $100-million Regional Integration Assistance Strategy for CEMAC. The strategy aims to provide technical assistance for reforming customs practices and transit processes. Other investment projects to be funded include the improvement of existing road networks and the creation of new links to facilitate the flow of goods, services, and people.

U.S. Trade with CEMAC



Communauté Economique et Monétaire de l'Afrique Centrale

Trade and Investment:

Petroleum is the primary CEMAC export. Many members rely on this commodity for nearly 80 percent of revenues, followed by agricultural products such as wood, coffee, and cocoa. The Executive Secretariat has recognized the need to diversify exports and has encouraged members to diversify into the manufacturing sector.

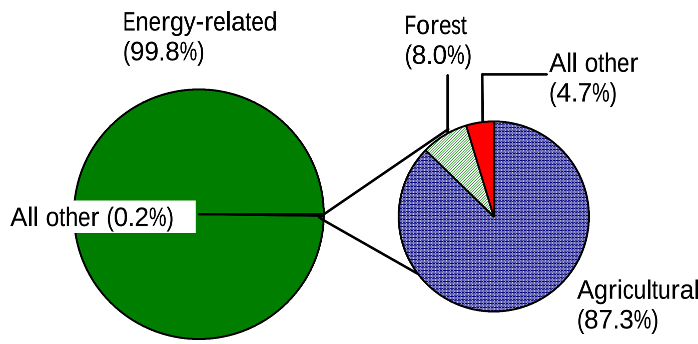
Formal regional trade remains relatively low because of high tariff rates between member countries.

In August 2003, work began on two bridges across the Ntem River and a highway section linking Equatorial Guinea, Cameroon, and Gabon. The project is scheduled for completion in 2006.

In May 2003, the management concession for the Transgabonais railway was awarded to Comilog (France). In September 2003, a Spanish firm was awarded a contract to manage the deepwater ports for Gabon, a key port for the Transgabonais railway.

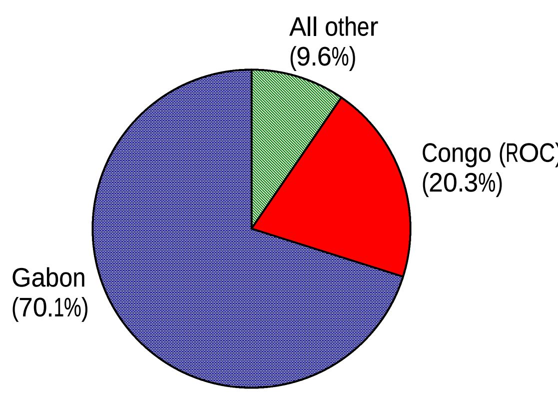
In June 2003, CEMAC inaugurated a small stock exchange, with trading expected to begin in mid-2004. The new exchange is expected to merge in late 2004 with another stock exchange that was opened in April 2003 in Cameroon.

AGOA Imports in 2003



By Sector

$1.7 Billion



By Country

AGOA Imports from CEMAC:

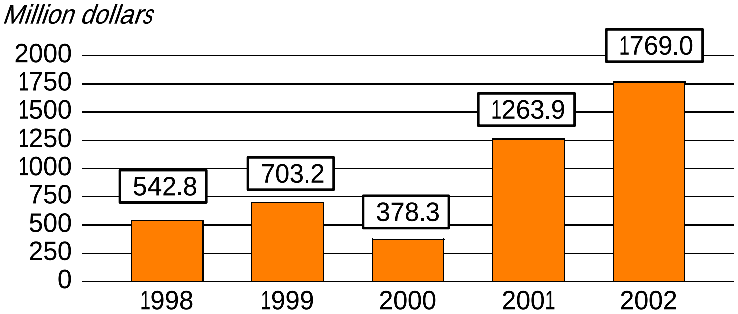
All CEMAC members were AGOA eligible in 2003.

In 2003, AGOA imports from CEMAC totaled $1.7 billion, an increase of 23 percent from 2002. AGOA imports from the Republic of the Congo registered the greatest percentage increase, over 200 percent (from $106.6 million in 2002 to $340.8 million in 2003); the second-largest increase, 27 percent, was in imports from Cameroon (from $115.8 million in 2002 to $147.0 million in 2003).

AGOA imports of energy-related products registered the largest increase, at over 22 percent (from $1.4 billion in 2002 to 1.7 billion in 2003), while miscellaneous manufactures sector imports registered the largest decline, falling by 70 percent (from $296,599 in 2002 to $86,651 in 2003).

CEMAC Net Foreign Direct Investment, 1998-2002

Million dollars



ENDNOTES

[1] African Union, "Advent of the AU," found at Internet address *http://www.african union.org*, retrieved July 2004.

[2] UNDP, *Annual Report 2003,* found at Internet address *http://www.undp.org/rba*, retrieved July 2004.

[3] For more information on NEPAD, see the NEPAD section in chapter 4 of this report.

[4] ECOWAS press release, "Summit of Second Monetary Zone for September," Aug. 2004, found at Internet address *http://www.ecowas.int*, retrieved Aug. 2004.

[5] CEMAC, "Les Bulletins Officiels de la CEMAC," found at Internet address *http://www.izf.net/izf/Documentation/Journal Officiel/Index%20CEMAC.htm*, retrieved July 2004.

[6] Ibid.

[7] SADC, "Regional Indicative Strategic Development Plan," found at Internet address *http://sadc.int*, retrieved July 2004.

[8] "Another Step Towards Lasting Peace," May 28, 2004, found at Internet address *http://www.allafrica.com*, retrieved July 2004.

[9] Reform programs under the SSATP Task Force include road management, railway management, urban transport, trade and transport, and rural travel transport programs.

[10] UNECA, *Annual Report 2004*, May 2004, found at Internet address *http://www.uneca.org*, retrieved July 2004.

[11] U.S. Department of State, Bureau of African Affairs Fact Sheet, "Economic Community of West African States," found at Internet address *http://www.state.gov*, retrieved June 2004.

[12] U.S. Department of State, Bureau of African Affairs, "Fact Sheet: West African Economic and Monetary Union," found at Internet address *http://www.state.gov*, retrieved June 2004.

[13] U.S. Department of State, Bureau of African Affairs, "Fact Sheet: Common Market for Eastern and Southern Africa," found at Internet address *http://www.state.gov*, retrieved June 2004. As Burundi and Rwanda did not become members of COMESA until 2004, and as Egypt is not classified as a part of SSA for this report, these countries' data are not included in trade and investment figures. As Namibia withdrew membership in mid-2004, it is included in 2003 data figures.

[14] U.S. Department of State, Bureau of African Affairs, "Fact Sheet: Southern African Development Community," found at Internet address *http://www.state.gov*, retrieved June 2004.

[15] U.S. Department of State, Bureau of African Affairs, "Southern African Customs Union," found at Internet address *http://www.state.gov*, retrieved June 2004.

[16] An infant industry is defined by SACU as having been established for no more than 8 years.

[17] The Commission conducted a classified study at the request of USTR concerning the probable economic effect of a U.S.-SACU FTA, USITC, *U.S. Southern African Customs Union Free Trade Agreement: Advice Concerning the Probable Economic Effect*, Inv. Nos. TA-131-23 and TA-2104-003, Apr. 2003.

[18] EAC, "EAC Membership," found at Internet address *http://www.eac.int*, retrieved June 2004.

[19] U.S. Department of State, Bureau of African Affairs, "Southern African Development Community," found at Internet address *http://www.state.gov*, retrieved June 2004.

[20] IOC, "IOC Membership," found at Internet address *http://www.coi info.org/memberstates*, retrieved June 2004.

[21] Secretariat of the Central African Economic and Monetary Union, "CEMAC Membership," found at Internet address *http://www.izf.net*, retrieved June 2004.