



2003 COMPREHENSIVE REPORT ON  
U.S. TRADE AND INVESTMENT POLICY TOWARD  
SUB-SAHARAN AFRICA AND IMPLEMENTATION OF THE  
AFRICAN GROWTH AND OPPORTUNITY ACT

*A Report Submitted by the President of the United States to the United States Congress  
Prepared by the Office of the United States Trade Representative*

THE THIRD OF EIGHT ANNUAL REPORTS  
MAY 2003

**2003 Comprehensive Report on  
U.S. Trade and Investment Policy Toward Sub-Saharan Africa and  
Implementation of the African Growth and Opportunity Act  
The Third of Eight Annual Reports  
May 2003**

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## **Foreword**

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

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



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

- AGOA continues to bolster the U.S.-sub-Saharan African trade and investment relationship. Total trade between the United States and the region was nearly \$24 billion in 2002, with U.S. exports of \$6 billion and U.S. imports of \$18 billion. U.S. imports under AGOA were valued at \$9 billion in 2002, a 10 percent increase from 2001. The U.S. direct investment position in sub-Saharan Africa increased 5.8 percent at year-end 2001, to \$10.2 billion, boosted largely by investments in the petroleum sector.
- In August 2002, President Bush signed into law important enhancements to AGOA as part of the Trade Act of 2002. These “AGOA II” revisions extended duty- and quota-free treatment to knit-to-shape apparel, doubled the annual quantitative limit on apparel produced in the region from regional fabric, and granted lesser developed country apparel benefits to Botswana and Namibia.
- In November 2002, U.S. Trade Representative Zoellick notified Congress of the President’s intent to initiate negotiations leading to a free trade agreement (FTA) with the five members of the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, South Africa, and Swaziland. This is in keeping with the goal set forth in AGOA of pursuing FTAs with sub-Saharan African countries. The U.S.-SACU FTA is expected to create new commercial opportunities for U.S. companies, farmers and workers.
- Thirty-eight of the 48 sub-Saharan African countries are now eligible for AGOA. Three new countries were added since May 2002: Cote d’Ivoire, The Gambia and the Democratic Republic of the Congo. Sierra Leone was granted AGOA trade benefits in October 2002; previously, it had only limited AGOA benefits.
- There are now 19 countries eligible to receive AGOA’s textile and apparel benefits. Several more are currently seeking approval for such benefits. Six countries have qualified for AGOA’s special handloomed, handmade, and folklore textile and apparel provisions.
- The second annual meeting of the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum was held in Mauritius in January 2003. U.S. Trade Representative Zoellick led the U.S. delegation, which included representatives from 13 government agencies. Five Members of Congress also attended, including House Ways and Means Committee Chairman Bill Thomas. Ministers and senior officials from nearly all AGOA beneficiary countries participated. During the Forum, President Bush announced his intent to seek an extension of AGOA beyond 2008.
- Since 1999, the United States has provided over \$345 million in trade capacity building assistance to sub-Saharan African countries. To improve the delivery of such assistance, USAID has established three Regional Hubs for Global Competitiveness in Africa, staffed by experts on the WTO, AGOA and other trade-related topics.
- Sub-Saharan African countries are expected to receive a substantial portion of the assistance provided under the President’s Millennium Challenge Account Initiative, which is scheduled to begin in FY04.
- The HIV/AIDS pandemic could seriously affect efforts to strengthen the U.S.-sub-Saharan African trade and investment relationship. President Bush has pledged \$15 billion towards the fight against HIV/AIDS over the next five years, beginning with \$2 billion in FY04.



## **II. Executive Summary**

Many important milestones were achieved during the past year in the expansion of AGOA and the strengthening of the United States' trade and economic relationship with the countries of sub-Saharan Africa. These included: the passage of AGOA II, which significantly enhanced AGOA's apparel benefits; the announcement of negotiations for a U.S. free trade agreement with the Southern African Customs Union (SACU), the first-ever such U.S. agreement with sub-Saharan African countries; the addition of three new AGOA-eligible countries, bringing the total to 38; the holding of the second annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum in Mauritius, the first time the event has been held in Africa; and a significant increase in African exports under AGOA, especially of non-fuel goods.

AGOA is the cornerstone of the Bush Administration's trade and investment policy toward sub-Saharan Africa, which is promoting free markets, expanding U.S.-African trade and investment, stimulating economic growth, and facilitating sub-Saharan Africa's integration into the global economy. The Administration will continue to consult closely with Congress on African trade and investment policy, building on the bipartisan Congressional support for AGOA and the existing Executive-Congressional partnership on Africa trade and investment.

AGOA continues to foster new trading opportunities and investment, create new jobs, and promote economic development. It supports the efforts of those sub-Saharan African countries undertaking difficult economic, political, and social reforms and provides an incentive for countries considering such reforms. The United States maintains an ongoing dialogue with sub-Saharan African countries on topics related to the AGOA eligibility criteria and continues to encourage progress in those countries not yet eligible for AGOA. The AGOA Forum provides an opportunity for high-level U.S. consultations with officials from AGOA-eligible countries and helps to promote the tripartite alliance among U.S. and African businesses, civil society organizations, and governments that is essential for realizing the full potential of the U.S.-sub-Saharan African trade and economic relationship.

The United States is sub-Saharan Africa's largest single-country export market, accounting for 26 percent of the region's total exports in 2001. As a result of AGOA, substantially all imports from sub-Saharan Africa are eligible to enter the United States duty-free. In 2002, 94 percent of U.S. imports from AGOA-eligible countries entered duty-free. U.S. imports of AGOA products are growing, with imports of non-fuel goods gaining the most. The United States imported \$9 billion in merchandise duty-free under AGOA in 2002, a 10 percent increase from 2001, despite the general decline in imports from the region and the overall decline in global trade.

As sub-Saharan African countries develop opportunities under AGOA, they are seeking U.S. inputs, expertise, and joint-venture partnerships. U.S. merchandise exports to sub-Saharan Africa were just over \$6 billion in 2002, down 13.2 percent from 2001, largely as a result of the weakness in the global economy. Still, U.S. exports to sub-Saharan Africa were 46 percent greater than those to the former Soviet republics, and nearly twice those to Central and Eastern Europe. U.S. exports to South Africa alone were larger than our sales to Russia, whose population is more than three and a half times as large. The United States was the leading provider of foreign direct investment to Africa in the period 1996-2000, with \$9.2 billion of



cumulative flows. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships.

AGOA is also encouraging U.S.-African cooperation in the World Trade Organization (WTO), supporting efforts to extend and expand on trade liberalization across the globe. The 38 sub-Saharan African members of the WTO constitute the largest regional bloc in that body. African governments are playing a key role in the WTO's Doha Development Agenda global trade negotiations. AGOA is helping to build greater confidence between the United States and Africa in the mutual benefits of free trade. Working together in the WTO, the United States and sub-Saharan African countries are increasingly recognizing the commonality of our interests in crucial areas such as agriculture, market access for consumer and industrial products, and trade in services.

The Administration views trade capacity building and technical assistance programs as essential components of its trade and investment policy. Sub-Saharan African countries need technical assistance to maximize gains from both AGOA and participation in the WTO. From 1999 to 2002, the United States provided over \$345 million in trade capacity building assistance to sub-Saharan Africa. USAID has established three regional Hubs for Global Competitiveness in sub-Saharan Africa. These Hubs – located in Botswana, Ghana, and Kenya – are central locations for trade-related programs and are providing technical assistance on trade and investment, as well as designing and carrying out trade capacity building programs. A number of other U.S. agencies are also involved in trade capacity building in Africa, including USTR, the U.S. Bureau of Customs and Border Protection, and the Departments of Commerce, Treasury, State, and Agriculture.

The Administration remains committed to helping sub-Saharan Africa address the challenges of debt relief, poverty reduction, infrastructure development, and HIV/AIDS and other infectious diseases. The President's Millennium Challenge Account Initiative (MCA), which with Congressional approval will begin in FY04, will invest in areas such as agriculture development, education, enterprise and private sector development, governance, health, and trade and investment capacity building. While the MCA is a global initiative, it is anticipated that a substantial portion of its funding will go to sub-Saharan African countries.

The Administration will continue to actively engage sub-Saharan African countries on trade and investment issues. In addition to implementing AGOA, and actively working with sub-Saharan African countries in the WTO, the U.S. is embarking on negotiations for a free trade agreement (FTA) with the Southern African Customs Union. The U.S.-SACU FTA will complement the Administration's continued efforts to advance its trade policy in the region through Trade and Investment Framework Agreements (TIFAs) and targeted technical assistance and capacity building programs.

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

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

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

#### AGOA Summary

AGOA authorized a new U.S. trade and investment policy toward Africa. It has transformed U.S.-sub-Saharan African trade relations, promoting increased trade and economic cooperation between the United States and eligible sub-Saharan African countries. In just three years, AGOA is already generating increased trade, cooperation, and investment flows between the United States and sub-Saharan Africa.

AGOA:

- Institutionalizes a process for strengthening U.S. relations with African countries and provides incentives for African countries to achieve political and economic reform and growth.
- Offers eligible sub-Saharan African countries duty-free and quota-free U.S. market access for substantially all products.
- Provides additional security for investors and traders in African countries by guaranteeing GSP benefits through 2008.
- Eliminates the GSP competitive need limitation for beneficiary sub-Saharan African countries.
- Establishes the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum to facilitate regular ministerial-level trade and investment policy discussions.
- Promotes the use of technical assistance to strengthen economic reforms and development, including assistance to strengthen relationships between U.S. firms and firms in sub-Saharan Africa.

## Original AGOA Apparel and Textile Benefits\*

- Lifts all existing quotas on eligible textile and apparel articles from eligible sub-Saharan African countries.
- Extends duty-free and quota-free U.S. market access for sub-Saharan African apparel made in eligible sub-Saharan African countries from yarns and fabrics not produced in commercial quantities in the United States.
- Extends duty-free and quota-free treatment for apparel made in eligible sub-Saharan countries from U.S. yarn and fabric and for knit-to-shape sweaters made in the region from cashmere and some merino wools.
- Extends duty-free and quota-free U.S. market access for apparel made in eligible sub-Saharan African countries from regional fabric and yarn. Such imports, however, are subject to an annual cap (limit). The original cap increased incrementally from 1.5 to 3.5 percent of the multibillion dollar U.S. apparel import market over an 8-year period. (The “ceiling” cap was increased to 7 percent under the provisions of AGOA II.)
- Provides a special provision in the cap which allows beneficiary sub-Saharan African countries with an annual GNP of under \$1,500 (“lesser developed beneficiary countries”) to use fabric inputs, regardless of the country of origin, until September 2004.

\*Note: AGOA II enhanced many of the original benefits above, see Section B below.

### Implementation

U.S. Trade Representative Robert B. Zoellick is actively advancing AGOA implementation by engaging Congress, African governments, the U.S. private sector, and NGO communities in a dialog on U.S.-sub-Saharan African trade policy issues. Under AGOA, the President is given the authority to designate AGOA-eligible countries on the basis of specific criteria. To date, 38 countries have been designated as AGOA-eligible countries (see the list at Annex A). AGOA also authorized the President to designate additional products which AGOA beneficiary countries may export to the United States duty-free under the GSP program. Additional information on country eligibility and product eligibility is provided below.

AGOA requires that designated beneficiary countries meet certain customs-related requirements, such as the establishment of an effective visa system, in order to receive the apparel benefits in AGOA. As of April 2003, the U.S. Trade Representative has determined that 19 countries are eligible for AGOA apparel benefits. The United States is actively engaged with at least four other countries that are in the process of meeting the requirements for AGOA apparel benefits. Additional information on visa requirements and AGOA apparel benefits is provided below under Apparel Visa System and Related Customs Requirements.

Other AGOA requirements, such as the establishment of a U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum (Chapter VII), are described in other sections of this report.

### Country Eligibility

Since last year's report, three new countries have been added to the list: Cote d'Ivoire, The Gambia, and the Democratic Republic of the Congo (DROC). In addition, Sierra Leone, which had been AGOA-eligible with delayed implementation of its trade benefits, was granted AGOA trade benefits in October 2002.

Cote d'Ivoire was determined eligible for AGOA in May 2002 based on an interim review of specific benchmarks that addressed economic and market reform, improvements to the business environment, judicial reform, agriculture liberalization, transparency in the telecommunications sector, and national reconciliation. The Gambia became eligible as a result of the 2002 annual AGOA eligibility review, which determined that The Gambia had demonstrated significant progress in implementing political reforms, recognizing basic human rights, and favorably addressing allegations of complicity in the illicit trade in conflict diamonds. The Democratic Republic of the Congo (DROC) was also determined eligible for AGOA as a result of the 2002 eligibility review process. DROC signed a peace agreement in December 2002, demonstrating significant progress on the last major obstacle to its AGOA eligibility. DROC will receive AGOA trade benefits when it forms its transitional government. Sierra Leone had an arrangement similar to that of DROC. Sierra Leone received AGOA trade benefits after it was determined that the government had regained effective control of substantially all its territory.

The benefits established by AGOA are extended only to those countries that meet specific eligibility criteria. The criteria reflect "best practice" policies that will ultimately help to attract trade and investment and foster broadly-shared prosperity. Sub-Saharan African countries are reviewed annually to determine their eligibility status. Countries may be added or withdrawn from the list of beneficiary countries as a result of the annual review.

In considering the eligibility of sub-Saharan African countries for AGOA beneficiary status, AGOA requires the President to consider each country based on specified criteria, including whether the country has established or is making continual progress toward establishing: a market-based economy, the rule of law, the elimination of barriers to U.S. trade and investment, economic policies to reduce poverty, the protection of internationally recognized worker rights, and a system to combat corruption. Additionally, a country (1) cannot engage in activities that undermine U.S. national security or foreign policy interests, (2) cannot engage in gross violations of internationally-recognized human rights, (3) cannot provide support for acts of international terrorism, and (4) must have implemented commitments to eliminate the worst forms of child labor.

USTR chairs an extensive Trade Policy Staff Committee (TPSC) review process to determine which countries are eligible for AGOA's benefits. Through this process, country-specific issues and areas of concern are identified. The AGOA eligibility process is a vehicle, inter alia, to advance economic reform, internationally-recognized worker rights, human rights, anti-corruption actions, and intellectual property protection, and to promote initiatives to eliminate the

worst forms of child labor in sub-Saharan Africa. USTR's recommendations to the President regarding the eligibility of sub-Saharan African countries for AGOA benefits are based on countries' progress and efforts in these and other areas. Specific information on AGOA beneficiary status and the reforms undertaken by individual governments is provided in Chapter IX of this report. The actual eligibility criteria are contained in Annex B.

During the 2002 review process, the President determined that seven countries do not meet the criteria for AGOA eligibility. The country summaries in Chapter IX provide specific information on country performance with respect to AGOA eligibility criteria. Three countries— Comoros, Somalia, and Sudan— did not formally request consideration for AGOA benefits; therefore, these three countries were not reviewed by the Trade Policy Staff Committee and are not included in Chapter IX.

### Product Eligibility

Essentially all products of AGOA beneficiary countries may enter the United States duty-free, either under AGOA or under a category for which the United States maintains a zero most-favored-nation rate of duty. In 2002, 94 percent of U.S. imports from AGOA beneficiary countries entered duty-free. Products are eligible for preferential access to the U.S. market under AGOA in three ways:

- First, AGOA extended the existing GSP program (covering 4,650 products) for beneficiary countries through September 30, 2008. For regional exporters, this provides more stable, longer-term access to the U.S. market than they enjoyed under the existing GSP program, which applies to developing countries around the world. AGOA also eliminates the GSP's competitive need limitation for beneficiary countries.
- Second, AGOA granted the President authority to provide duty-free treatment for certain goods not covered under the existing GSP program that are the growth, product or manufacture of a beneficiary country. Using his authority to expand GSP, the President proclaimed duty-free treatment for an additional 1,835 items on December 21, 2000. Certain unwrought manganese was added to the list in January 2003. Agricultural exports under GSP and AGOA's expanded GSP coverage remain subject to any applicable U.S. tariff rate quotas (TRQs). In the few cases where TRQs exist, goods of beneficiary countries enter duty-free within the quota, but remain subject to any over-quota duties for shipments above the applicable quantitative limit.
- Third, separate AGOA provisions grant duty-free and quota-free treatment to qualifying apparel articles of beneficiary sub-Saharan African countries and to textile or apparel articles that are determined to be hand-loomed, handmade or folklore items after appropriate consultation.

As a result of these provisions, very few products of beneficiary countries are not eligible for duty-free treatment. Ineligible items currently include flat goods, most textile articles, certain steel products, canned peaches and apricots, and dehydrated garlic. The full list of products that

may enter the U.S. duty-free under AGOA may be found at the following website:  
<http://www.ustr.gov/regions/africa/annex2a.pdf>.

### Apparel Visa and Related Customs Requirements

Under AGOA, beneficiary countries must meet certain customs-related criteria in order to receive AGOA textile and apparel benefits. These requirements are designed to ensure that unlawful transshipment does not occur and that the benefits of AGOA accrue only to beneficiary countries. AGOA requires, inter alia, that countries implement an effective visa system and have laws, regulations, or administrative procedures to prevent unlawful transshipment of articles and use of counterfeit documents. Countries must also have implemented and follow, or be making substantial progress toward implementing and following, certain customs procedures designed to assist the U.S. Bureau of Customs and Border Protection in verifying the origin of products shipped from these countries to the United States.

Nineteen sub-Saharan African countries have been declared eligible to receive AGOA textile and apparel benefits as of May 1, 2003: Botswana, Cameroon, Cape Verde, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Senegal, South Africa, Swaziland, Tanzania, Uganda, and Zambia. These countries were designated as eligible by the U.S. Trade Representative after demonstrating that they had an effective visa system in place to verify that apparel and textile goods were authorized for export in accordance with the required rules of origin. The U.S. Government has provided countries with guidance on the elements of an effective visa system. This includes the requirement that the original commercial invoices for each shipment be stamped with an official government visa. In addition, governments must agree to cooperate with the U.S. Bureau of Customs and Border Protection to prevent unlawful transshipment and use of counterfeit documentation. Governments must also agree to permit verification visits to factories, producers, and exporters, and must require factories, producers, and exporters to retain proper records relating to the production and/or exportation of eligible goods for a period of five years.

AGOA includes several provisions that relate to the implementation of the Act's textile and apparel benefits. These provisions include:

- A "tariff snapback" in the event that a surge in imports of eligible articles causes serious damage or threat thereof to domestic industry.
- An 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, 2004, the statute permits lesser developed beneficiary countries to obtain preferential treatment for apparel assembled in beneficiary countries regardless of the origin of the fabric.
- The authority to determine 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; such products may be imported quota- and duty-free.
- Determination of whether U.S. manufacturers produce interlinings in the United States in commercial quantities, thereby rendering articles containing foreign interlinings ineligible for benefits under the Act.
- Determination of whether exporters have engaged in illegal transshipment and to deny benefits to such exporters for a period of five years.

### *Regional Cap*

AGOA limits imports of apparel made with regional or third-country fabric to a fixed percentage of the aggregate square meter equivalents (SME) of all apparel articles imported into the United States. AGOA II increased the quantitative limitation for apparel made with regional fabric but provided that this increase would not apply to apparel imported under the Special Rule for lesser developed countries. (See Section B below). The Special Rule expires September 30, 2004.

For the year beginning October 1, 2002, the aggregate quantity of imports eligible for preferential treatment under these provisions is an amount not to exceed 4.2414 percent of all apparel articles imported into the United States in the preceding 12-month period. Of this overall amount, apparel imported under the Special Rule for lesser developed countries is limited to an amount not to exceed 2.0714 percent of apparel imported into the United States. These quantities are recalculated for each subsequent year and the percentage figure increases in equal annual increments to a level of 7 percent in the final year (i.e., the year beginning October 1, 2007). Apparel articles entered in excess of these quantities will be subject to otherwise applicable tariffs. The duty-free cap is not allocated among countries, and is filled on a “first-come, first-served” basis. Through February 2003, imports under the aggregate cap totaled 87.7 million SME, or 11.93 percent of the cap for FY03. Of this amount, imports under the Special Rule cap for lesser developed countries totaled 70.2 million SME, or 19.53 percent of the sub-cap.

### *Commercial Availability*

Under the Act, 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 countries from fabric or yarns not formed in the United States or a beneficiary country, if the President has determined that such yarns or fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President delegated to the Committee for the Implementation of Textile Agreements (CITA) the authority to determine whether yarn or fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner and to extend preferential treatment to apparel articles from such yarn or fabric.

As of May 2003, four Commercial Availability petitions have been approved, two were denied, and two are under consideration. Apparel containing certain fabrics used in blouses, nightwear, and various other apparel articles, rayon filament yarn, and cuprammonium rayon filament yarn receive duty-free treatment under the AGOA.

## *Handloom/Handmade/Folklore Articles*

AGOA provides duty- and quota-free benefits for handloomed, handmade, or folklore articles made in beneficiary sub-Saharan African countries. In Executive Order 13191, the President authorized CITA, after consultation with the Commissioner of Customs, to consult with beneficiary sub-Saharan African countries and to determine which, if any, particular textile and apparel goods shall be treated as being handloomed, handmade, or folklore articles.

As of May 6, 2003, Kenya, Botswana, Lesotho, Malawi, Namibia, and Swaziland have been approved for the handloomed, handmade, or folklore article provisions. CITA is currently reviewing proposals submitted by Mozambique, Tanzania, and Zambia.

### **B. AGOA II**

In August 2002, President Bush signed The Trade Act of 2002. Section 3108 of the Act included enhancements to the African Growth and Opportunity Act. These enhancements are commonly known as “AGOA II”. Many of the AGOA II enhancements were revisions to AGOA requested by sub-Saharan African governments. Following are the main AGOA II amendments under the Trade Act of 2002:

- Makes Botswana and Namibia eligible for the Special Rule for lesser developed beneficiary countries.
- Extends preferential treatment for components knit-to-shape in the United States.
- Extends preferential treatment to sweaters made of merino wool of 21.5 microns or finer.
- Extends preferential treatment to apparel assembled in a beneficiary sub-Saharan African country from components knit-to-shape in a beneficiary country from U.S. or beneficiary country yarns and to apparel formed on seamless knitting machines in a beneficiary country from U.S. or beneficiary country yarns, subject to the quantitative limitation.
- Increases the cap – the annual quantitative limit– and established a new sub-cap for those articles subject to quantitative limitation. It doubled the cap on apparel produced in the region from regional fabric, raising the cap in equal annual increments from 4.2414 percent in FY02 to 7 percent in FY07. Of this overall amount, apparel imported under the Special Rule for lesser developed countries is limited to a cap ranging from 2.0714 percent of apparel imported into the United States in FY03 to 2.3571 percent in FY04.

### **C. Outreach**

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



efforts have been actively supported by regional organizations, U.S. and African governments, private sector organizations, and civil society organizations.

USTR has devoted considerable attention to AGOA outreach in both sub-Saharan Africa and the United States. In speeches and press conferences, Ambassador Zoellick has highlighted AGOA-related opportunities for both sub-Saharan Africa and the United States. In meetings with Heads of State, Trade Ministers, and other government and private sector officials, Ambassador Zoellick has discussed AGOA implementation and ways in which countries can maximize AGOA benefits. Administration officials have participated in numerous seminars, conferences and other events in the United States related to AGOA. USTR and Commerce Department officials have also met frequently with the African diplomatic corps, Industry Sector Advisory Committees, and companies interested in AGOA, and have traveled to several cities in the United States to address conferences about AGOA.

USTR continues to organize and lead AGOA seminars in the region involving representatives of the Departments of Commerce, Agriculture, and State, as well as USAID, the Bureau of Customs and Border Protection, the Small Business Administration, and the private sector. Since the last annual report, regional AGOA seminars were held in Senegal and Ghana. These trade capacity building sessions serve an important outreach function by publicizing the provisions of AGOA and promoting linkages between African and U.S. businesses. (See Chapter V for more on these seminars.) In the last year, USTR officials also made presentations on AGOA at U.S.-sponsored regional workshops in Ghana and South Africa on the WTO agriculture and services negotiations.

U.S. agencies continue to make outreach materials broadly available, including the comprehensive AGOA Implementation Guide and the popular and interactive official AGOA website ([www.agoa.gov](http://www.agoa.gov)), which is maintained by the Department of Commerce. Commerce recently revised the AGOA website, making it more user-friendly. Information about AGOA is also available at the official USTR and State Department websites. Officials from USTR and other agencies also participated in several interactive broadcast media programs on AGOA with sub-Saharan African public and private sector officials.

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

USTR, Customs and Border Protection, and Commerce have focused special outreach efforts on disseminating information to African government officials on the process of applying for and meeting the requirements for AGOA apparel benefits. These agencies have developed specific guidance on apparel visa systems and other enforcement and legal requirements, and have worked closely with sub-Saharan African countries that are seeking these benefits to ensure that their proposed visa systems and laws meet AGOA requirements.

The Department of State hosted the AGOA Business Roundtable in Washington, D.C. in November 2002. Secretary of State Powell was joined by Secretary of the Treasury O'Neill, Secretary of Commerce Evans, and U.S. Trade Representative Zoellick at this conference, which featured panelists and representatives of over 200 U.S. businesses discussing AGOA and U.S. trade and investment in sub-Saharan Africa. This roundtable served as a prelude to the second annual AGOA Forum, held in Mauritius in January 2003.

The State Department continued its AGOA professional intern program, which began in 2001. In the second half of 2002, this program brought entrepreneurs from small- and medium-sized firms in over 20 AGOA countries to the United States to learn about the U.S. market and business practices, port and customs operations. Not only has this program helped these entrepreneurs better understand the U.S. market, it has generated over a dozen deals between U.S. and African businesses, and several others are being considered. In addition, State held regional seminars in six African countries, using the professional interns who had traveled to the U.S. to lead discussions on AGOA and U.S. business practices with representatives of over 400 African businesses. State also brought graduates of the AGOA intern program to Mauritius in January 2003 to participate in the AGOA Private Sector Session and Trade Exhibition, held in conjunction with the second AGOA Forum.

#### U.S. Embassy Outreach

In addition to extensive outreach efforts by Washington officials, almost all U.S. embassies in AGOA beneficiary countries have conducted outreach campaigns, including television and radio interviews, op-eds in local media, information materials, publications, and/or meetings with local business organizations. In many countries, U.S. embassy officials have traveled to provincial cities and towns to ensure that people outside of the capitals were also aware of AGOA's opportunities. In a number of instances, embassy officials have been invited to participate in AGOA implementation committees organized by local governments.

U.S. embassy staff have also met with U.S. business leaders interested in creating or expanding commercial ties with AGOA countries. The State Department produced and widely distributed video presentations— in English, French, and Portuguese— introducing AGOA and highlighting AGOA success stories. These videos were distributed throughout the region and widely aired on African media. U.S. Embassy officials sponsored AGOA speakers and programs in many AGOA-eligible African countries during 2002-2003. In addition, they offered advice on shipping products to the United States; held seminars to educate both government and the business sector about AGOA; sent a large number of U.S. business expert speakers to AGOA eligible countries; and conducted interviews on AGOA with local African media and the Voice

of America. U.S. Embassies have also made available French and Portuguese versions of the AGOA implementation guide, product list, and other key documents. The Commerce Department's Foreign Commercial Service has also worked extensively with U.S. and African businesses, conducting regular outreach programs, AGOA-related seminars, and programs focused on building U.S.-African commercial linkages and strategic alliances.

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

### **A. Economic Growth**

Many sub-Saharan African economies are making impressive economic gains after decades of sluggish performance. The region's performance continues to improve, despite conflicts in some areas, poor governance in a few countries, adverse movements of commodity prices, and the ravages of the HIV/AIDS pandemic. Several countries, including Mozambique, Uganda, and Ghana, have made key economic reforms, such as liberalizing markets and trade, improving economic management, and promoting private sector activity, which have resulted in notable growth rates, increased incomes, and declining poverty.

Sub-Saharan Africa's economic growth slowed in 2002 to 2.5 percent, down from 2.9 percent in 2001.<sup>1</sup> The growth rate was below the 2.8 percent registered by developing countries in 2002, but well above the 1.7 percent experienced by the world generally. 2002 marked the second consecutive year that sub-Saharan Africa surpassed average global growth rates but lagged behind the pace of developing countries as a group.

The slowdown in world economic activity— which began in the spring of 2001 and worsened after the terrorist attacks of September 11— caused steep declines in commodity prices, reduced investment flows, and lowered earnings from tourism. Africa's reduced economic performance in 2002 also was a direct reflection of the region's dependence on European markets. The Euro Area registered a particularly weak 0.8 percent expansion.

There were other factors in the slower growth record that were particular to Africa. Chief among them were the food shortages that struck Southern Africa and, to a lesser degree, the Horn region and parts of West Africa. Conflict and political strife in Madagascar, Zimbabwe, Burundi, eastern parts of the Democratic Republic of the Congo, Central African Republic, and Liberia also served to depress growth. The crisis in Cote d'Ivoire, a major economy in the West African region, has already hurt neighboring countries and, if it continues, it is likely to be a drag on growth in West Africa in 2003. It is also nearly certain that the economic growth record would have been worse if not for the continuing trend toward market-oriented reform in many areas of the continent.

Nigeria and South Africa have a disproportionate effect on the performance of the sub-Saharan region due to the dominant size of their economies. These countries account for half of sub-Saharan Africa's total trade of goods and services and more than half of its GDP. The economic performance of these countries slowed in 2002, though the IMF and World Bank anticipate an upturn for both countries in 2003, which also improves the outlook for the rest of the region.

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<sup>1</sup> World Bank Global Economic Prospects and the Developing Countries, 2003; IMF World Economic Outlook Dec. 2002 (revised).

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

Sub-Saharan Africa's total merchandise imports climbed 6 percent in 2001 to \$87.7 billion. South Africa and Nigeria accounted for more than 41 percent of sub-Saharan Africa's total imports. In 2001, South African imports declined 5 percent, to \$24.6 billion, due to the weak rand. The fall in South Africa's imports reversed an 8 percent gain in 2000. Nigeria's imports were nearly \$11.5 billion, a 30 percent increase from a year earlier, and a 51 percent increase in two years, spurred by sharply higher revenues from crude oil exports.

Sub-Saharan Africa's total merchandise exports were \$86.2 billion, virtually flat compared to 2000, when high prices for crude oil, diamonds, and platinum group metals propelled a 22 percent spike in export growth. The region's small global trade surplus in 2000 was erased in 2001, although the deficit was smaller than in most previous years.

Sub-Saharan Africa's 1.4 percent decline in exports compared favorably with a 3.7 percent fall in total world exports in 2001, as well as with the 5.2 percent drop in developing country exports. Nevertheless, sub-Saharan Africa accounted for only 1.4 percent of world trade in 2001, virtually unchanged from 2000. Africa's share of world trade has declined steadily over time, increasing its isolation from the global economy and its detachment from growing world prosperity. Over the last decade, sub-Saharan Africa's trade has grown 39 percent, while world trade has grown 85 percent. In the same period, African GDP grew less than 8.5 percent, compared to a global figure of more than 44 percent.

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

Sub-Saharan Africa accounts for less than 1 percent of U.S. merchandise exports, and less than 2 percent of U.S. merchandise imports. Proportions are slightly higher for the EU, where sub-Saharan Africa represents 3.5 percent of total exports and 4 percent of total imports. The United States is Africa's largest single country market, purchasing 26 percent of the region's exports in 2001. The United Kingdom was a distant second at 9.5 percent, and France third at 7.3 percent. The EU absorbed nearly 45 percent of sub-Saharan Africa's exports, up from 40.7 percent in 2000.

- The U.S. market share in sub-Saharan Africa increased in 2001 to 7.9 percent, from 7.1 percent in 2000, as U.S. exports of aircraft, oil and gas field equipment, and motor vehicles and parts soared.
- The United States and Germany were the only major industrial countries to gain market share in sub-Saharan Africa in 2001. The U.K. share held steady, while that of France, Italy, and Japan fell.
- The EU market share held steady at 36.5 percent, down only marginally from 2000, although EU exports to the region increased nearly 9 percent.

- Non-traditional trading partners also increased their share of the African market. South Africa surpassed Italy and Japan as a supplier to the sub-Saharan region with exports of \$3.8 billion, boosted by sales of motor vehicles, telecommunications equipment, and food grains to neighboring countries in Southern Africa.
- China was also a major supplier to sub-Saharan Africa, with exports of \$4.4 billion. China experienced a 23 percent surge in shipments from 2000, propelled by big increases in woven fabrics, low-end footwear, motorcycles, and cellular telephones.

*Sub-Saharan Africa's Principal Industrial Country Trading Partners  
(\$ Billions and Market Share)*

	<i>2000</i>	<i>% Share</i>	<i>2001</i>	<i>% Share</i>
<b><i>Sub-Saharan Africa's Imports</i></b>				
<i>France</i>	<i>8.7</i>	<i>10.5</i>	<i>8.3</i>	<i>9.5</i>
<i>United States</i>	<i>5.9</i>	<i>7.1</i>	<i>6.9</i>	<i>7.9</i>
<i>Germany</i>	<i>5.6</i>	<i>6.8</i>	<i>6.6</i>	<i>7.5</i>
<i>United Kingdom</i>	<i>4.8</i>	<i>5.8</i>	<i>5.1</i>	<i>5.8</i>
<i>Japan</i>	<i>3.7</i>	<i>4.5</i>	<i>3.3</i>	<i>3.8</i>
<i>Italy</i>	<i>2.8</i>	<i>3.4</i>	<i>2.9</i>	<i>3.3</i>
<i>Total EU</i>	<i>30.5</i>	<i>36.8</i>	<i>32.0</i>	<i>36.5</i>
<b><i>Sub-Saharan Africa's Exports</i></b>				
<i>United States</i>	<i>23.6</i>	<i>27.0</i>	<i>22.3</i>	<i>25.9</i>
<i>United Kingdom</i>	<i>6.3</i>	<i>7.2</i>	<i>8.2</i>	<i>9.5</i>
<i>France</i>	<i>5.5</i>	<i>6.3</i>	<i>6.3</i>	<i>7.3</i>
<i>Germany</i>	<i>5.1</i>	<i>5.8</i>	<i>5.6</i>	<i>6.6</i>
<i>Japan</i>	<i>4.4</i>	<i>5.0</i>	<i>4.1</i>	<i>4.7</i>
<i>Italy</i>	<i>4.5</i>	<i>5.1</i>	<i>4.0</i>	<i>4.7</i>
<i>Total EU</i>	<i>35.6</i>	<i>40.7</i>	<i>38.7</i>	<i>44.8</i>

*Source: Derived from IMF Directions of Trade Yearbook, 2002*

## C. Trade with the United States

<i>U.S. Trade with Sub-Saharan Africa</i>				
<i>(\$ Millions)</i>				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<i>U.S. Exports</i>	5,568.6	5,933.9	6,941.8	6,023.0
<i>U.S. Imports</i>	14,086.6	23,487.5	21,286.8	17,934.7

Two-way trade between the United States and sub-Saharan Africa fell in 2002, as both exports and imports declined. Two-way trade was just under \$24 billion, down 15 percent from a year earlier. U.S. exports shrank 13.2 percent to \$6 billion, due to declines in sales of aircraft, motor vehicle parts, and computer and telecommunications equipment. U.S. imports fell 15.7 percent from 2001 to \$17.9 billion, as the U.S. recession caused lower demand for crude oil and platinum group metals. Trade between the United States and sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

- U.S. exports to South Africa, Kenya, and Namibia decreased; increases in Angola, Nigeria, and Equatorial Guinea could not offset the overall decline. Exports recovered in the fourth quarter due to higher oil field equipment sales to Angola and an aircraft delivery to Kenya. However, these items are subject to high volatility and do not indicate that a general recovery is underway.
- U.S. imports from Nigeria declined by nearly a third, and imports from South Africa decreased by 9 percent. Small increases from Angola, Equatorial Guinea, and Cameroon did not offset the general decline.
- AGOA prevented an even sharper drop in U.S. imports. AGOA imports increased 10 percent, to \$9 billion. This figure includes duty-free imports from AGOA-eligible countries under both the pre-existing U.S. Generalized System of Preferences (GSP) and the expanded AGOA GSP, plus textile and apparel imported duty-free and quota-free under AGOA provisions.
- AGOA accounted for half of total imports from the region. Three-quarters of AGOA imports were petroleum products. With these fuel products excluded, AGOA imports were less than \$2.2 billion. AGOA textile and apparel imports more than doubled, to \$803 million. Transportation equipment accounted for \$545 million, 81 percent more than in 2001, and agricultural products grew 38 percent, to \$212million.

The U.S. merchandise trade deficit with sub-Saharan Africa narrowed in 2002 to \$11.9 billion, from \$14.3 billion in 2001. Nigeria, Angola, Gabon, and South Africa accounted for 90 percent of the U.S. trade deficit with sub-Saharan Africa in 2002. The first three were major oil suppliers, while South Africa provided platinum group metals, diamonds, and motor vehicles.

## **D. International Financing, Investment Results, and Debt**

As might be expected, trade and investment have flowed to those countries that offer the most competitive and investor-friendly environments. Experience has shown that businesses and investors seek dependable, transparent, and open regulatory regimes, adequate infrastructure, and political and economic stability. AGOA countries generally are working to create such conditions. In addition, some countries are still rebuilding from years of conflict, are dealing with inadequate transportation or other infrastructure problems, have less natural resources, or have a smaller manufacturing base.

### International Financing

Foreign direct investment (FDI) inflows to sub-Saharan Africa were estimated to be \$7 billion in 2002. In 2001, FDI inflows were valued at \$13.8 billion; however, this did not reflect an actual decrease in new investment, but rather a stock swap involving two companies with major holdings in South Africa. Absent this transaction, investment in sub-Saharan Africa would have been about \$7 billion, similar to the 2002 level. Gross private investment makes up around 12 percent of sub-Saharan Africa's GDP, with gross domestic investment (including public investment) averaging around 18 percent of GDP. Higher investment rates will be essential for achieving any sustainable long-term reduction in unemployment and poverty.<sup>2</sup>

New investment has been particularly focused in the oil and apparel sectors: For example, Gabon registered gross private investment amounting to 21.3 percent of its GDP in 2000, and Equatorial Guinea had 36.8 percent. One of AGOA's star performers, Lesotho, has seen skyrocketing FDI in its apparel sector, with gross private investment amounting to 34.8 percent of GDP in 2000.

Investment in sub-Saharan African infrastructure projects with private participation dramatically increased in the telecommunications, energy, transport, and water and sanitation sectors in the 1995-2000 period, compared with 1990-1994. Telecommunications investment rose from \$585 million in 1990-1994 to \$10.7 billion in 1995-2000; energy investment rose from \$138.9 million to \$4.1 billion; in transportation the increase was from \$48.8 million to \$1.9 billion; and in water and sanitation, investment with private participation rose from \$24 million to \$1.6 billion.<sup>3</sup>

### U.S. Direct Investment in Africa

The United States was the leading provider of FDI to Africa in the period 1996-2000, with \$9.2 billion of cumulative flows. France was second with \$4.4 billion, and the United Kingdom was

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<sup>2</sup> The World Bank, Global Development Finance, 2003.

<sup>3</sup> The World Bank, World Development Indicators, 2002.



third with \$3.3 billion. At year-end 2001, the U.S. direct investment position<sup>4</sup> in sub-Saharan Africa was \$10.2 billion, 5.8 percent above the position at year-end 2000, as a surge of petroleum investments in Equatorial Guinea and a smaller increase in Nigeria offset declines in South Africa and Angola.<sup>5</sup>

- South Africa (\$3 billion), Equatorial Guinea (\$1.7 billion), Angola and Nigeria (each \$1.5 billion), combined to account for nearly three-quarters of the U.S. direct investment position in sub-Saharan Africa.
- The U.S. position in South Africa is largely in manufacturing. In the other three leading countries it is heavily concentrated in the petroleum sector. Overall, approximately two-thirds of the position in sub-Saharan Africa is in petroleum.
- Sub-Saharan Africa accounts for less than one percent of the U.S. direct investment position worldwide.

The U.S. direct investment position generated income of \$1.3 billion for U.S. parent companies, including investment earnings and net interest on outstanding loans to their African affiliates. Income was down from \$2 billion in 2000.

According to preliminary results from the 1999 benchmark survey of U.S. direct investment abroad by the Department of Commerce's Bureau of Economic Analysis, U.S. affiliated companies in Africa reported estimated total assets of nearly \$42.6 billion, including \$14.9 billion in South Africa and \$7.4 billion in Nigeria. U.S. affiliates in Africa had worldwide sales of nearly \$27.2 billion, and net income of \$2.3 billion.

U.S. direct investment in Africa supports U.S. trade with the region and fuels American industry. \$926 million of U.S. merchandise exports in 1999 were shipped to U.S. affiliates in Africa, including those in North Africa. The United States imported nearly \$1.8 billion of goods from U.S. affiliates in Africa, mostly petroleum products.

### Investment Results

Last year's report highlighted the creation of over 190,000 AGOA-related jobs in Kenya, Malawi, Mauritius, Namibia, and Swaziland, and over \$340 million in AGOA-related investments. AGOA is continuing to encourage substantial new investments, jobs, and trade in sub-Saharan Africa. AGOA is also stimulating intra-African investment, as Africans work together to take advantage of AGOA through coordinated regional production. For example, Mauritian investors have invested in production facilities in Senegal and Madagascar. In this example, investors are taking advantage of the specific skills, resources, or comparative

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<sup>4</sup> 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.

<sup>5</sup> The direct investment position is a measure of the *stock* of FDI, as opposed to *flows*.

advantages present in Senegal and Madagascar. In some cases, these investors are investing in facilities that produce goods to be shipped directly to the U.S. market. In other cases, they are investing in facilities that supply the inputs necessary for the production of AGOA goods in another sub-Saharan African country.

Although the textile and apparel sector has received substantial levels of investment, other sectors, such as automobile manufacturing and information technology, are beginning to benefit from AGOA-related investment and encouraging diversification. The following are some selected examples of AGOA-related investment, employment increases, and industry output expansion:

Cape Verde	<ul style="list-style-type: none"> <li>A fish processing company has been bought by an American interest. Two new investments in the garment industry also were announced by Portuguese firms.</li> </ul>
Côte d'Ivoire	<ul style="list-style-type: none"> <li>In anticipation of approval for apparel benefits, a Chinese-Ivorian partnership has invested \$9 million in a new textile factory to export under AGOA.</li> </ul>
Ghana	<ul style="list-style-type: none"> <li>Investment in the expansion of a tuna-processing plant.</li> <li>U.S. exports of textile and apparel machinery were used to refurbish a sock factory that is now assembling, packaging, and exporting apparel under AGOA using U.S. textile inputs.</li> <li>A retail franchise has invested about \$10 million and opened two new branches in Ghana. The retail franchise expects to begin its own manufacturing operations in Ghana to produce items such as food, beverages, and housewares to export under AGOA.</li> </ul>
Kenya	<ul style="list-style-type: none"> <li>Sri Lankan firms invested over \$2.4 million in apparel plants employing 14,000 Kenyans.</li> <li>Plans are underway to start a cotton gin project in Nyanza province. Because fishing, sugar and tobacco farming in the region is dying, the project is timely and will help create jobs in this economically vulnerable region.</li> </ul>
Lesotho	<ul style="list-style-type: none"> <li>The Governor of the Central Bank of Lesotho attributes Lesotho's strong economic growth to AGOA-related investments in the local textile industry.</li> <li>AGOA-related manufacturing projects are the main source of foreign exchange and new employment.</li> </ul>
Mauritius	<ul style="list-style-type: none"> <li>According to the Mauritius Freeport Authority, AGOA encouraged several U.S. and Asian retailers to open regional buying offices in the country.</li> <li>AGOA has prompted investment in spinning mills and, consequently, the vertical integration of the textile industry in sub-Saharan Africa. Chinese, Indian, and Mauritian firms have invested over \$100 million in new spinning mills.</li> </ul>
Mozambique	<ul style="list-style-type: none"> <li>A garment factory privatized in the late 1990s has attracted significant Mauritian investment. The factory, located in the central provincial capital of Beira, expects to hire an additional 320 workers and get an additional \$2 million in investment due to AGOA.</li> </ul>
Rwanda	<ul style="list-style-type: none"> <li>A Hong Kong-based firm announced plans to invest \$11 million to establish a manufacturing plant in Rwanda. The plant is expected to provide employment for 2,500 Rwandans and produce goods for export under AGOA.</li> </ul>
Senegal	<ul style="list-style-type: none"> <li>U.S. investors working with Asian and Senegalese partners are revitalizing factories to spin yarns, weave fabrics, and manufacture garments, creating over 2,000 new jobs.</li> </ul>

South Africa	<ul style="list-style-type: none"> <li>• Several automobile production facilities have upgraded plants and increased production, with investments of over \$20 million</li> <li>• South African cotton producers have geared up cotton production to supply the increased demand from African manufacturers due to AGOA.</li> </ul>
Swaziland	<ul style="list-style-type: none"> <li>• In Swaziland, Chinese and Taiwanese investors have invested over \$30 million in denim fabric mills and other facilities.</li> <li>• The Swaziland Industrial Promotion Authority has projected the creation of over 10,000 new jobs next year, as a direct result of AGOA.</li> </ul>
Tanzania	<ul style="list-style-type: none"> <li>• There are reports that a textile mill plans to expand operations in partnership with a U.S. firm. The report estimates that 1,000 new jobs would be created.</li> </ul>
Uganda	<ul style="list-style-type: none"> <li>• In February 2002, a new coffee processing firm was launched that is now processing coffee and exporting to the United States. For the first time in 100 years, a Ugandan firm is adding value to coffee and exporting it as a processed product.</li> <li>• Over \$6 million has been invested in spinning mills to produce goods to export under AGOA.</li> </ul>
Zambia	<ul style="list-style-type: none"> <li>• Agricultural processors of fresh fruit and vegetable exports have been linking with U.S. partners.</li> </ul>

## HIPC

African countries continue to qualify for debt reduction under the enhanced Heavily Indebted Poor Countries (HIPC) initiative. The HIPC program provides substantial debt reduction for countries committed to economic reform and poverty reduction. Twenty-two countries in sub-Saharan Africa have reached their enhanced HIPC decision points and started to receive debt relief. The African beneficiaries are Benin, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia. Total nominal debt reduction under the HIPC initiative for these 22 countries will amount to more than \$32 billion. When combined with earlier debt relief initiatives, this action will reduce the debt of these countries on average by about two-thirds.

Benin, Burkina Faso, Mali, Mauritania, Mozambique, Tanzania and Uganda have reached their HIPC completion points and received final stock of debt reduction. The enhanced HIPC framework is designed to support economic, social, and governance reforms in these countries, aimed at increasing economic growth and reducing poverty.

Debt reduction by the U.S. Government, covering 100 percent of the obligations to the United States contracted by these twenty-two governments prior to the 1999 Cologne Economic Summit, will total nearly \$650 million. The United States Government also is helping to finance the cost of reducing the debts owed by African HIPCs to the African Development Bank.

## **E. Economic Reforms**

The economic reform record across sub-Saharan Africa varies, as is to be expected from a diverse collection of 48 countries at different levels of development. Some sub-Saharan African

countries have been successful in sustaining market-led reforms that have created the conditions for growth. Economies in some other African countries have been virtually destroyed by conflict, drought, and/or poor governance. In 2002, there was important progress throughout the region in many areas.

Reform programs continued to be implemented in such countries as Benin, Senegal, Mali, Uganda, Mozambique, and Tanzania. Botswana and South Africa continued to serve as role models for sound economic management on the continent. The ending of conflict in Angola, Ethiopia, and Madagascar, and the completion of a successful election and political transition in Kenya, permitted governments of those countries to begin focusing again on problems of growth and development. Reforms in fiscal regimes and budgetary practices received renewed emphasis across a wide range of countries, stimulated by the requirements of the Heavily Indebted Poor Countries (HIPC) debt relief program and assisted by the International Monetary Fund.

On the other hand, efforts at reform were slowed, interrupted, or halted completely by political crises in Cote d'Ivoire, Zimbabwe, and Central African Republic, and by lingering civil war in the eastern Democratic Republic of the Congo, Burundi, Liberia, and Sudan. Drought in southern Africa and the Horn of Africa sidetracked or slowed reform efforts as governments struggled to cope with food shortages in those regions. The effects of the drought and of the decline in tourism weakened fiscal positions in several cases.

Privatization programs have slowed in a number of countries as governments finished divesting the smaller enterprises in their portfolios and began to address the much more difficult task of privatizing major banks, utilities, or industries, such as oil refineries. Public opposition to privatization seems to be on the rise in Zambia, in the wake of the pullout of Anglo American from its agreement to purchase the national copper mining parastatal. Ghana and Nigeria have slowed their privatization programs with the approach of national elections. On the other hand, privatization programs seem on the point of resuming in Madagascar and Kenya. The country summaries in Chapter IX provide more specific information on privatization efforts in individual sub-Saharan African countries.

## **F. Reforms Undertaken by AGOA Beneficiary Countries**

The U.S. government continues to consult closely with African governments in the development and implementation of AGOA. Discussions over the past few years have encouraged many African countries to introduce significant reforms in their policies and practices. The annual AGOA eligibility review process is one systematic opportunity to examine and discuss African reforms and demonstrated progress in meeting AGOA's eligibility criteria. As part of this process, the United States continues to identify areas of concern and works with countries to identify means to address these concerns, including the provision of technical assistance. In a number of cases, sub-Saharan African governments have implemented reforms or made specific commitments as a result of the eligibility review process. Human resource and other capacity constraints continue to impede some governments' ability to implement reforms.

Since the passage of AGOA, countries have implemented measures to liberalize trade, strengthen market-based economic systems, privatize state-owned enterprises, and deregulate their economies. These changes have resulted in improved market access for U.S. products and services while at the same time increasing the competitiveness and efficiency of African economies. African governments have implemented political reforms, including measures to improve transparency and governance, to strengthen the rule of law, and to combat corruption. Improvements have also been made in the protection of workers' rights and in efforts to combat the worst forms of child labor. Additionally, many countries have begun to reform their customs regimes – a prerequisite for trade expansion – to meet AGOA's apparel eligibility requirements. Specific information regarding reforms undertaken by AGOA beneficiary countries can be found in Chapter IX. The following are some examples of reforms and commitments considered during the 2002 AGOA review process:

### Economic and Political Reforms

- In Benin, the size and role of government in the economy have been reduced in recent years. Eight out of 65 parastatal enterprises have been divested. Benin plans to computerize its customs regime to increase clearing time and transparency. The government has also adopted a new business law and investment code, and it has established a court for arbitration of business disputes.
- Cameroon has undertaken reforms to liberalize the financial sector, strengthen fiscal management, and establish stronger regulatory agencies. The government is revising its commercial laws to remove barriers to trade and investment and to attract more foreign investment. In 2002, the Cameroon National Assembly passed a law establishing an investment charter that liberalizes the market economy and should help to promote investments and exports. Major parastatals including tea, palm oil, rubber, shipping, sugar, and telecommunications have recently been privatized. The government has undertaken a technical audit of the judiciary system, established a Constitutional Council and is in the process of implementing public procurement commissions.
- The Democratic Republic of the Congo enacted a new Investment Code, fiscal and tax incentives, and tighter budgetary and monetary policies. The government adopted a floating exchange rate, established a new central bank and commercial law courts, and issued new exchange regulations, banking laws, and investment and mining codes.
- Djibouti introduced a multiparty system in September 2002.
- Ethiopia approved new investment and telecommunications bills in 2002 that will further liberalize the investment regime. An anti-corruption law has been enacted and an Anti-Corruption Commission has been established.
- In Kenya, exchange controls have been eliminated, prices decontrolled, import licensing abolished, and trade barriers are gradually falling. In 2002, Kenya passed both a Copyright Bill and an Industrial Property Act.
- Malawi privatized the Commercial Bank of Malawi in 2002, and began implementing plans to complete the privatization of Air Malawi and Malawi Telecom.
- Mali has been strengthening and accelerating structural reforms, especially within the sensitive cotton sector.

- Rwanda has taken measures to improve the legal and business environment, including establishment of an arbitration center and initial steps toward the establishment of a commercial court and a tax court.

#### Workers' Rights, Elimination of Child Labor, and Human Rights

- Benin has passed new legislation and relaxed previous restrictions on the right to strike and the right to form and join trade unions. The government has signed a Memorandum of Understanding with the ILO to develop a program to combat child labor and is participating in an ILO project to address trafficking of children for exploitative labor in West and Central Africa.
- The Democratic Republic of the Congo ratified ILO Conventions 182 and 138 on the worst forms of child labor. The Government also stopped the enlistment of children in paramilitary organizations and released former child soldiers into the care of the UN.
- Gabon ratified ILO Convention 182. The Council of Ministers in Gabon approved a comprehensive law criminalizing child trafficking and child slavery. The Gabonese Ministry of Labor and UNICEF launched a public awareness campaign on the problem of child trafficking.
- Ghana has initiated several programs in concert with the ILO to help eliminate child labor. Ghana has ratified ILO Convention 182. The government has made combating child labor and trafficking a high priority. The Ministry of Manpower Development and Employment has worked closely with the ILO to conduct studies on child labor exploitation and regional trafficking.
- Human rights have improved in Guinea, as government officials and security force members accused of human rights abuses have been arrested and punished.
- Kenya has ratified ILO Convention 182 on the worst forms of child labor and established a Child Labor Division in the Ministry of Labor.
- Madagascar has implemented policies to set conditions on employment like minimum wages, work hours, and occupational safety and health standards for Export Processing Zone companies.
- Zambia ratified ILO Convention 182 and continues to work with the local ILO office on projects aimed at eliminating the worst forms of child labor. Zambia and the U.S. Department of Labor (DOL) signed an agreement in September of 2002 under the DOL's Child Labor Education Initiative.

#### **G. Regional Economic Integration**

The United States has encouraged and supported regional economic integration efforts in sub-Saharan Africa as a means of stimulating economic growth by improving economies of scale and reducing transaction costs for the region as well as for international businesses. With nine major regional trade agreements, sub-Saharan Africa has one of the highest numbers of regional economic groupings in the developing world. These nine regional organizations, most with overlapping memberships, are: (1) the Economic Community of West African States (ECOWAS), with 15 members; (2) the West African Economic and Monetary Union (WAEMU) with eight members, all also belonging to ECOWAS; (3) the Common Market for Eastern and

Southern Africa (COMESA), with 20 members; (4) the Southern African Development Community (SADC), with 14 members; (5) the Southern African Customs Union (SACU), with five members, all also belonging to SADC and two to COMESA; (6) the East African Community (EAC), with three members, two belonging to COMESA and one to SADC; (7) the Inter-Governmental Authority on Development (IGAD), with seven members in eastern Africa; (8) the Indian Ocean Commission (IOC), with five members, four belonging to COMESA and one to SADC; and (9) the Central African Economic and Monetary Community (CEMAC), with six members.

In order to encourage regional economic integration and to strengthen trade and investment relations with the region, USTR has signed Trade and Investment Framework Agreements with COMESA and WAEMU. USTR has also begun negotiations for a Free Trade Agreement with the Southern African Customs Union. The Administration's trade and investment policy also focuses attention on technical assistance to regional organizations as a means of supporting regional integration and strengthening trade capacity in sub-Saharan Africa. For example, in June 2002, USTR and USAID organized a seminar in Washington, DC to support WAEMU's regional integration efforts. The seminar – attended by 110 representatives of government, civil society, and business from the 8 WAEMU countries and the United States – served to broaden and deepen U.S.-WAEMU cooperation in regional and multilateral trade forums, and to support WAEMU's work to maximize its members' benefits under AGOA.

AGOA also promotes regional economic cooperation and trade between the countries of sub-Saharan Africa by allowing cumulation among AGOA beneficiary countries, i.e. AGOA beneficiaries may include inputs from other AGOA beneficiaries in meeting the GSP's 35 percent value-added rule of origin requirement. Beneficiary countries may also use yarn and fabric obtained in the region in apparel that qualifies to enter the United States duty-free and quota-free. As a result of regional economic cooperation and trade under AGOA, South African cotton fabric exports to Mauritius have more than doubled over the last two years, as AGOA encourages apparel producers to source materials within the region.

Regional integration efforts advanced in sub-Saharan Africa in 2002, albeit slowly. One impediment to successful regional integration in sub-Saharan Africa is the overlapping nature of the many trade agreements within the region. Many countries belong to two or more regional groupings. Of the 48 sub-Saharan African countries, 26 are members of two regional economic agreements and 15 countries are members of three regional economic agreements. The Democratic Republic of the Congo is a member of four regional agreements. Only seven countries belong to one regional agreement.

A recent IMF study described the many complications that arise as a result of these overlapping memberships. Foremost, trade agreement implementation is difficult because of conflicting obligations, particularly when trade blocs have different rules of origin or tariff reduction schedules. For example, COMESA members are not allowed to offer trade preferences to partners in SADC, and nine members of SADC are also members of COMESA. Second, countries already facing economic and financial difficulties cannot afford the administrative costs of participation in multiple agreements. As a result, some countries have fallen behind on their

obligations to the trade groups. For example, since the implementation of newer trade blocs such as SADC and EAC, contributions to more established blocs like COMESA and CEMAC have fallen. Despite these problems, regional blocs have made noteworthy progress. Moreover, some organizations have been able to expand the political role and impact of their economic organizations. There appears to be an increasing recognition within African governments that regional economic organizations will have a major, though yet to be determined, role to play in the implementation of the New Partnership for Africa's Development (NEPAD).

CEMAC: CEMAC has set up a regional parliament and a court of justice. A single passport has been implemented for travel throughout the region. In April 2002, CEMAC created a regional coordination and administration committee mandated to conclude an economic partnership agreement with the EU. The key challenges to CEMAC's integration are rivalry among leaders within CEMAC and political instability.

COMESA: Only nine COMESA members – Egypt, Djibouti, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia, and Zimbabwe – have committed to participate in the free trade area. COMESA has taken steps to establish the Fund for Cooperation, Compensation and Development, a \$200 million fund to assist members that lose tariff revenue as a result of opening their markets. COMESA has also taken steps to implement tariff reductions, eliminate nontariff barriers, apply remedial and safeguard measures, and define rules of origin. Preparatory work continues for a regional competition policy, the COMESA business community forum, sub-regional women-in-business information centers, the COMESA Iron and Steel Industry Association, and an e-commerce information network for industry. COMESA has adopted a four-phase monetary harmonization program aimed at achieving full monetary union by 2025.

The United States has provided a variety of assistance to COMESA's integration efforts, including: technical assistance on trade and the WTO; identification of barriers to investment and development of regional solutions; private sector capacity building; telecommunications harmonization; facilitation of cooperation with SADC; and study of rules of origin as related to the WTO, World Customs Organization, SADC and other organizations.

EAC: The EAC was officially inaugurated in January 2001. The three member countries agreed that Kenya would have no tariffs on its imports from Uganda and Tanzania and that the latter two countries would apply a diminishing 10 percent tariff on their imports from Kenya that would be phased out over 4 years. The EAC has established a number of institutions designed to strengthen the bloc, including the East African Assembly (a legislative body), a Court of Justice, and the East African Business Council, which was established to promote trade and investment. The East African Law Society and the East African Securities Regulatory Authority were also created. Finally, the EAC and COMESA have concluded a Memorandum of Understanding to foster the harmonization of their trade policies and programs. The U.S. Treasury Department has provided technical assistance to the EAC on harmonization of securities laws and has placed an advisor in Uganda to work on debt management issues, including cross-border securities trade.

ECOWAS: ECOWAS is proceeding towards a monetary union by committing to reduce central bank financing of budget deficits and creating a Convergence Council to help coordinate



macroeconomic policies. Five states – The Gambia, Ghana, Guinea, Nigeria, and Sierra Leone – are currently involved in efforts to create a single currency. ECOWAS leaders have also agreed that all member countries must meet certain criteria – for example, good governance – before convergence can be attained. ECOWAS continues its work with WAEMU to develop common policies for trade liberalization and macroeconomic policy convergence. Both ECOWAS and WAEMU have agreed to adopt new common rules of origin and a single customs declaration form to enhance the flow of trade.

The United States has supported integration in ECOWAS through a number of means, including technical assistance to the West African Power Pool and the West Africa gas pipeline project (see Chapter VI, Section E.). The United States has also provided assistance to the ECOWAS fund, for example, by sponsoring seminars on public-private partnerships and the WTO.

In support of ECOWAS' regional integration efforts, USAID's West Africa Regional Project (WARP) has sponsored programs focused primarily on harmonizing customs and trade regulations within West Africa and removing barriers to intra-regional trade. The new Trade Hub in Accra, Ghana will concentrate more on regional trade to global markets, particularly to the United States.

The Commercial Law Development Program (CLDP) of the Department of Commerce is working with ECOWAS on a variety of legal matters including the integration of commercial codes in conjunction with the African Development Bank and other African institutions.

SACU: In 2002, SACU implemented several charter revisions which were enacted as a result of perceptions among the other four members that South Africa was dominating the treaty, particularly in terms of revenue-sharing. The renegotiated agreement has two key elements: a new revenue-sharing formula and institution building designed to strengthen SACU. The five governments have agreed to set up a council of ministers and secretariat. A board of independent regional trade experts will meet on a quarterly or monthly basis, as needed, to consider tariffs and antidumping applications from member states, with final decisions made by the council of ministers of trade or industry.

The United States has been working very cooperatively with SACU on trade, investment, and capacity development issues. This cooperation is being enhanced and continued as the United States and SACU begin free trade agreement negotiations in 2003. (See Chapter VIII for additional information on the U.S.-SACU FTA, including FTA-related technical assistance.)

SADC: The institutional framework for the SADC Free Trade Area (FTA) is slowly evolving. The SADC Secretariat's new trade implementation unit is assisting members in implementing the FTA. SADC countries, with the assistance of USAID, are beginning to form interagency task forces to oversee implementation of the FTA at the national level. SADC has made slow progress in implementing the FTA. SADC continues to advance its plans to interconnect the power grids in SADC countries. The Southern African Power Pool has been a model for other regional integration projects in sub-Saharan Africa.

USAID's Regional Center for Southern Africa (RCSA) continues to support SADC. RCSA has focused on strengthening the region's ability to trade with the United States under AGOA and on ways of using AGOA to encourage customs reforms necessary to implement the SADC Protocol. RCSA is also promoting regional integration in SADC and the Free Trade Area (FTA) process through technical assistance in support of macroeconomic convergence and tax harmonization.

The U.S. Trade and Development Agency has committed \$600,000 for a major cost-shared feasibility project for upgrading regional air traffic management through SADC's Transportation Commission. The feasibility study will provide a roadmap for the region to move from a terrestrial-based airspace management system to a space-based system. When fully implemented, the system will offer total airspace coverage, allowing the member countries to collect greater overflight fees, thereby increasing revenues.

WAEMU: In January 2000, WAEMU's common external tariff took effect, with rates not to exceed 22 percent, although adherence to the tariff structure is not uniform throughout the region. WAEMU has also established a common accounting system, periodic review of member states' macroeconomic policies based on convergence criteria, a regional stock exchange, and the legal and regulatory framework for a regional banking system. Nevertheless, intra-regional trade does not appear to have greatly expanded. ECOWAS and WAEMU have begun to discuss a number of measures that will help to harmonize the two organizations. Both have agreed to adopt new common rules of origin to enhance the flow of trade and implement a universal customs declaration form.

The Treasury Department has provided a resident advisor at the regional Central Bank (BCEAO) to work with the Bank and member country finance ministries on problems of debt issuance, debt management, and creation of a region-wide debt securities market for the eight WAEMU member countries.

Under the U.S.-WAEMU Trade and Investment Agreement (TIFA), the inaugural U.S.-WAEMU Council on Trade and Investment meeting was held in Dakar, Senegal in July 2002.

Representatives from USTR, other U.S. government agencies, and WAEMU discussed strengthening trade and investment relations between the United States and WAEMU during the Council on Trade and Investment meeting.

## **H. Africa and the WTO**

Supporting Africa's integration into the global economy is one of the pillars of the Administration's Africa trade policy of free markets, expanded trade, and economic growth. As a means to this end, the United States has encouraged increased participation by sub-Saharan African countries in multilateral trade discussions. The United States is also providing technical

assistance to help facilitate African participation. Africa made fewer commitments during the Uruguay Round than any other region and, as a result, African countries in general have higher tariffs and fewer market access commitments, especially in the services sector, than countries in other regions. This has impeded African countries' ability to attract investment and to increase trade, competitiveness, and economic growth. During the past few years, African countries have become more active in WTO discussions and in other multilateral discussions of trade and investment. Thirty-eight sub-Saharan African countries are now WTO members, representing 26 percent of all WTO membership. Five other sub-Saharan African countries have observer status.

The launch of WTO negotiations at Doha in 2001 was an important turning point. Cooperation and coordination with sub-Saharan African governments played a key role in the success of the Doha Ministerial. As part of the WTO's Built-in Agenda, WTO Members tabled proposals on agriculture and services. Of the almost 50 proposals submitted on agriculture, African countries authored or co-authored about one-third. African countries are also participating in the WTO negotiations on services.

The United States has ambitious objectives for the Doha Development Agenda round of WTO trade negotiations and it considers close consultations with sub-Saharan African countries essential to the round's success. The Administration has worked actively with sub-Saharan African countries to clarify important issues and gain greater confidence in the commonality of our interests in crucial WTO policy areas.

The United States has submitted far-reaching proposals to the WTO, including plans to remove all tariffs on industrial and consumer goods, open agriculture and services markets, and address the special needs of poorer developing countries. The U.S. agriculture proposal calls for the elimination of agricultural export subsidies, reduction of farm tariffs from 60 to 15 percent, the eventual elimination of tariffs, and significant reductions in trade-distorting domestic farm support. Sub-Saharan African countries have been receptive to the Administration's proposal. African countries are hit particularly hard by agricultural trade barriers, as they cannot afford subsidies for their crops and are hampered by high tariffs on their exports. The Administration's non-agricultural market access proposal in the WTO would result in a "Tariff-free World" by 2015. The ambitious plan calls for the elimination of all tariffs on industrial and consumer goods by 2015, with a mid-term goal of reducing tariffs on those goods to no more than 8 percent, eliminating low tariffs, and pursuing sectoral initiatives by 2010.

<b>Sub-Saharan Africa WTO Members</b>	
Angola	Mauritania
Benin	Mauritius
Botswana	Mozambique
Burkina Faso	Namibia
Burundi	Niger
Cameroon	Nigeria
Central African Republic	Rwanda Senegal
Chad	Sierra Leone
Dem. Rep. of the Congo	South Africa Swaziland
Rep. of Congo	Tanzania
Côte d'Ivoire	Togo
Djibouti	Uganda
Gabon	Zambia
The Gambia	Zimbabwe
Ghana	
Guinea	<b><u>Observers</u></b>
Guinea-Bissau	Cape Verde
Kenya	Ethiopia
Lesotho	Sao Tome & Principe
Madagascar	Seychelles
Malawi	Sudan
Mali	

African industrial and consumer goods face huge tariffs, particularly on exports to other developing countries. As Africans are becoming further integrated into the global economy, they are recognizing that important new emerging markets for their products are restricted by tariff barriers. African countries will not be able to fully take advantage of trade liberalization if key markets around the world remain closed. The United States and many African countries share a common interest in lowering the relatively high duties of many developing countries and obtaining greater market access into these increasingly important markets.

The United States has also presented a WTO proposal to liberalize worldwide trade in services and broaden opportunities for growth and development of the services sector. The services sector is critical to the international economy. It represents about two-thirds of the U.S. economy and 80 percent of U.S. employment. Services liberalization would open up new avenues for trade, benefitting both the United States and its African trading partners. Liberalization of the services sector enhances the gains from liberalization in goods and agriculture by making the infrastructure of the modern global economies – reliable communications, financial services, transportation services, express delivery services, and others – more widely available. Services trade offers African countries innovative opportunities to jump-start growth and development and directly enter and participate in the information revolution.

AGOA is also helping to promote sub-Saharan Africa's integration into the multilateral trading system. AGOA has increased support for WTO global trade negotiations. U.S. Trade Representative Robert Zoellick has consulted directly with many sub-Saharan African Trade Ministers and Heads of State to discuss WTO and other matters. For example, Ambassador Zoellick co-hosted a WTO Roundtable for Trade Ministers at the January 2003 U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum in Mauritius.

The Administration will continue to encourage increased liberalization through tariff reductions, elimination of non-tariff barriers, and development of market-oriented trade policies. It will continue to work with African countries in the fight against global protectionism that results in significantly higher prices for African consumers while eliminating the incentives for innovation and greater efficiency among domestic producers. 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. In addition, USTR, State, Agriculture, and others have enhanced their dialogue with sub-Saharan African countries on WTO issues. (See Chapter V for more information on U.S. training and trade capacity building programs that support WTO agreements and activities.)



## **V. Trade Capacity Building**

The United States is a world leader in helping developing countries to benefit from trade liberalization and the growing volume of global trade opportunities. President Bush's 2001 International Trade Agenda emphasized the priority to "help developing countries and emerging markets begin the process of integrating themselves into the world trading system." In order to meet this objective, and to respond to Congress' direction in AGOA to support trade-related technical assistance for sub-Saharan African countries, the Administration has devoted special attention to trade capacity building (TCB) activities. From FY99 to FY02, the United States devoted \$345 million to TCB programs in sub-Saharan Africa. FY02 funding was \$105 million, a 65 percent increase over the FY01 level. In FY03, as in FY02, the United States will contribute \$1 million to the voluntary WTO Global Trust Fund for technical assistance, much of which will be used for programs assisting sub-Saharan African countries.

U.S. trade capacity building activities in sub-Saharan Africa are implemented by a broad range of agencies, including USAID, the Department of Commerce, the Department of Agriculture, and many others. USTR works closely with all of these agencies to ensure that U.S.-sponsored TCB assistance is comprehensive and responsive to both African needs and U.S. trade policy objectives. In April 2002, USTR created the Office for Trade Capacity Building to coordinate U.S. Government TCB efforts linked to bilateral and multilateral trade negotiations and the implementation of trade agreements. Helping countries to access benefits under AGOA has been a major focus of U.S. TCB programs.

### **A. USTR Activities**

In addition to the coordinating role described above, USTR is actively involved in the planning and implementation of several U.S. trade capacity building programs in sub-Saharan Africa, especially those related to AGOA, the WTO and the FTA negotiations with SACU.

USTR developed the concept for the successful series of AGOA seminars that have been held in Africa over the past three years and led the interagency delegations that conducted the seminars. The purpose of these seminars is to assist AGOA-eligible countries to establish the necessary building blocks and comprehensive strategies for maximizing benefits under AGOA. Regional AGOA seminars were held in Ghana and Senegal in July 2002. These two events, jointly sponsored by USTR and the U.S. Department of Commerce's Commercial Law Development Program (CLDP), were carried out with funds provided under the USAID-administered Africa Trade and Investment Policy Program (ATRIP). (ATRIP ended in FY01, but implementation of projects funded under it continued in FY02 and FY03.) The seminars focused on strengthening the capacity of West African governments and their private sectors to maximize benefits available under AGOA and on enhancing reform initiatives aimed at expanding trade and investment. Workshops and related breakout sessions explained AGOA's provisions, described how key reforms would enhance AGOA's benefits, outlined methodologies to realize potential comparative advantages in specific sectors, and suggested mechanisms to develop private and

public sector partnerships to best utilize AGOA. The delegation of presenters included officials from USTR, the Department of Agriculture, USTDA, the Export-Import Bank, the Corporate Council on Africa, the Constituency for Africa, the African Development Bank, the African Coalition for Trade, and members from the largest U.S. association of importers and retailers of textile products. Nearly a thousand public and private sector participants from over a dozen West African countries participated in these two-day seminars.

In the last year, USTR worked with the WTO on two successful regional workshops on WTO negotiations on agriculture and services: in Accra, Ghana in August 2002 and Johannesburg, South Africa in February 2003. Trade officials from 31 African countries participated in these two workshops, funded under ATRIP. The United States also contributed \$250,000 in 2002 to a WTO pilot project to carry out a 12-week WTO trade policy course at two African universities – in Nairobi, Kenya (for Anglophone African countries) and in Casablanca, Morocco (for Francophone countries).

USTR is working closely with USAID and other agencies to address trade capacity building needs associated with the prospective U.S. free trade agreement with SACU. See Chapter VIII for more information on TCB activities linked to the SACU FTA.

## **B. USAID Initiatives**

USAID's field offices and regional centers in sub-Saharan Africa have integrated AGOA and trade capacity building into their programs and are dedicating specific resources to assist countries in the region to develop AGOA strategies and to strengthen their capacities to respond to trade opportunities. In 2002, USAID provided \$80.5 million in trade capacity building funds for sub-Saharan Africa.

With the opening in the past year of three regional Hubs for Global Competitiveness, USAID inaugurated the Trade for African Development and Enterprise (TRADE) initiative. TRADE is a multi-year program designed to promote African commercial competitiveness; reduce poverty; improve trade-related public services, policy formulation and implementation; strengthen the business environment; and promote U.S. African business development. The Hubs are located in Botswana, Kenya and Ghana. Each Hub serves as a technical assistance platform for a cadre of technical experts in support of trade and development. At the AGOA Forum in January 2003, President Bush announced that each Hub will support a technical expert from the USDA Animal and Plant Health Inspection Service (APHIS) to help sub-Saharan African countries address challenges related to meeting sanitary and phytosanitary requirements for the U.S. market. Further information about the Hubs can be found on the Web at [www.satradehub.org](http://www.satradehub.org) (for Southern Africa), [www.watradehub.com](http://www.watradehub.com) (for West Africa), and [www.ecatradehub.com](http://www.ecatradehub.com) (for Eastern Africa).

A large USAID delegation, led by USAID Administrator Andrew Natsios, attended the Second AGOA Forum in Mauritius. USAID organized a plenary session on HIV/AIDS in Africa and co-organized with USDA a plenary on the new Presidential Initiative to End Hunger in Africa.

USAID promoted the Regional Hubs for Global Competitiveness in a separate breakout session and with a Regional Hub booth at the Private Sector Exhibition.

In West Africa, through USAID's West Africa Regional Program (WARP), ten AGOA resource centers have been established to provide hands-on practical resources for linking with U.S. partners and accessing current information on AGOA provisions and the U.S. Harmonized Tariff Schedule. WARP works with the Corporate Council on Africa on the West Africa International Business Linkages program, which fosters business-to-business contacts between companies in the United States and West Africa. Similarly, WARP is strengthening the West African Businesswomen's Network through training and linkage development activities. WARP is assisting the ECOWAS Secretariat to expand and adopt a common external tariff with WAEMU. This would expand the common tariff zone from eight African nations to fifteen, and highlights these countries' WTO commitments and the relationship of those commitments to regional trade and trade capacity development. WARP also offered regional seminars in FY02 to impart a greater understanding of globalization and the WTO. The seminars covered topics such as liberalization, privatization, regulation and regional integration. The West African Trade Hub, managed by WARP, will focus its activities on regional trade in global markets, complementing WARP's focus on regional integration and removing barriers to intra-regional trade.

In Southern Africa, the Trade Hub conducted AGOA Awareness Seminars in Malawi, Zambia, Namibia, Swaziland, Botswana, Tanzania, and Zambia. These seminars provided advisory services to the business community and governments on the benefits of AGOA and on export opportunities in the SADC region. The Hub assisted regional governments and producers to identify textile products eligible for export under AGOA's Category 9 (handcrafts and hand-loomed items) and to apply to the U.S. Department of Commerce for the required certification of these items. The Hub also published a manual for small businesses on "Marketing Apparel, Textiles and Crafts in the United States: Exploring Niche Markets." The Hub has completed a GSP Assessment and Country Export Survey Report for each AGOA-eligible country in SADC. These reports serve as tools for governments and private sectors to enhance business opportunities in regional and international markets.

USAID's Regional Center for Southern Africa (RCSA) manages the Southern Africa Hub and is also engaged in many other programs designed to support AGOA in the subregion. For example, RCSA supports the Southern Africa Trade Research Network (SATRN) and helped sponsor the SATRN Trade Symposium to identify ways in which SADC countries can integrate into the global trading system and key issues of interest to the SADC countries with regard to the WTO. RCSA has participated actively in the evolution of the SADC Free Trade Area. In addition to funding two technical advisors to the SADC Secretariat, USAID assists in the analysis of policy issues and the distribution of policy papers, specifically in the area of AGOA implementation. Various studies and reports have been produced to help SADC member states gradually phase out tariffs on a wide range of products. In addition, studies have been conducted on SADC rules of origin and opportunities under AGOA. RCSA also plays a central role in the planning and provision of trade capacity building support for the U.S.-SACU Free Trade Agreement.



In East and Central Africa, staff from the Regional Hub based in Nairobi consulted with public and private sector officials in Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Tanzania, and Uganda to improve AGOA implementation and promote business development. The Hub is developing an AGOA handicrafts program that features a digital catalog and company profiles. For example, the hub assisted a Kenyan company with its first AGOA Category 4 (knit-to-shape) shipment to a major U.S. retailer and is working with another major U.S. firm to establish commercial linkages in the handicraft sectors of Kenya, Madagascar, Mauritius, and Seychelles.

USAID's Regional Mission for Eastern and Central Africa (REDSO) launched the AGOA Linkages in COMESA (ALINC) project in October 2002. ALINC is an export assistance program designed to accelerate completion of trade transactions between export-ready companies in COMESA member countries and U.S. buyers under AGOA. ALINC provides technical assistance to firms in specific AGOA commodity areas, such as textiles, handicrafts and leather goods. ALINC utilizes USAID's Global Trade and Technology Network (GTN) in facilitating linkages between African exporters and buyers in the United States. In addition, ALINC provides valuable feedback to policy-makers in COMESA and the United States on the barriers or constraints firms face within the AGOA framework. For example, ALINC is coordinating closely with USDA in identifying constraints on SPS certification for African firms.

REDSO is also implementing several other trade-related assistance projects. It manages the Regional Agriculture Trade Expansion Support (RATES) project, which is designed to increase the value of agricultural trade within the East and Southern Africa region and between the region and the rest of the world. During its first year, RATES will focus on coffee, maize, cotton and livestock. Under the partnership between COMESA and REDSO, the Association of ICT Regulators for Eastern and Southern Africa was launched in January as a key driver in regional telecommunications development. REDSO also funded the short-term placement in the COMESA Secretariat of two staff members of the U.S.-based Corporate Council on Africa (CCA) in order to improve external communications, increase understanding of U.S. policies and develop linkages between American and African businesses. REDSO funded a series of seminars conducted by COMESA to inform stakeholders in several member states about issues related to the WTO and the COMESA Free Trade Area. The "COMESA Village" at the AGOA Forum Exhibition Center in Mauritius was a REDSO-funded initiative where twelve AGOA-eligible member-states and the COMESA Secretariat displayed products and information from across the region.

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

– Madagascar: USAID is supporting the start-up of the new Madagascar-U.S. Business Council. The 80-member Council hosted a major AGOA trade event in Antananarivo in early 2003 which was attended by the largest U.S. business delegation ever to visit Madagascar.

- Ghana: In November 2002, USAID sponsored an AGOA Study Tour to South Africa and Mauritius for ten senior Ghanaian government and business representatives. The participants met with over 70 representatives from national and provincial governments, local and third-country companies exporting under AGOA, labor and trade unions, chambers of commerce, and industry associations.
- Zambia: Working with a USDA inspection team, USAID helped to address Zambia’s concerns over access of agricultural products to the U.S. market.
- Senegal: USAID managed an Integrated Framework implementation program that emphasizes AGOA export promotion. The program includes an AGOA export information campaign to promote exports; training seminars to assist particular sub-sectors in understanding export procedures; and technical assistance in the areas of inspections, customs, transportation, packaging, fumigation and marketing.
- Nigeria: USAID is working to promote Nigerian agricultural exports to the United States, especially gum arabic, sesame seeds, and cashews. USAID supported the public- and private-sector development of a laboratory to assist in export processing of gum arabic.
- Uganda: USAID is working with the government, the Cotton Development Organization, ginners and producers to help Uganda to make use of AGOA rules of origin and become a significant supplier of cotton lint, and perhaps cloth, to textile manufacturers in Africa.
- Mozambique: USAID supports “MozLink,” a Global Development Alliance program in which world class U.S. firms mentor Mozambican companies with a view to making them competitive in regional and global markets.

As part of its response to the WTO Doha Development Agenda, the United States, through USAID, is providing a wide range of support for the Integrated Framework (IF) initiative. To date, the United States has contributed \$400,000 to the IF Trust Fund to assist participating LDCs to mainstream trade into their national poverty reduction and development assistance strategies. In addition, USAID has funded a diagnostic trade integration study based on the IF model in Mozambique, and has provided research and analytical support for an IF diagnostic study being conducted by the World Bank in Mali. The United States is committed to helping partner countries follow up on TCB priorities identified in IF diagnostic exercises. To ensure that the United States can respond rapidly to the most recent IF diagnostic studies, USAID has allocated \$2.5 million for immediate IF follow-up projects in Senegal, Madagascar, and Mozambique. This will help accelerate new TCB projects to be included in these USAID field missions’ long-term country assistance strategies.

The Global Trade and Technology Network (GTN), funded through USAID and the State Department, operates through local consultancy firms in twelve African countries assisting firms to identify markets, investments and other business opportunities in the local, regional and global marketplace. GTN provides facilitation services to African firms to complete the purchase, sale, or investment the firm is seeking. From April 2002-April 2003, approximately 55 African firms

completed deals facilitated by GTN, representing over \$3.6 million. One instance of GTN specifically helping a firm meet goals established under AGOA is a joint venture between an Atlanta-based company and Namibia to establish a cotton gin in Namibia. The cotton gin is the first one in Namibia, has the capacity to absorb four times the amount of cotton currently grown there, will directly employ 55 people, and has the potential to provide up to 20,000 indirect jobs.

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

In addition to its partnership with USTR in conducting the AGOA regional seminars described above in Section A, the Commercial Law Development Program (CLDP) at Commerce, with funding from USAID, also conducted several other trade-related capacity building programs in sub-Saharan Africa, including the following:

**Nigeria:** CLDP has been working with the Government of Nigeria to support efforts to establish a legal framework for the private sector, improve investor confidence, open markets, and help build democratic institutions. In particular, CLDP's Nigeria program seeks to further develop the quality of intellectual property (IP) protection in Nigeria and to further Nigeria's goal of compliance with TRIPS by improving the skill and knowledge level of Nigerian judges in the implementation, enforcement and adjudication of IP issues. In 2002, CLDP presented a conference that focused on IP principles, current and pending IP legislation in Nigeria, and issues relating to the adjudication and enforcement of intellectual property cases.

**Other West Africa:** CLDP's West Africa program activities have focused on increasing regional harmonization of commercial laws and expansion of the use of resolution of commercial disputes through arbitration, mediation and other alternative dispute resolution (ADR) vehicles. CLDP is a member, and supports the work of, a steering committee that established an African Law Institute that will, inter alia, draft model commercial laws to be used in the context of regional harmonization of commercial law in West Africa. CLDP sponsored six ADR sessions, two in Senegal, and one each in Washington, DC, Burkina Faso, Mali, and Benin to assess where regional use of ADR stood, to train trainers, and to produce a framework for action to serve as a blueprint for establishing a regional approach to ADR. CLDP also sponsored a local ADR roundtable in Ghana to see what immediate steps should be taken to consolidate use of ADR on a country-specific level.

**SADC:** CLDP worked to increase the capacity of the SADC Secretariat's Legal Sector Coordinating Unit (LSCU) by training the staff on how to locate and access international resource material and assistance on intellectual property rights. This will help the LSCU will become a useful resource center for SADC member states in intellectual property rights.

**Angola:** CLDP's program in Angola has been working with the judiciary to introduce case management techniques aimed at improving the efficiency of the country's judicial system. CLDP conducted a conference in Luanda in March 2002 that introduced case management to Angolans who play a role in the judicial system. In addition, CLDP, working closely with a U.S. court, developed a six-day intensive training program for an Angolan delegation to introduce the principles of case management. As a result of the program, the Angolan participants, drawing

from U.S. experiences, identified four procedures that will be implemented in Angola related to filing procedures and assignment of judges.

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

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

**WTO/SPS Seminar Series:** Through a series of Africa-based regional workshops, USDA has provided technical assistance on the trade policy implications of the international standards-setting bodies and WTO-consistent approaches to the implementation of sanitary and phytosanitary (SPS) regulations affecting trade. The purpose of these workshops is to enable African officials to make better-informed decisions affecting the interests of their countries and to strengthen the areas of shared interest with the United States. The series of nine workshops was organized for SADC, COMESA and WAEMU/ECOWAS countries and included policy officials, technical specialists, and private sector representatives from 33 African countries.

**SPS Work and the Southern Africa Global Competitiveness Hub:** A USDA technical expert from the Animal Plant Health Inspection Service (APHIS) was assigned to the Southern Africa Global Competitiveness Hub in Gaborone, Botswana in January 2003 in partnership with USAID's Regional Center for Southern Africa. The technical expert works closely with countries in the region to conduct pest risk assessments for agricultural plant products potentially destined for markets in the United States. The Botswana Hub arrangement will be replicated at the other two regional hubs in Nairobi, Kenya and Accra, Ghana. USDA will provide technical assistance and support to facilitate the export of African agricultural products under AGOA.

**Biotechnology Outreach:** The goal of this activity is to encourage African scientists and their institutions to provide science-based information to the general public on technical matters that impact trade, agricultural production, and food security.

**Cochran Fellowship Program:** The Cochran Fellowship Program provides short-term technical training in the United States for mid- to senior-level public or private professionals from eligible countries in all of the above areas. Cochran is currently active in 13 countries in sub-Saharan Africa, including four SACU member countries.

USDA will continue to work with African countries to ensure that plant, animal, and human health measures are based on sound science and to minimize negative trade effects. USDA is discussing those areas where technical assistance and training in risk assessment, risk management, and risk communication could enhance food safety objectives and facilitate trade between Africa and the United States. Efforts to develop international plant, animal and food safety standards complement ongoing activities in Africa undertaken by international organizations such as the WTO, FAO and Codex Alimentarius.



## **VI. Technical Assistance and Other AGOA-Related Activities**

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

In March 2002, President Bush announced his intent to establish a special development assistance program, the Millennium Challenge Account (MCA), designed to help spur economic growth in developing nations. The goal of the MCA is to achieve poverty reduction through economic growth by investing in areas such as agriculture development, education, enterprise and private sector development, governance, health, and trade and investment capacity building. With Congressional approval, the MCA will increase core U.S. development assistance by 50 percent over the next three years, reaching annual levels by FY06 \$5 billion higher than current core assistance. While the MCA is a global initiative, it is anticipated that a substantial portion of its funding will go to sub-Saharan African countries.

The MCA is a new approach to development assistance. First, it rewards pro-growth, pro-development policies by selecting for assistance those countries that do better than their peers on 16 indicators related to their performance in "ruling justly, investing in the health and education of their people, and promoting economic freedom." Second, the MCA establishes a true partnership in which the developing country, with the participation of its citizens, proposes its own priorities and plans for MCA funding. Finally, the MCA will place a clear focus on results. Funds will go only to those countries with well-implemented programs that have clear objectives and benchmarks. To reflect and carry out this innovative strategy, the MCA will be administered by a new government corporation, supervised by a cabinet-level Board of Directors and chaired by the Secretary of State. Only poor countries that are not otherwise prohibited from receiving foreign assistance will be eligible for MCA grants. For the first year, starting in FY04, only countries that can borrow from the International Development Association (IDA) and with per capita incomes below \$1,435 would be eligible. In FY05, all countries with incomes below \$1,435 would be considered, and from FY06, all countries with incomes up to \$2,975 would be eligible.

### **B. USAID Technical Assistance**

USAID is the primary agency in the U.S. Government involved in delivering development assistance to sub-Saharan Africa and has field offices throughout the region. These offices operate 22 bilateral assistance programs and three regional programs. The regional programs – in Eastern, Southern, and West Africa – work with African organizations responsible for activities that are multinational in nature.

USAID's approach to development assistance conforms to the strategic and policy interests of the United States to: promote equitable economic growth; open societies to commerce and investment; expand political freedom; further empower women; prevent and mitigate conflict; reduce the spread of HIV/AIDS; secure public health; emphasize education; aid agricultural development; and encourage the sound management of Africa's natural resources.

In support of AGOA, USAID's technical assistance promotes African economic growth, trade, and competitiveness in the global economy so as to increase household incomes and reduce poverty. USAID's many programs support African trade and investment policy and institutional analyses and reform, trade capacity building and technical training, and the promotion of U.S.-Africa private sector development. These programs help to create a supportive environment for trade and investment. USAID's main trade capacity building programs are described in Chapter V. The following are highlights of other USAID technical assistance programs related to trade.

In southern and eastern Africa, USAID is implementing the Southern Africa Regional Biosafety Policy Development project. This program focuses on the technical training necessary to develop and implement science-based biosafety regulations as required in international agreements such as the WTO Sanitary and Phytosanitary Agreement and Codex Alimentarius, as well as the Cartagena Protocol on Biosafety. The program has trained scientists and policy makers in six southern African countries. The issue of biosafety rose to the forefront in 2002 over concerns about the safety of U.S. food aid being delivered to the region to address a food security crisis threatening 14 million people. While political factors overtook science-based evaluations of the safety of U.S. food aid, the training Africans received under this program did come into play in several instances. For example, at a national forum on the issue in Zambia, some scientists presented opposing views to their President's assertion that U.S. maize presented environmental or health risks. Similarly, in Malawi and Mozambique, scientists trained under this program responded to concerns about the safety of biotechnology and helped to draft biosafety regulations.

USAID's Regional Mission in Southern Africa is providing technical assistance to SADC to enhance the region's capacity to manage and coordinate SADC's macroeconomic convergence program in support of regional economic integration. A full-time, long-term Macroeconomic Convergence Advisor has been attached to the SADC Secretariat and resources are available to support macroeconomic convergence and tax policy harmonization. The tax program involves tax coordination within the SADC region and focuses on good fiscal governance issues. Assistance is also being provided to encourage implementation of a regional Value Added Tax.

Since 2000, the Regional Mission in West Africa (WARP) has been providing the Department of Integration Programs at ECOWAS with technical assistance, including three technical staffers, to support the establishment of a West Africa Power Pool (WAPP). The WAPP is intended to develop the administrative and institutional mechanisms that will permit energy trading throughout the region. This will produce a reliable, affordable and sustainable supply of energy for West Africa, while contributing to the region's economic and social development.

Corruption in sub-Saharan Africa undermines the economic and political foundations of a modern state and hinders the growth of trade and investment needed for development. USAID has historically focused on reducing opportunities for corruption by promoting transparency and accountability, establishing checks and balances, strengthening civil society, and developing the rule of law in emerging democracies. The new Africa Bureau Anti-Corruption Initiative will support multi-year anti-corruption programs in approximately six African countries, thereby

complementing existing mission strategies as well as Africa Bureau initiatives in trade, education, and agriculture.

The trade component of the USAID Initiative to End Hunger in Africa (IEHA) builds trade capacity in support of African intra-regional agricultural trade. IEHA will also focus on farm-to-market commodity chains in ways designed to increase rural incomes and to more fully engage food industries in developing agricultural markets.

The Education for Development and Democracy Initiative (EDDI) is an interagency Presidential initiative involving USAID, the Departments of State, Agriculture and Education, and the Peace Corps. It supports comprehensive education interventions that promote human capacity development leading to sustained economic strengthening. EDDI's Economic Entrepreneurial Development Center contributes to private-sector-led economic growth in Africa by strengthening the skills of people already in business and providing training to other individuals, especially students, aspiring to enter the business world. The program is being implemented through a series of internships, institutional exchanges, workshops, and seminars.

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

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

- **Congo Basin Forest Partnership:** The U.S. contributions to this Partnership's natural resource conservation programs promote economic development, alleviate poverty, and improve local governance. U.S. activities focus on 11 key landscapes in Cameroon, Central African Republic, DROC, Equatorial Guinea, Gabon, and the Republic of the Congo. The partnership provides support for a network of national parks and protected areas, well-managed forestry concessions, and creation of economic opportunities for communities who depend on the conservation of the outstanding forest and wildlife resources of the Congo Basin. The U.S. plans to invest up to \$53 million dollars in the Partnership through the year 2005.
- **Community-Based Natural Resource Management:** For over a decade, USAID has been a leading donor partner in the environment sector in Africa, with an emphasis on promoting community-based natural resource management. Many USAID environment programs in sub-Saharan Africa focus on preserving the continent's rare and endangered wildlife species and ecosystems while promoting rural economic growth. Such programs support transferring central government authorities in natural resources management to sub-national governments and local communities to foster eco-tourism, eco-enterprise, and other means of generating income that do not harm wildlife or the environment. These efforts help alleviate environmental pressures on land and other resources important for food production and sustainable development and help build local networks to share agricultural and food security information and expertise.



- **Clean Fuels and Vehicle Emissions Control:** EPA works at the national and sub-regional levels, and in conjunction with the World Bank, UNEP and other donors, to assist African countries' transition to unleaded gasoline and to reduce sulfur emissions from the transportation sector. EPA is working on a technical assistance and public outreach program with South Africa and has supported the development of sub-regional action plans on lead phase-out. The Clean Fuels and Vehicles Partnership, of which EPA is a founding member, is another forum for facilitating this transition.
- **Sound Management of Chemicals:** EPA is promoting the sound management of pesticides and other chemicals in Africa through a joint program with UNEP on Chemicals Information Exchange and Networking. The project provides computers, Internet access, and training to chemicals management officials and other stakeholders and currently covers the SADC and ECOWAS regions.
- **Microbiologically Safe Drinking Water Initiative:** Through the Water for Africa program, EPA supports community-based organizations as they seek increased access to clean water and sanitation services. Components of the program, managed by Water for People, include capacity building, health and hygiene education, and sharing of innovative approaches. Future efforts will address financing, infrastructure, and dissemination of results.
- **Technology Transfer for Air Quality and Climate:** Through the Information for Africa Climate Technology Transfer program, EPA is strengthening the efforts of African professionals dealing with the energy, industrial and agricultural aspects of climate change. The program is coordinated by ENDA-TM, an international organization based in Dakar, Senegal, and is working through four pilot country focal points.

## Labor

The Department of Labor (DOL) funds and implements a number of international development projects aimed at assisting sub-Saharan African countries with labor-related issues, such as assisting dislocated workers, strengthening industrial relations, improving mine safety, and combating child labor. Since 1995, DOL has contributed a total of \$284 million for projects in developing countries, including over \$55 million for 33 projects covering approximately 23 countries in sub-Saharan Africa. The projects have a wide scope and include an initiative to eliminate the worst forms of child labor; programs to improve labor-management relations and strengthen labor laws; a child trafficking prevention project; and workplace-based HIV/AIDS programs. DOL has contributed approximately \$157 million to the International Labor Organization's International Program on the Elimination of Child Labor (ILO-IPEC) to support efforts to combat exploitative child labor. Currently, DOL funds projects in four basic areas:

- **International Child Labor Program:** These projects aim to remove children around the world from exploitive work, prevent children from engaging in such work, place them in schools, and provide their families with alternative income-generating opportunities.

- **Improving Economic Opportunities and Income Security for Workers:** This program area seeks to promote workforce development, strengthen social safety nets, and improve workplace safety and health, thereby strengthening support for economic reform and trade liberalization.
- **Protecting the Basic Rights of Workers:** Projects in this program area assist developing countries to put in place basic protections so that workers everywhere can enjoy fundamental worker rights.
- **International HIV/AIDS Workplace Education:** This initiative seeks to reduce the incidence of HIV/AIDS infections through workplace-based education and prevention programs, and to improve the workplace environment for people living with HIV/AIDS.

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

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

##### Transportation

The Department of Transportation's (DOT's) Africa Aviation Initiative is composed of three parts – Safe Skies for Africa (SSFA), Nigeria Technical Assistance, and Open Skies. Each of these components is intended to promote sustainable improvements in aviation safety and security and to support Africa's integration into the global economy. The SSFA and Nigeria Technical Assistance Initiatives are based on the premise that "safe skies" are a prerequisite for increased trade and investment and long-term economic development in Africa. The safety and security components complement U.S. Government efforts to conclude Open Skies agreements with key African countries and to promote code-share agreements between U.S. and African airlines. Specific goals of the SSFA and Nigeria Initiatives include: 1) increasing the number of sub-Saharan African countries that meet International Civil Aviation Organization (ICAO) safety standards (based on Federal Aviation Administration assessments); 2) improving airport security in the region; and 3) improving regional air navigation services.

The following is a summary of DOT's recent accomplishments and trade-related programs in sub-Saharan Africa:

- Initial surveys of status of safety, security and air navigation systems were conducted by the FAA in 8 of the 9 SSFA countries.
- Training needs assessments were made in Angola, Cameroon, Kenya, Niger, Nigeria, Mali, Namibia, Tanzania, and Uganda in preparation for the establishment of regional training

centers on the continent. A Safe Skies website was developed as a medium to exchange ideas, information, and in the long-term, to provide distance learning capabilities for the SSFA countries and Nigeria.

- DOT/FAA provided safety technical assistance to African countries to prepare them to meet ICAO safety standards and for an FAA safety evaluation process known as International Aviation Safety Assessment. Cape Verde, Kenya, and Nigeria are targeted as the countries most likely to meet ICAO standards by the end of calendar year 2003, or shortly thereafter, paving the way for direct air service between the United States and these countries.
- In response to the events of September 11, DOT purchased and installed U.S.-manufactured explosive trace detectors, x-ray machines, and other equipment to enhance aviation security in Angola, Cape Verde, Kenya, Mali, Nigeria, and Tanzania.
- In November 2002, DOT co-sponsored a Global Navigation Satellite System (GNSS) Implementation seminar with ICAO and the Kenyan Civil Aviation Authority in Nairobi. More than 20 sub-Saharan African countries attended. The seminar resulted in the development of a pilot project outline for regional implementation of Global Positioning Satellite and GNSS technology for the East African Community.
- DOT sponsored maritime security training for 20 officials of the Nigeria Ports Authority at the U.S. Merchant Marine Academy and has trained another 230 officials on-site in Nigeria. The training has increased efficiency and security at the Lagos port complex.
- Open Skies agreements were concluded with Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Morocco, Namibia, Nigeria, Rwanda, Senegal, Tanzania, and Uganda. These agreements allow unrestricted service by the airlines of each side to, from and beyond the other's territory, without restrictions on where carriers fly, the number of flights they operate, or the prices they charge.
- The Federal Highway Administration has assisted in the establishment of transportation technology transfer centers in South Africa, Tanzania, Zimbabwe, Malawi, Botswana, Namibia and Zambia that meet those countries' specific needs in building and maintaining their roads. The centers help create conditions for sustainable development, facilitate foreign investment, provide a venue to promote U.S. highway technology, and develop linkages and foster joint venture relationships between the U.S. and Southern African private sectors.
- The Federal Transit Administration, in cooperation with Ghana's Ministry of Roads and Transport, hosted a workshop focused on transport infrastructure and services development in Accra, Ghana in July 2002. Transportation officials from Nigeria, Burkina Faso and Tanzania attended the 3-day workshop and developed a series of recommendations that FTA will use to guide future activities on the continent.

- In November 2002, DOT in cooperation with USTDA and the U.S. Export-Import Bank, held a forum in Washington, D.C. on the development of the air cargo trade between Africa and the United States. The conference focused on the importance of sustainable economic development and financial reform in expanding trade opportunities and sustaining progress. Participants included representatives from the U.S. Government and the U.S. and African private sectors.
- As part of its Safe Skies for Africa program, the DOT hosted Ministers of Transport or their representatives from 9 African countries at the “Pan African-Caribbean Conference on Air Transportation” held in Atlanta, Georgia in April 2002. In keeping with the goal of supporting U.S.-Africa trade, DOT arranged for the Ministers and their delegations to meet one-on-one with U.S. aviation companies.

### USTDA Transportation Activities

The U.S. Trade and Development Agency has worked extensively in all major economic sectors to assist sub-Saharan Africa to prepare for the benefits of AGOA. USTDA’s program in sub-Saharan Africa is targeted to provide the infrastructure necessary to assist the countries of the region to modernize their economies and take part in the global economy. This includes projects in the rail, port, telecommunications, aviation, environmental and power generation sectors. The following is a sampling of USTDA projects in the transportation sector:

- Togo Container Terminal: USTDA funded a \$364,687 grant to Sea Point Marine Africa to enhance the container terminals at Lome, Togo with more efficient transfer capabilities to load cargo from large ships to smaller feeder vessels. This project was supported in direct response to a growing need for both regional and international trade in West Africa. The principal facilities to be developed and constructed at the Sea Point Marine Africa facility are a container transshipment platform and an on-shore container yard, both of which will increase the ability to move goods into and out of West Africa.
- Uganda Airport Modernization: USTDA provided funding for an assessment of the development of Entebbe International Airport to assist in creating direct international air cargo links for this landlocked country.
- Port of Limbe Feasibility Study: USTDA funded second-phase development of a major container terminal hub for West and Central Africa at the Port of Limbe in Cameroon. The container terminal will ultimately provide a state of the art facility for goods transiting into and out of West and Central Africa.

### Communications Infrastructure

The Digital Freedom Initiative (DFI) is a five-year program organized by the Departments of Commerce and State, USAID, USA Freedom Corps, and the Peace Corps. The goal of DFI is to promote economic growth by transferring the benefits of information and communication technology to entrepreneurs and small businesses in the developing world. The DFI will leverage

the leadership of the U.S. government, the creativity and resources of America's leading companies, and the vision and energy of entrepreneurs throughout the developing world. The DFI will be piloted in Senegal and, if it proves successful, could be rolled out to additional countries. Key elements of the DFI are: 1) placing volunteers in small businesses to share business knowledge and technology expertise; 2) promoting pro-growth regulatory and legal structures to enhance business competitiveness; and 3) leveraging existing technology and communications infrastructure in new ways to help entrepreneurs and small businesses better compete in both the regional and global market place.

The USAID Leland Initiative and the Federal Communications Commission (FCC) are collaborating on a program to strengthen telecommunications policy. The program strengthens associations of African regulators; uses experts from the FCC and state level regulatory bodies to help U.S. and African university programs on effective regulation; and provides technical assistance to regulators in more than twenty countries. In the past year, this effort has helped associations of regulators to form in both West and East Africa, begun the development of courses and training modules in ten key subject areas, facilitated partnerships between two leading African regulators and their U.S. counterparts in New Jersey, Oregon and the District of Columbia, and provided direct assistance to fifteen countries.

USTDA approved a \$200,000 grant to a newly licensed Nigerian telecommunications operator partnered with an American firm to deploy a fixed wireless system in Rivers State, Nigeria. The Nigerian partner was the only Nigerian company with U.S. backing to win one of twenty licenses auctioned by the Nigerian Communications Commission. The license provides exclusive rights for it to deploy a fixed wireless system that offers bundled voice and data services in Nigeria's oil-producing Delta Region. The feasibility study was concluded in early 2003 and the partners are moving forward to assemble the financing necessary to deploy the system.

## **E. Energy Infrastructure Development**

The Department of Energy (DOE), both through its own programs and via partnerships with USAID and other U.S. agencies, is working in sub-Saharan Africa in support of energy projects for AGOA-eligible countries. Activities support infrastructure development and creation of private enterprises, especially small- and medium-sized enterprises. In conjunction with other agencies, DOE encourages the export of U.S. energy technologies and services, facilitates regulatory reforms, and pursues collaborative energy development and deployment opportunities.

Under the U.S.-African Energy Ministerial process, DOE conducts ministerial and sub-ministerial interactions with various African countries and the public sector to promote sustainable energy development in Africa, attract foreign direct investment, increase on-grid and off-grid energy access, and mitigate prevailing environmental concerns. In June 2002, Energy Secretary Abraham co-hosted the 3<sup>rd</sup> Energy Ministerial Conference, which took place in Casablanca, Morocco and included 27 AGOA-eligible countries.

Other DOE activities include:

- Through a public-private partnership, DOE is working with the Government of Botswana to deploy environmentally benign coal technology and infrastructure in rural areas and to promote economic energy development via tourism.
- In conjunction with USAID, DOE works with the Government of Nigeria on energy reform issues, including privatization and pricing liberalization, promoting an open market and increased investment, energy technology demonstration and deployment activities, and development of the natural gas market.
- DOE is playing a leading role in the work of the Climate Technology Initiative, a cooperative effort of the International Energy Agency. The Initiative includes financial and technical assistance to Ghana, Mauritius, Nigeria, and South Africa for assessments of technical needs and economic priorities as a part of the technology transfer process.
- DOE provides capacity building and advocacy support for the West African Gas Pipeline (WAGP) project, a 620-mile, \$500 million natural gas transmission pipeline project that will connect Nigeria's gas reserves to markets in Nigeria, Ghana, Togo, and Benin. In January 2003, the Presidents of these four countries signed an historic intergovernmental agreement to establish a common legal framework for the WAGP. The pipeline, anticipated to be operational in 2005, would facilitate the commercialization of much of the region's natural gas resources and eliminate environmental degradation from existing gas flaring.
- DOE is assisting development of the \$4 billion Chad-Cameroon Oil Pipeline Project through policy and technical exchanges with Chadian and Cameroonian energy officials and participation in the U.S. interagency review and monitoring process. Funded in part by the World Bank, the project involves the development of oil fields in southern Chad and the construction and operation of an approximate 665-mile, 250,000 barrels per day pipeline to a loading facility offshore of Cameroon. The development package includes a revenue management plan, which earmarks funds for regional development projects and priority social areas through the use of escrow accounts to guard against non-compliance.

USAID has supported efforts by ECOWAS to draft and reach accord on the ECOWAS Energy Protocol. The Protocol calls for the swift elimination of cross-border barriers to trade in energy, and encourages investment in the energy sector by providing for such investor-friendly terms as international arbitration for dispute resolution, repatriation of profits, protection against expropriation of assets, and other terms considered attractive by energy sector firms and investment bankers. With respect to the electric power sector, the Protocol provides open and non-discriminatory access to power generation sources and transmission facilities.

In southern Africa, USAID provided technical assistance for the development of an unprecedented competitive short-term electricity market (STEM) system in which nine national utilities are key participants and beneficiaries. STEM helps reduce the cost of traded electricity

and provides an enabling framework that reduces legal, institutional and political barriers to commercial energy markets. The technical assistance to SADC member states and institutions will encourage and facilitate the establishment of competitive electricity trading. The overall goal of these interventions is to increase the availability of commercial energy sources and to promote trade and regional cooperation in energy through liberalization of energy markets, privatization and restructuring, more efficient generation, transmission, distribution and use of energy by all sectors of society.

USTDA approved a \$635,000 grant for a South African energy firm to partially fund the cost of a \$1.27 million feasibility study examining the development of the Ibhubesi offshore natural gas field 300 kilometers northwest of Cape Town. USTDA assistance is supporting the final study to define the pipeline and gas gathering investments necessary for the extraction, processing and delivery of gas from the ocean floor to South Africa's Atlantic coast. At the same time, USTDA is providing \$455,300 to PetroSA, the state-owned petroleum and gas company, to finance two parallel technical assistance projects that will help chart out the most cost-effective onshore development strategies to use the new natural gas. Once fully proven, the Ibhubesi gas field is expected to be the key new source of clean energy on which the Western and Eastern Cape regions will base their fuels and industrial development.

## **F. HIV/AIDS**

HIV/AIDS is the single greatest threat to economic growth and development in sub-Saharan Africa. It is causing GNP growth to slow, undermining productivity, and causing investors to reassess the direction of investment. It will undercut gains in development and the improvement of African lives. It will make the achievement of the New Partnership for Africa's Development (NEPAD) and millennium development goals more difficult.

At the end of 2002, UNAIDS estimates that sub-Saharan Africa had 29.4 million people living with HIV/AIDS. Approximately 3.5 million new infections occurred in 2002, while the epidemic claimed the lives of an estimated 2.4 million Africans. Ten million young people (aged 15-24) and almost 3 million children under 15 are living with HIV. In four southern African countries – Botswana, Lesotho, Swaziland and Zimbabwe – HIV prevalence rates have risen higher than thought possible, exceeding 30 percent. Yet, there are new, hopeful signs that the epidemic can eventually be brought under control. Positive trends are appearing among the youth in a number of countries. In South Africa, HIV prevalence rates fell to 15.4 percent in 2001, down from 21 percent in 1998, among pregnant women under 20 years of age. A decline in HIV prevalence is also being reported among young inner-city women in Addis Ababa, Ethiopia. Infection levels among women, aged 15-24, attending antenatal clinics dropped from 24.2 percent in 1995 to 15.1 percent in 2001.

The U.S. is the world's leading contributor to HIV/AIDS programs and research. In 2003, the U.S. will provide about \$1.6 billion globally, of which about half will support programs in Africa. U.S. programs to fight HIV/AIDS are multifaceted and multi-agency. Programs focus on prevention, care and treatment, and mitigating the impact of the disease. USAID and HHS fund

the bulk of the programs but the Departments of Defense, Labor and State also have important, targeted programs.

In January 2003, President Bush announced a \$15 billion, five-year Emergency Plan for AIDS Relief. The initiative will support treatment, prevention and care activities in order to prevent 7 million new infections, treat 2 million HIV-infected people, and care for 10 million HIV-infected individuals and AIDS orphans. The Emergency Plan includes about \$9 billion in new funding, focused especially on turning the tide in the war on HIV/AIDS in 12 of the hardest hit countries in Africa and two Caribbean countries. The Administration has requested \$2 billion to support the Emergency Plan in FY04. The Emergency Plan envisions providing an additional \$1 billion over five years to the Global Fund to Fight AIDS, Tuberculosis and Malaria. The U.S. is the largest contributor to the Fund and has already pledged \$650 million. Health and Human Services Secretary Tommy Thompson currently serves as the chairman of the Fund's board.

In June 2002, President Bush announced the International Mother and Child HIV Prevention Initiative. This five-year Initiative is expected to extend improved care and prevention to up to one million women annually and reduce mother-to-child HIV transmission by 40 percent within five years in 14 sub-Saharan African and Caribbean countries.

The Administration has informed countries that, as they take steps to address a major health crisis, like the HIV/AIDS crisis in sub-Saharan Africa, they can avail themselves of the flexibilities afforded by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In December 2002, the United States also announced that it will not challenge any WTO Member that contravenes WTO rules to export drugs produced under compulsory license (i.e. without the consent of the patent-holder) to a country in need and without sufficient capacity to produce such drugs on its own, in order to fight HIV/AIDS, malaria, tuberculosis, and other types of infectious epidemics. The United States called on other WTO Members to join it in this moratorium on dispute settlement.

The Administration remains committed to a policy of promoting intellectual property protection because of the critical role of IPR in the rapid innovation, development and commercialization of effective and safe drug therapies. Financial incentives are needed to develop new medications. No one benefits if research on such products is discouraged. An integrated approach is needed to deal with the HIV/AIDS crisis. Countries need to stress education and prevention. The cost of drugs is but one of many important issues that must be addressed. Effective drug treatment requires urgent action to strengthen health management systems, especially with regard to the means and methods of drug distribution. Other needed measures include: the development of appropriate drug selection policies and standard treatment guidelines; the training of care providers at all levels; an increase in the availability of adequate laboratory support to diagnose and monitor these complex therapies; and ensuring that the right drugs are used for the right purposes.

AIDS care, and not just AIDS drugs, must be delivered. This can only be accomplished through broad partnership among governments, donors, multilateral organizations, NGOs, philanthropic organizations and industry. The current partnerships need to be strengthened and expanded.



Drug therapies must be part of an integrated approach that emphasizes prevention, along with care and treatment. The U.S. Government wants to contribute to solutions in ways that continue to encourage the discovery and production of other effective treatments in the future, for this disease and others.

Since 1986, USAID has provided over \$2.3 billion for the fight against the global AIDS pandemic. In FY02, USAID's global HIV/AIDS budget was \$510 million, much of which supports programs in sub-Saharan Africa. USAID focuses on priority countries to help them scale-up interventions shown to be effective in preventing the epidemic. Three of the four highest priority countries are in Africa: Zambia, Uganda, and Kenya. In addition, USAID missions in 11 African countries, including Ethiopia and South Africa, have significant HIV/AIDS programs. USAID is further strengthening its regional programs in Eastern, Southern and West Africa, supporting cross-border activities that promote policies and programs in border areas that help prevent the spread of the epidemic.

In countries with a high-prevalence of HIV/AIDS, USAID helps prevent new infections, provide care and treatment, and address the needs of children and families affected by AIDS. These activities are multifaceted and interrelated. In countries with lower prevalence of the disease, the emphasis is primarily on prevention. In all countries, improving national surveillance, increasing the capacity of health systems, and working in partnership with host country colleagues and other partners, including the private sector and faith-based groups, are essential program elements. The main program interventions supported by USAID include HIV/AIDS prevention, care, support and treatment, assisting children affected by HIV/AIDS, monitoring the epidemic, technical assistance, capacity building of health staff, and strengthening health systems and structures.

Collaboration with partners is a distinctive feature of USAID's HIV/AIDS programs. USAID works to generate additional financial and human resources from an array of sources, including the private sector and international initiatives like the Global Fund. USAID strongly believes that the private sector has an important role to play in preventing HIV/AIDS and mitigating its impact. Since June 2000, USAID has built on its initial work with the private sector to promote work-place programs in countries across Africa. In the United States, early deliberations contributed to the creation of a task force on HIV/AIDS appointed by the Corporate Council on Africa.

USAID is helping to share lessons learned by the private sector and supports several programs in which the private sector helps to combat HIV/AIDS in Africa. For example, in Nigeria almost all U.S. companies now sponsor HIV/AIDS activities. The banking sector is funding micro-enterprise activities for HIV-affected households. The private sector is now represented on the Government's Council for HIV/AIDS and participates in its program. British companies and local businesses are joining the effort. Three states are being selected for intensive actions. A close partnership is developing between the private sector and the National AIDS Council. In addition, USAID has hired a full-time staff member to further develop public-private partnerships around HIV/AIDS.

The Department of Health and Human Services (HHS) is committed to addressing HIV/AIDS in sub-Saharan Africa. The estimated fiscal year 2003 HHS budget for global HIV/AIDS is \$447 million and includes \$252 million for the National Institutes of Health (NIH) and \$195 million for the Centers for Disease Control and Prevention (CDC). Secretary of Health and Human Services Thompson co-chairs the Cabinet Task Force on HIV/AIDS and, as noted above, chairs the Global Fund to Fight AIDS, Tuberculosis, and Malaria. HHS staff have provided critical policy support in the development of the guiding principles and framework for the Global Fund. Secretary Thompson led a Presidential Mission to sub-Saharan Africa in April 2002 that examined innovative HIV/AIDS interventions in four countries. Additional information on HHS and global health is available at [www.globalhealth.gov](http://www.globalhealth.gov).

The National Institutes of Health (NIH) has maintained a strong international AIDS research portfolio in many of its Institutes and Centers. NIH has expanded this effort to encompass more than 50 countries in Africa, Asia, Europe, Latin America, and the Caribbean, and works to relate its research to the cultural, social, and economic contexts of developing countries. The development of research infrastructure, including training of scientists and health care providers, is an essential component of these NIH research programs, as are efforts to ensure the translation of research results into effective prevention programs and improved patient care. The NIH Office of AIDS Research has established the Global AIDS Research Initiative and an associated strategic plan to set specific priorities. NIH also supports a wide range of major HIV-related global research initiatives. Additional information on NIH and HIV/AIDS is available at [www.nih.gov/od/oar/index.htm](http://www.nih.gov/od/oar/index.htm).

The Centers for Disease Control and Prevention (CDC) provides technical assistance and financial support for HIV/AIDS prevention, care, and treatment to 17 sub-Saharan African countries under the Global AIDS Program (GAP). Twelve of these nations are priority countries for the President's Mother-to-Child HIV Prevention Initiative and the broader Emergency Plan for AIDS Relief. CDC/GAP has developed a set of 17 technical strategies for implementing programs, focusing on three key areas: 1) infrastructure and capacity development, including disease surveillance, laboratory technical support, information systems, training, and program monitoring and evaluation; 2) primary prevention, including voluntary counseling and testing, preventing mother-to-child transmission, blood safety, sexually transmitted disease prevention and care, behavior change communications, and prevention for drug users; and 3) care and treatment, including treatment of tuberculosis and other opportunistic infections, palliative care, and appropriate use of antiretroviral medications. CDC International HIV prevention and intervention research in Kenya and Botswana is conducted in close collaboration with the Global AIDS Program in order to complement and support GAP activities. In addition, CDC has a longstanding partnership with the Government of Botswana, through the Botswana Project, for TB research prevention, care and treatment. Additional information on CDC and global HIV/AIDS is available at [www.cdc.gov/nchtp/od/gap](http://www.cdc.gov/nchtp/od/gap)

The HIV/AIDS Bureau at the Health Resources and Services Administration (HRSA), through an agreement with CDC/GAP, has received funding to support the training and education of healthcare providers and to support the development and implementation of care and treatment

activities in GAP priority countries. Additional information on HRSA and HIV/AIDS is available at [www.hab.hrsa.gov](http://www.hab.hrsa.gov).

The Department of Defense (DOD) budgeted \$14 million for HIV/AIDS prevention training programs. Working with African military, the DOD helps create policies for dealing with HIV/AIDS within the military and promotes prevention education programs that reach both the troops and African communities.

Focusing on the workplace environment, the Department of Labor spent \$10 million in FY02 for projects designed to provide prevention education and to strengthen the response to HIV/AIDS through technical assistance to government, employee and labor leaders.

The Overseas Private Investment Corporation recently approved a \$250 million direct loan that will help stabilize the South African low-cost housing market while also addressing the HIV/AIDS pandemic by providing a bank guaranty that links home mortgages to HIV/AIDS treatment. The financing will support more than 350,000 mortgages for South Africans.

### **G. Small Business Development**

In 2002, the U.S. Small Business Administration (SBA) began work on a project funded by USAID under the ATRIP program to enhance the level of entrepreneurial assistance available to Nigerians. The project, administered by the U.S.-Nigeria Development Institute, establishes Business Information Centers (BICs), which have been effective in the United States in promoting private enterprise and small business development. A BIC is a one-stop community-based office where current and future small and medium businesses can receive assistance and advice. BICs provide computer and telecommunication access, advice on business operations and finance, and extensive reference materials. Other goals of the project are to create business-to-business linkages between the United States and Nigeria, and to identify trade opportunities for U.S. and Nigerian small businesses and facilitate those opportunities through trade events. In July 2002, an SBA team traveled to Nigeria to kick off the project. The team met with Nigerian businesspeople, bank officials, the governors of three Nigerian states, women's organizations, industry associations, and the Abuja Chamber of Commerce. The Nigerian BICs will be located in Port Harcourt, Lafia, Benin City and Abakaliki.

Recognizing the importance of community acceptance and public-private partnership in building the capacity of the business sector, SBA and the U.S.-Nigeria Development Institute partnered with Chevron/Texaco Nigeria to provide \$180,000 in funding for the BICs. This funding will be used to purchase the hardware for the centers. Additionally, the Governors of Rivers, Ebonyi, Edo and Nasarawa States have provided start-up costs for the BICs for one year totaling \$1.2 million.

SBA signed co-sponsorship agreements with the Foundation for Democracy in Africa (FDA) and the Constituency for Africa (CFA) to promote and create trade and business linkages in the United States and Africa through the use of SBA's Export Trade Assistance Program (E-TAP). This program is designed to assist small business owners in becoming export-ready and to

compete in global markets. The E-TAP program consists of four distinct segments: partnership, training, counseling, and international trade shows or missions. Under the co-sponsorship agreements, each organization will sponsor sessions under the E-TAP and target the training towards U.S. small businesses interested in doing business in Africa. FDA plans to hold two E-TAP training sessions, one in Miami, Florida and the other in Washington, DC. The E-TAP is scheduled to begin in May 2003 in both locations. FDA is working closely with its local partners, including U.S. Export Assistance Centers, the Export-Import Bank, Enterprise Florida, Chambers of Commerce, and SBA District Offices. In 2002, CFA held a series of roundtable discussions in major cities across the United States. The SBA participated in several of these events, which reached hundreds of small businesses that are involved in U.S.-Africa trade.

## **H. Overseas Private Investment Corporation**

The Overseas Private Investment Corporation (OPIC) provides project finance debt support, private equity fund investment programs and political risk insurance services that are currently available in more than 150 countries, including 42 of 48 countries in sub-Saharan Africa. As of December 31, 2002, OPIC's combined maximum exposure in sub-Saharan Africa was over \$881 million, which represents 33 projects in 19 countries. Sub-Saharan Africa's combined maximum exposure now accounts for 7 percent of OPIC's total maximum exposure worldwide.

OPIC has launched an ambitious action plan for sub-Saharan Africa. Organizationally, it has set up an African Investment Advisory Council and appointed a full-time Director for African Affairs for the Corporation. Programmatically, OPIC has also achieved significant results. At the 2001 AGOA Forum, OPIC pledged a \$200 million support facility to promote U.S. investment in sub-Saharan Africa. Since then, OPIC has approved more than \$700 million in new support for projects in sub-Saharan Africa, of which \$420 million reflects investment beyond the closing exposure for 2002. This has included finance and insurance projects, as well as investments by OPIC's investment funds. Innovative projects include:

- **HIV/AIDS Housing:** OPIC recently approved a \$250 million direct loan that will help stabilize the South African low-cost housing market while also addressing the HIV/AIDS pandemic by providing a bank guaranty that links home mortgages to HIV/AIDS treatment. The financing will support more than 350,000 mortgages for South Africans.
- **Housing Initiative:** OPIC has approved a \$15 million loan guaranty that will help build 90,000 homes for low income families, providing shelter for up to 500,000 people. This is a global program with a special emphasis on Africa.
- **Water Wells in Ghana:** In September 2002, OPIC approved a \$100,000 direct loan to Living Water International, Inc., (LWI) for the development of water wells in Ghana. The funds will be used to purchase new drilling equipment and materials to drill water wells in communities without potable water. Waterborne diseases have been reduced from 95 percent to less than 5 percent in communities where pure drinking water has been provided. This follows a 2001 OPIC direct loan of \$200,000 to LWI for well drilling in Kenya.

- **Nacala Port & Rail Modernization:** OPIC has approved up to \$30 million to develop and rehabilitate the railway and port facilities of the Nacala corridor in Mozambique, Malawi and Zambia, providing a less expensive alternative to Durban, South Africa for moving goods from landlocked countries and a less costly means of transporting essential food aid to famine stricken countries.
- **Vilanculos Coastal Wildlife Sanctuary:** OPIC is providing up to \$13 million in financing to extend this Mozambican sanctuary by 17,000 hectares – more than 50 percent – and develop its tourism potential through the addition of new lodging. The Sanctuary is home to several endangered species. The Project supports the local community through the provision of jobs, a clinic, school and housing for local staff.
- **Regional On-Lending Facility:** OPIC has approved a \$125 million “on-lending” facility to expand investment in sub-Saharan Africa. The facility will enable a U.S. bank to provide additional U.S. dollar and local currency project and corporate loans to sub-Saharan Africa, with an initial focus on Angola, Botswana, Cameroon, Ethiopia, Kenya, Mali, Mozambique, Nigeria, Senegal, Tanzania and Uganda.

AGOA specifically encouraged OPIC to create one or more private equity funds for up to \$500 million. OPIC currently has four funds dedicated to investing in sub-Saharan Africa. Three are fully invested and are currently liquidating and one is in the formation stage. In addition, OPIC has four global funds that can invest a portion of their capital in sub-Saharan Africa.

## **I. Export-Import Bank Initiatives**

When re-authorized by Congress in 1997, the Export-Import Bank of the United States (Ex-Im Bank, or the Bank) was mandated to increase its business in sub-Saharan Africa in a manner consistent with its reasonable assurance of repayment standard. In 2002, Ex-Im Bank continued its efforts to fulfill this mandate.

Ex-Im Bank’s Sub-Saharan Africa Advisory Committee (SAAC) met three times in 2002 to review existing initiatives, as well as to provide suggestions for further expansion of the Bank’s activities in sub-Saharan Africa. The SAAC also continued its ongoing dialogue with the Bank’s senior staff on the challenges of providing credit in the region and how the Bank can become comfortable accepting additional risk while still satisfying the "reasonable expectation of repayment" requirement. The SAAC continues to be an excellent source for recommendations for the Bank, and also helps the Bank’s outreach activities to members of the banking community, small business, and international commercial sector who are interested in sub-Saharan Africa.

In 2002, Ex-Im Bank supported 127 transactions in 18 sub-Saharan African countries for \$475 million. In terms of dollars, this was an increase of 456 percent from the Bank’s total sub-Saharan authorizations in 2001. The number of transactions increased by 40 percent from the previous year. This increase reflects the success of a number of activities in 2001, including closer relationships with African banks, Embassy outreach programs, African buyer training

programs, media outreach activities, and staff travel to the region. Overall, Ex-Im Bank's efforts to fulfill the Congressional mandate have been a success. Over the last five years, Ex-Im Bank has authorized transactions supporting more than \$2 billion in U.S. exports to sub-Saharan Africa.

Highlights of the Bank's efforts in support of sub-Saharan Africa during 2002 include:

- **First Transaction Authorized under a Master Guarantee Agreement:** Ex-Im Bank has continued its efforts to offer guarantees to African banks as a means to increase the access of local businesses to financial capital, goods and services. In March 2002, Ex-Im Bank completed its first transaction using a sub-Saharan African bank Master Guarantee Agreement (MGA). This transaction involved the sale of construction equipment to a company in Mozambique. Ex-Im Bank has signed Master Guarantee Agreements (MGAs) with six banks in Nigeria and two in South Africa, a regional development bank in Kenya, and two banks in Mozambique. These Agreements are important vehicles in strengthening the partnerships between Ex-Im Bank and African banks.
- **Africa Air Cargo Transport Roundtable:** A working group of experts from the United States and Africa met at the Export-Import Bank to discuss ways to promote economic development and trade by addressing air cargo transportation issues between the two continents as they relate to AGOA. Representatives from ten African countries attended the two-day seminar, along with U.S. government, non-government and private sector officials. The recommendations of the Roundtable were presented at the January 2003 AGOA Forum in Mauritius.
- **Africa Short-Term Pilot Program:** Ex-Im Bank expanded its Africa Short-Term Pilot Program in 2002, which now supports transactions in 14 countries that would otherwise not receive Ex-Im Bank support. Transactions in 2002 under the Pilot Program included sales of cosmetics and toiletries to Mali and engineering services to Equatorial Guinea.
- **Outreach Training Sessions:** Continuing its efforts to broaden the scope and strengthen the network of U.S.-African trade relations, Ex-Im Bank conducted several day-long regional training seminars. Corporations, government agencies, commercial banks, and trade facilitators are the key audience for these events. In 2002, sessions were held in Cameroon, Cote d'Ivoire, Ethiopia, Gabon, Kenya, Nigeria, and Senegal.
- **Staff Travel:** In 2002, Ex-Im Bank officers conducted business development and training activities in Cameroon, Gabon, Tanzania, and Uganda. Director J. Joseph Grandmaison traveled with a team of Ex-Im Bank officers to Ethiopia, Kenya and Nigeria. Later in the year, Director Grandmaison participated in a two-day conference in South Africa on project finance, and visited Senegal and Nigeria, where he spoke at the Nigerian Economic Summit. Group Vice President Jeffrey Miller and other Ex-Im staff traveled to Nairobi, Kenya to discuss an important geothermal project in Kenya and sign a Master Guarantee Agreement with PTA Bank.

- Special Workshop at Ex-Im Bank's Annual Conference: A special workshop was held at the Bank's Annual Conference highlighting the Bank's strong interest in increasing business in sub-Saharan Africa. The workshop brought in a record 70 African businesses and banks and involved more than 200 participants.

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

Fulfilling its commitment to increase staffing levels in sub-Saharan Africa, the U.S. Department of Commerce's Commercial Service (CS) expanded its operations in Accra, Ghana by adding an American Officer and two local staff to the post. The CS also plans to open a new office in Dakar, Senegal with a staffing complement of one American Officer and two local hires. With the continuing turmoil in Cote d'Ivoire, the CS plans to draw down its staffing complement in Abidjan. Until the security situation stabilizes, the CS operation will be a Foreign Service National-only post (no American officers). However, the CS office in Dakar will replace the CS office in Cote d'Ivoire as the regional office for West Africa.

### Highlights of Commercial Service Activities:

Nigeria: The CS office has worked with local chambers of commerce and other multiplier organizations to conduct regular outreach programs and seminars throughout Nigeria. In addition to AGOA, these programs and seminars have also focused on building strategic alliances, business planning and international trade process management. The CS Nigeria office recruited 18 delegations for trade shows in the United States to give Nigerian buyers a first hand look at U.S. products and services that can be used in producing AGOA-eligible products. The Senior Commercial Officer has launched the Global Trade and Investment Management (GTIM) program, a web-based training program that will enable Nigerian entrepreneurs to develop competency in four core areas of business management: gathering market intelligence; engaging in market promotion; identifying market contacts, and closing the business transaction. The program also provides a Web-enabled platform where those competencies can be profitably applied to actual business transactions.

Ghana: CS operations in Accra, Ghana, opened in August 2002 with the arrival of the new Senior Commercial Officer and two new staff members. The new CS team supported the U.S.-Ghana Trade and Investment Conference in Ghana in October 2002, which helped introduce more than 20 visiting U.S. firms to Ghana's business community. Within the first four months of operation, CS Accra recruited 75 Ghanaian businesses to visit U.S. trade shows. In addition to networking with U.S. firms, Ghanaian businesses cited opportunities for on-site learning, as well as familiarization with U.S. products, technology, and business practices, as key benefits of their visits.

Kenya: CS Nairobi hosted a series of AGOA-related seminars and, together with the Public Affairs Section of the U.S. Embassy, brought in experts from the United States to provide training in a number of areas critical to succeeding in the global marketplace. Subjects covered included business etiquette, networking, doing business with American companies, using

technology to communicate, business interviewing skills, and product design, development, marketing, packaging and pricing.

Cote d'Ivoire: In August 2002, CS Abidjan organized an AGOA-related event in the textile region of Cote d'Ivoire to inform the local textile manufacturers of AGOA benefits and to market the United States as a source for new textile machinery.

South Africa: CS South Africa organized and conducted a full schedule of AGOA seminars in the SADC region. The seminars were designed to educate the public on AGOA and to provide information to SADC companies on how to make it work for them. In addition, CS South Africa organized a meeting of all public and private agencies and organizations in South Africa that hold AGOA portfolios. Although the primary purpose of the meeting was to develop a calendar of AGOA activities and avoid duplication of efforts, it also resulted in a list of resources, consultants and speakers for a series of product-specific seminars held later in the year in Mozambique, Swaziland, and South Africa.

In addition to the Commercial Service's activities, Commerce's Office of Aerospace organized two programs during FY02 that focused on developing aerospace trade opportunities between the United States and Africa. In March 2002, eight private and public sector finance specialists spoke to a group of 45 U.S. aerospace business and trade organization representatives about the financial resources available to potential U.S. exporters. These presentations and the dialogues they generated led to significant business interest in aerospace exporting to Africa. They also heightened interest in the Department's aerospace trade mission to South Africa in October 2002. Seven representatives of U.S. aerospace-related companies participated in the five-day trade mission, meeting with South African airport decision makers in and around Durban and Johannesburg. One company signed a five-year contract with the Airports Company of South Africa as a result of the mission, and several other delegates continue to work with their South African aerospace counterparts toward that goal.

Commerce's Minority Business Development Agency (MBDA) is also active in promoting stronger U.S.-Africa trade links. In 2003, MBDA is launching a business linkages program with the AGOA-eligible countries of sub-Saharan Africa, and actively encouraging its network of U.S. minority-owned firms to develop business relationships with African business partners. Most sub-Saharan African businesses would be considered small by U.S. standards, and many Africans face the same challenges as minority businesses in the United States in developing and growing their businesses. MBDA is designing a program that helps businesspeople on both sides of the ocean address these problems and develop strategies to solve them. MBDA will also play a role in the SACU negotiations, again using its nationwide network to provide input from U.S. minority exporters.

#### **K. U.S. Bureau of Customs and Border Protection**

U.S. Customs, now part of the Bureau of Customs and Border Protection, was actively involved in the technical training of sub-Saharan African government officials this past year. The training included the development and implementation of an effective visa system, legislation,



regulations, and anti-transshipment enforcement. Customs officials conducted regional seminars in South Africa and Kenya, providing technical assistance to government officials from 35 of the then-36 AGOA eligible countries. Additionally, Customs officials traveled extensively in 2002 and 2003, providing detailed technical assistance to government and industry representatives in 23 beneficiary sub-Saharan African countries. All six of the countries qualifying for the expanded apparel benefits in 2002 received in-country training from U.S. Customs. Domestically, Customs participated in numerous technical programs for African business executives receiving training in the United States. Customs officials participated in all six programs conducted by the Corporate Council on Africa.

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

USTDA is an independent U.S. agency that seeks to promote U.S. private sector participation in the economic expansion of developing and middle-income countries. USTDA assists countries by providing grant funds to defray the cost of feasibility studies for infrastructure, manufacturing, natural resources and agriculture projects. Thus, when African companies are expanding, or when governments are implementing investments to take advantage of AGOA opportunities, USTDA is there to assist in the critical planning phase of projects with feasibility funding. As part of implementing AGOA and the Administration's priorities, USTDA has actively pursued funding opportunities for projects in sub-Saharan Africa to support economic development, strengthening the ability of African countries and project sponsors to take fuller advantage of AGOA benefits.

In addition to the infrastructure development projects cited in Chapter VI. Section D. above, USTDA has a growing trade capacity building program in sub-Saharan Africa devised to enhance African nations' ability to take advantage of the benefits of AGOA and better integrate the countries into the global economy. In support of this growing trade capacity building program, USTDA Director Thelma J. Askey joined the official U.S. delegation to Pretoria, South Africa in January 2003 for programs related to the U.S.-SACU FTA. While in South Africa, Director Askey pledged the agency's support to work with each of the SACU countries to ensure they had the technical capacity to complete the FTA with the United States. In support of this commitment, USTDA, in conjunction with USTR, sponsored a delegation of the 24 lead trade negotiators from SACU to meet with the U.S. private sector, civil society organizations, and their counterpart trade negotiators to begin the dialogue that will lead to a successful free trade agreement between the United States and SACU.

During 2002, USTDA experienced a marked growth in its total commitments to sub-Saharan Africa, with the Nigerian and South African programs leading the way. South Africa was USTDA's largest country portfolio in Africa during 2002, with projects ranging from transportation infrastructure to offshore oil exploration and construction of a gas pipeline at Ibhubesi. Likewise, USTDA continued to expand its Nigeria program in the areas of capacity building programs and infrastructure development to assist Nigeria as it undertakes economic and regulatory reforms necessary to compete in the global marketplace. The sectors of particular emphasis in Nigeria included water infrastructure, housing finance, telecommunications, agriculture and manufacturing.

## **M. African Development Foundation**

The African Development Foundation (ADF) is a U.S. Government corporation that provides support directly to small-, medium-, and micro-enterprises in Africa and non-governmental organizations that work at the grassroots level. ADF responds to unsolicited proposals for activities that are African-driven and African-owned. The Foundation helps applicants to develop business plans for commercially viable activities and to obtain up to \$250,000 in financing for fixed capital, working capital, and technical and managerial assistance. The bulk of ADF's support is directed toward rural and peri-urban areas and under-served populations, including women and minority groups. ADF seeks to advance replicable models for increasing the ability of the poor and disadvantaged to participate in new economic opportunities. Thus, ADF is a valuable complement to other U.S. programs that aim to stimulate large-scale, macro-level change in Africa.

ADF's current programs promote small- and micro-enterprise development, international and regional trade and investment, use of participatory development methods, and AIDS prevention and mitigation. In FY02, ADF had active projects in 13 African countries: Benin, Botswana, Cape Verde, Ghana, Guinea, Mali, Namibia, Niger, Nigeria, Senegal, Tanzania, Uganda, and Zimbabwe.

AGOA specifically notes the important role of ADF in developing and implementing strategies for increasing the participation of small-scale producers in trade and investment activities in Africa. ADF provides technical and managerial assistance to enable small-scale producers to: 1) adopt high-value, non-traditional crops; 2) scale up the quantity and quality of production to meet specifications of export buyers; 3) establish or increase local processing or manufacturing to add value to primary products; and 4) create new export marketing partnerships.

Some examples of ADF's active trade and investment projects follow:

- ADF provided a 3-year grant to Uganda Marine Processing Ltd (UMPL) in FY01. U MPL is the smallest of the eight formal sector fish processing companies in Uganda and one of only two companies with majority ownership by indigenous Ugandans. It processes Nile Perch into fresh and frozen fillets for export to the EU and the Middle East. In just one year, the company increased its daily throughput of raw fish by 144 percent and its gross sales revenues by 192 percent. It also helps smaller fish processing enterprises that cannot export directly by buying and exporting their products. U MPL became the first company in East Africa to receive the International Standards Organization (ISO) 9001 quality certification.
- A worker-owned company in Zimbabwe first received ADF support in FY98 to purchase equipment and raw materials. The company is in an industrial suburb of Harare that was established by 24 retrenched, former employees of a metal box company. Toothpaste tubes are one of their main products, but it also produces collapsible aluminum tubes for the pharmaceutical, cosmetic, and adhesive industries. Although 90 percent of the raw materials required by the company have to be imported, the company was able to continue

operating despite the collapse of the Zimbabwe dollar because it had export earnings to buy imported inputs. In 2002, the company received an Exporter of the Year award from Zimbabwe's national trade promotion agency.

- The Mukono Vanilla, Spices, and Horticultural Society received a grant from ADF to promote production and processing of organic vanilla – a new, high-value export product for Uganda. ADF funding financed the planting of vanilla vines and the nitrogen-fixing trees to support them and the cost of training farmers and establishing a processing facility. The cured vanilla beans command a premium price due to their high quality. ADF subsequently expanded the initiative through grants to three other farmer associations. The Mukono Society is providing technical services to the three replication projects and will process their vanilla on a fee basis during their initial years before they have sufficient raw material to justify the cost of establishing their own processing plants.
- Since 1998, ADF support has helped to train small-scale farmers in Zimbabwe to grow high-quality paprika and to finance production costs. The paprika is processed in-country by large-scale firms and exported to Spain.

Other ADF projects have promoted exports of fresh fish (Guinea), silk (Uganda), ostrich meat and hides (Namibia), rock lobsters (Namibia), baskets (Ghana), Morula oil and soap for skin care (Botswana), cattle hides and skins (Uganda), ceramic products (Senegal), mushrooms (Uganda), and hearing aids (Botswana).

In late FY02, ADF signed a five-year agreement that will leverage up to \$600,000 per year from the Government of Namibia to match ADF's support for trade and investment activities on a one-to-one basis. This Namibia program will initially focus on production and processing of seafood, ostrich, beef, and other livestock products; garments and textile manufacturing; and diamonds and other precious or semi-precious stones.

In early FY 2003, the Government of Ghana signed a five-year agreement that will provide up to \$1 million per year to match ADF's trade and investment program expenditures there. The first phase of the Ghana program will focus on floriculture, aquaculture, agro-processing, textiles, and information technology.

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

The U.S./Sub-Saharan Africa Trade and Economic Cooperation Forum is one of the cornerstones of AGOA. Known informally as “the AGOA Forum,” this annual event, held in accordance with Section 105 of AGOA, brings together high-level officials of the United States and AGOA-eligible sub-Saharan African countries to discuss means to strengthen cooperation on trade and investment matters. The AGOA Forum is the Administration’s premier platform to articulate and advance its trade and economic policy toward Africa. The first AGOA Forum was held in October 2001 in Washington, DC.

The second annual AGOA Forum was held in Mauritius January 15-17, 2003. As stipulated in AGOA, the Administration encouraged private sector and NGO activities to complement the government-to-government Forum. Accordingly, three other events ran roughly parallel to the government meetings: an NGO forum, a Private Sector Forum, and a Trade Exhibition. This first Africa-based Forum – ably organized by the Government of Mauritius, in cooperation with the local private sector and the U.S. Government – was a resounding success, drawing participants from 34 of 36 countries eligible for AGOA in 2002, over 193 businesses from Africa and the United States, and some 20 African and American NGOs.

U.S. Trade Representative Robert Zoellick headed the official U.S. delegation, which included the heads of USAID and TDA, and sub-cabinet officials from the National Security Council and the Departments of State, Commerce, Agriculture, and Treasury, as well as senior executives from U.S. Customs and Border Protection, OPIC, EXIM, and the Departments of Transportation and Energy. A Congressional delegation also attended and participated in the ministerial, private sector, and NGO events. The delegation was headed by House Ways and Means Committee Chairman Bill Thomas and included Congressmen Ed Royce, Phil English, Jim McDermott, and Jim Nussle.

The two-and-one-half-day Forum program included sessions on a wide variety of topics. Each discussion panel was co-chaired by one U.S. Government and one African Government or African regional organization representative. In some instances representatives from the private sector presented alongside Government representatives. The first day was devoted to discussions of trade, with sessions on the successes and continuing challenges of AGOA implementation; expanding agricultural productivity; U.S. trade capacity building initiatives; and transportation as a catalyst for trade. The second day focused on conditions for investment and included sessions on mobilizing capital for development; removing obstacles to trade and investment; raising productivity; prospects for the international textile trade after the WTO Agreement on Textiles and Clothing expires on January 1, 2005; good governance; the wireless revolution in information and communications technology; and strengthening Africa’s financial sector. The theme of the third day was “Investing in People,” with sessions on the Millennium Challenge Account, healthcare infrastructure, and the impact of HIV/AIDS on economic development. In addition to these events, Ambassador Zoellick and Mauritian Trade Minister Cuttaree co-chaired a special session with African trade ministers on the Doha round of WTO negotiations. In another special session broadcast live on Mauritian television, former U.S. Ambassador to the

United Nations Andrew Young interviewed Ambassador Zoellick and Minister Cuttaree on their perspectives on U.S.-Africa and global trade.

In videotaped remarks shown at the Forum, President Bush announced his intention to ask Congress to extend AGOA beyond its scheduled 2008 end-date. He also announced the posting of U.S. experts in sanitary and phytosanitary standards (SPS) to the three USAID-administered Trade Competitiveness Hubs established in sub-Saharan Africa in 2002 (see Chapter V on Trade Capacity Building for more information on the Hubs). Forum participants enthusiastically welcomed these two initiatives. In a separate video presentation at a digital video-conference linking a school in Port Louis with a school in Tennessee, First Lady Laura Bush helped inaugurate an international studies partnership between high schools in Mauritius and the United States.

During the Forum, U.S. officials emphasized the United States' strong commitment to Africa and to full implementation of AGOA. African officials hailed the positive impact of AGOA on trade and economic growth, welcomed the passage of AGOA II, and called for further enhancements to AGOA to maximize its effectiveness. Most prominent was the call, echoed by many private sector representatives, for an extension of the special provision allowing less developed AGOA-eligible countries to use third-country fabric in AGOA apparel exports to the United States. This provision is set to expire at the end of September 2004. Many African officials and businesspeople argued that loss of this provision will significantly affect their competitiveness in the apparel sector, especially because the African textile industry is not yet capable of meeting existing fabric demand and quality standards for African-produced apparel exports under AGOA. However, this view was not unanimous. Ambassador Zoellick, Chairman Thomas and other U.S. officials said that they would take these concerns into consideration in determining the future of the third-country fabric provision.

The private sector session, jointly organized by the American Chamber of Commerce in Mauritius, the Corporate Council on Africa, and the Africa Coalition for Trade, attracted almost a thousand participants from around the world, including nearly 200 Americans. The session included several plenary sessions, 26 workshops on a wide variety of trade-related topics, and a highly successful trade exhibition, the first-ever AGOA-focused trade exhibition held in Africa. Chairman Thomas, Ambassador Zoellick, and many other U.S. officials made presentations at the private sector events.

The NGO Forum involved some twenty organizations, mostly Mauritian and American, and included workshops on topics relating to the social implications of global trade. The State Department facilitated digital video-conferences linking the NGO Forum participants with NGO gatherings in Botswana, South Africa, Senegal, and three cities in the United States (Miami, Houston, and Washington DC). U.S. officials also participated in some of the NGO sessions, including Congressmen Jim McDermott and Ed Royce and Deputy U.S. Trade Representative Jon M. Huntsman. The NGO Forum participants also debated and approved a list of 52 recommendations for further action by AGOA stakeholders to improve on AGOA's record and to ensure that AGOA benefits are more widely accessible to all members of society.

The State Department invested considerable effort to ensure that the deliberations and results of the Forum were available to a wide audience. In addition to the digital video-conferences cited above, State arranged for the live web broadcast via video streaming of substantial portions of the government, private sector and NGO events. Those parts not streamed live were archived immediately after presentation. The public presentations of U.S. officials and other speakers were also made available on the primary AGOA website ([www.agoa.gov](http://www.agoa.gov)) and the website of the American Embassy in Mauritius (<http://mauritius.usembassy.gov>). State is also preparing a package of two or three CDs about the Forum that will include a slide show, excerpts from the webcasts, and “how-to” information from U.S. agencies. These CDs will be made available to African and American businesses wishing to take advantage of AGOA.



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

In November 2002, U.S. Trade Representative Zoellick notified Congress of the President's intent to initiate negotiations on a free trade agreement (FTA) with the five member countries of the Southern African Customs Union (SACU): Botswana, Lesotho, Namibia, South Africa and Swaziland. In pursuing this FTA, the Administration is responding to Congress' direction, as expressed in the AGOA, to pursue free trade negotiations with interested AGOA beneficiary countries as a catalyst for increasing trade and investment between the United States and sub-Saharan Africa. The negotiations – addressing topics such as market access, investment, services and intellectual property rights – will begin in June 2003, with a target completion date of December 2004.

Ambassador Zoellick first discussed the possibility of a U.S.-SACU FTA in meetings with SACU member country trade ministers during his February 2002 visit to South Africa. In October 2002, SACU Ministers formally communicated to USTR their intent to pursue FTA negotiations with the United States. After notifying Congress of the President's intent to negotiate an FTA with SACU, in accordance with the provisions of the Trade Act of 2002, Ambassador Zoellick requested the International Trade Commission to prepare a report on the probable economic effects of an FTA. USTR consulted with Congress and the private sector and also solicited public comment on the prospective FTA. More than a dozen business associations and NGOs testified at a December 2002 public hearing convened by USTR on the planned negotiations. Dozens more organizations submitted written comments. These consultations demonstrated broad support for a prospective FTA and helped to identify priorities for the negotiations.

This FTA is a vital part of the Administration's broader effort to drive global trade liberalization, to create new commercial opportunities for U.S. companies, farmers and workers in fast growing regions of the world, and to draw developing countries into the mainstream of the global economy. It offers a chance to craft a groundbreaking agreement that will serve as a model for similar efforts in the developing world. The SACU countries are strong economic reformers and leading AGOA beneficiaries. They have seen the positive role that trade can play in promoting economic growth and development and, through the FTA negotiations, are taking an important step toward deeper economic engagement with the United States.

Through an FTA with SACU, U.S. businesses will gain preferential access to their largest export market in sub-Saharan Africa, worth more than \$3.3 billion in 2001. An agreement will also help to address longstanding regulatory barriers in the region and to level the playing field in areas where U.S. exporters were disadvantaged by the European Union's free trade agreement with South Africa. By building on the success of AGOA, the SACU countries would secure the kind of guaranteed access to the American market that supports long-term investment and economic prosperity. The FTA would also reinforce ongoing regional economic reforms and lower the perceived risk of doing business in southern Africa.



In January 2003, USTR prepared a brochure highlighting the many U.S.-sponsored trade capacity building initiatives in SACU countries and southern Africa. In FY02, the member countries of SACU had access to more than \$34 million in U.S. trade capacity building assistance, including more than \$5.5 million through bilateral programs and \$28.2 million for trade-related programs for the larger SADC region. The brochure is available at the following website:  
<http://www.ustr.gov/regions/africa/2003-01-SACU-brochure.pdf>

Trade capacity building technical assistance will be a fundamental element of bilateral cooperation in support of the FTA. U.S. and SACU officials have established a Cooperative Group on Trade Capacity Building that will meet on the side of the negotiations and help to identify and define the priority trade capacity needs of the SACU governments. SACU countries are preparing a trade capacity building needs assessment and strategy that will provide the basis for discussions in the Cooperative Group. USAID's Regional Center for Southern Africa has allocated \$2 million in initial funding to help the SACU countries prepare for and participate in the negotiations, implement commitments, and make the transition to a free trade relationship. With funding from USTDA, USTR and USTDA organized a "study tour" in March 2003 for two dozen leading trade officials from the SACU countries in order to familiarize them with the U.S. trade policy process and to examine some of the key issues to be covered in the U.S.-SACU negotiations.

## **IX. AGOA Country Reports**

This chapter contains information on all countries that have been reviewed for eligibility under AGOA by the interagency Trade Policy Staff Committee. Three countries – Comoros, Somalia, and Sudan – have not expressed an interest in receiving the benefits of AGOA and therefore have not been reviewed. A list of all 38 countries eligible for AGOA as of early May 2003 is contained in Annex A.

### **Country Summaries:**

#### **ANGOLA**

**Status:** Not AGOA eligible, largely because of concerns related to economic management and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Significant deficit spending has resulted in cash flow problems, exacerbated the commercial debt burden, and drained foreign reserves. These problems were compounded by increased off-budget spending, much of which cannot be accounted for. In December 2002, President dos Santos named a new, reform-minded economic team that has prioritized budgetary and fiscal reform. As an initial step, in March 2003, the team restarted negotiations with the IMF on reestablishing a Staff Monitored Program. In April 2003, the National Assembly approved a new investment law that provides incentives and reduces bureaucratic hurdles. Reform of customs administration under contract with a British firm continues. However, the decision to establish a state-run importer for basic goods in 2002 was a regression in trade liberalization. The government is working to modernize its outdated commercial law.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government is committed to holding presidential and legislative elections in late 2004 or early 2005, although a final date must be set and new electoral legislation must be drafted and approved. The National Assembly is considering a new constitution, likely to pass this year, which would maintain power in the presidency and the Council of Ministers. With the end of the civil war, political parties, civil society, and the independent media enjoy increased freedom to operate, but the government has at times continued to use its political and economic power to restrict activities. Although its provisions to date have not been used, the new Law on State Secrecy, passed in July 2002, provides the government with increased powers to control public information. The judiciary does not function in much of the country. Where it operates, it is inadequately trained and funded. It is also subject to executive branch and ruling party influence. Lack of accountability and transparency remain widespread and affect all levels of government.

**Poverty Reduction:** The government's 2003 budget shows a reduction in military expenditures and a corresponding increase in social service accounts. New spending will, however, take time to result in demonstrable improvements in the long-neglected health and education sectors. The government is working with donors to prepare an Interim Poverty Reduction Strategy.

**Labor/Child Labor/Human Rights:** The end of the civil war has reduced some human rights concerns in much of the country. Violations by rebel groups and government soldiers in Cabinda province, however, have reportedly increased during stepped-up counterinsurgency operations in Fall 2002. After initial problems, returns of internally displaced persons, ex-combatants, and refugees are now proceeding largely in an organized fashion and in accordance with guidelines established by the UN. Police have been accused of human rights abuses including arbitrary arrest and detention and abuse of suspects and prisoners. The Constitution provides for the right to form and join trade unions, engage in union activities, and strike. However, Angola's labor laws also allow for retribution against strikers and restrictions on civil liberties. The absence of proper enforcement mechanisms also undermines workers' rights. Collective bargaining has been extremely restricted, but in early 2003 there were negotiations between the government and public transport workers.

## **BENIN**

**Status:** AGOA eligible

**AGOA Trade and Investment:** Benin did not report any duty-free exports to the United States under AGOA in 2002. Benin has not yet reported significant investment activity as a direct result of AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Benin has adopted market-oriented economic policies and has made enough progress to qualify for HIPC debt relief. However, the pace of reform slowed considerably in 2002, with little progress on privatization and other economic reforms. The legal system recognizes and protects property rights. Benin has new business and investment codes and a court for the arbitration of business disputes.

**Rule of Law/Political Pluralism/Anti-Corruption:** Benin held its first municipal elections in December 2002. Despite some irregularities, it was an important step towards implementing decentralized political reforms. The rights to due process and a fair trial are respected, as is equal protection under the law. The judiciary is independent, but it is inefficient and subject to corruption. The government is working with USAID on anti-corruption programs. With USAID's assistance, the Office of the Inspector General of Finance has drafted legislation that, if passed, will authorize auditors to make audit reports available to the public and allow direct transmission to the judicial branch.

**Poverty Reduction:** The Government finalized its Poverty Reduction Strategy Paper in late 2002. In March 2003, the IMF and World Bank announced additional debt relief under HIPC in recognition of Benin's use of earlier debt relief in education, health, the fight against HIV/AIDS, and rural water and sanitation.

**Labor/Child Labor/Human Rights:** Benin's labor code recognizes the right to form unions and engage in collective bargaining. Several generally independent union confederations operate in Benin, but there is some anti-union discrimination. There were several strikes in 2002 and

early 2003. The government has ratified ILO Convention 182 on the worst forms of child labor and signed a Memorandum of Understanding with the ILO on the topic. Child labor remains widespread and domestic and international trafficking of children remains a problem. Over the last year, however, the government worked with NGOs and stepped up efforts to intercept smugglers transporting children abroad for labor. The government generally respects the human rights of its citizens and there are no reports of political prisoners. The most serious human rights issues include the failure to curb vigilantism and serious administrative delays in processing ordinary criminal cases.

## **BOTSWANA**

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

**AGOA Trade and Investment:** Botswana's duty-free exports under AGOA were valued at \$4.6 million in 2002, representing 15 percent of total exports to the United States. At least 5 firms in Botswana are now exporting apparel and textiles under the textile and apparel provisions of AGOA. These firms - some of which represented new investments in response to AGOA - have begun expanding output and increasing employment to meet AGOA supply requirements.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Botswana has a stable, market-oriented economy. There are few non-tariff barriers, and no foreign exchange controls, price controls, or price subsidies. There are no known investment disputes involving U.S. companies. Contracts and property rights are respected, and the 2000 Copyright and Neighboring Rights Act extends protection to intellectual property rights as well. Legislation passed in 2001 brought Botswana largely into compliance with the TRIPS agreement. Botswanan law prohibits nationalization of private property. Botswana has again been ranked the best credit risk in Africa by Moody's and Standard and Poor's. Both companies ranked Botswana at the "A" level. The high ratings are especially noteworthy in that both firms acknowledged the macroeconomic challenges presented by the HIV/AIDS epidemic, but expressed confidence in Botswana's ability to absorb AIDS-related costs without significantly eroding its sovereign creditworthiness.

**Rule of Law/Political Pluralism/Anti-Corruption:** Botswana is a multiparty democracy with a solid record of political and social stability and respect for the human rights of its citizens. The judicial system is regarded as fair and competent, and there is a high level of adherence to the rule of law. Administrative corruption is low. Botswana has signed the SADC Protocol on Bribery. Transparency International has again ranked Botswana the least corrupt country in Africa, and ahead of countries such as France and Portugal.

**Poverty Reduction:** The government has linked poverty reduction to the development of the country's private sector through foreign and domestic investment. The theme of the country's National Development Plan is "Sustainable Economic Diversification," and poverty reduction is an important element. There is universal access to health care and primary education, with schools and clinics throughout the country. The government provides free anti-retroviral treatments to AIDS patients.

**Labor/Child Labor/Human Rights:** The government generally respects the human rights of its citizens. Botswana has ratified all ILO core conventions, including 182 and 138 on child labor. Botswana's labor law is restrictive and has not yet been amended to comply with the ILO rules, but draft laws will likely be presented to Parliament this year. The amendments would remove the requirement that elected union officials work full-time in the industry that their union represents, and also allow government workers to join unions, which they are currently prohibited from doing. The rights to strike and conduct collective bargaining are both somewhat restricted, but discrimination against union members is illegal.

## **BURKINA FASO**

**Status:** Not AGOA eligible, largely because of concerns related to its foreign policy and activities related to the outbreak of the crisis in the Cote d'Ivoire.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Government of Burkina Faso continues to have good relations with international financial institutions. The cotton parastatal, Sofitex, will be split up in 2003 and bids for a buyer for the national telephone company, INATEL, are to be made by the third quarter of 2003. Burkina Faso is a member of the World Intellectual Property Organization and the African Intellectual Property Organization, although counterfeit goods are common. The country adopted the WAEMU Common External Tariff in January 2000, but maintains some import bans and quotas on agricultural products, as well as some domestic subsidies. Burkina Faso has streamlined procedures to register businesses.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government is dominated by a strong, democratically-elected president. In terms of democracy-building and political pluralism, Burkina Faso took a big step forward with the May 2002 legislative elections, which were widely seen as being fair. Reforms to the electoral code created dramatic gains for opposition parties that participated fully in the elections for the first time. The ruling party still controls the National Assembly with 57 out of 111 seats. Opposition leaders are looking forward to the 2005 presidential elections. Burkina Faso has reduced corruption through judicial reform, modifications of the civil service wage scale, and an integrated government accounting system. The nine members of the newly created Anti-Corruption Authority were appointed in July 2002 and the Authority has begun its work in coordinating with the State Inspection General and the Court of Accounts. The government has taken steps to improve the situation, but the judiciary remains subject to executive influence, and enforcement of anti-corruption laws is still inconsistent.

**Poverty Reduction:** The Government has enhanced social services and improved governance. In April 2002, Burkina Faso became the fifth country worldwide to achieve its HIPC completion point. It completed its third three-year poverty reduction and growth strategy with the IMF in 2002, and the World Bank granted the Burkina Faso a \$30 million mixed grant and credit for development of the private sector. The budget is focused on poverty reduction priority areas, such as health and education funding (38 percent of the budget). Due to institutional and infrastructure limitations, actual spending on health and education freed up from debt relief and

IFI support was slow in starting, but the government has initiated many new school building projects and health spending is also increasing. The government has a ten-year plan for basic education that aims to reduce illiteracy and increase school enrollment, particularly of girls. The government's \$19 million proposal to the Global Fund to Fight AIDS, Tuberculosis and Malaria was also approved in late January 2002. Funds will be used for treatment and prevention.

**Labor/Child Labor/Human Rights:** Burkina Faso prohibits forced or bonded child labor and ratified ILO Convention 182. While trafficking of children is a significant issue in the country, Burkina Faso is participating in a regional ILO project on trafficking of children. The government is cooperating closely with donors to develop and implement strategies to reduce trafficking in persons and child labor. The National Assembly is in the process of approving a new anti-child trafficking law. Child labor is common. Workers have a legal right to association, and labor unions have bargaining rights and freedom of association with international counterparts; however, those in essential services may not form unions and the government may requisition civil servants in the event of a strike. The right to bargain collectively is generally recognized, although there are instances of discrimination against union activists. The press is vocal and relatively free. Human rights practices have improved but problems remain. Security forces were reported to have committed extra-judicial killings of criminal suspects.

**U.S. National Security and Foreign Policy Interests:** Burkina Faso initially played a questionable role in the Cote d'Ivoire crisis, but now supports the Linnas-Marcoussis Accords and has assisted in the peace process by exerting pressure on insurgent forces to abide by the Accords. The government has recently voiced a new commitment to end the country's status as a transshipment point for arms to other conflict areas, including Liberia, but says it will need international assistance to improve security at the country's two international airports. The government has been helpful on terrorism.

## BURUNDI

**Status:** Not AGOA eligible, largely because of concerns related to economic reform, rule of law, and labor and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Burundi has an open, rules-based trading system and provides protection for private property. Nevertheless, the government plays a large role in the economy. Prices for some key items are still controlled. Reforms have been introduced in the currency exchange system, but there is still collusion among commercial banks and between the commercial banks and the central bank to set exchange rates favorable to commercial interests. Government plans to sell off state-owned enterprises have fallen victim to a lack of investment. There are no barriers to U.S. trade. Intellectual property rights are adequately protected.

**Rule of Law/Political Pluralism/Anti-Corruption:** Respect for the rule of law is problem. The legal system is corrupt and subject to executive influence. The court system suffers from long pretrial delays and did not ensure due process. There is a project in the transitional National

Assembly to reorganize the judicial system and to pass anti-corruption laws. Opposition parties are permitted but activities are restricted.

**Poverty Reduction:** The IMF has accepted Burundi's Poverty Reduction Strategy Paper (PRSP), and the government is working with the IMF, but the PRSP will likely not be implemented before 2004.

**Labor/Child Labor/Human Rights:** The government's human rights record remains poor. Government security forces continued to commit with impunity unlawful killings of rebels and civilians, torture, and other serious abuses. The Government restricts freedom of speech, the press, assembly, association, and movement. Despite laws against forced labor, government and rebel soldiers have required persons to perform forced labor. Child labor, including forced labor, and child prostitution were problems. Societal discrimination against Twa and Hutu peoples continued to be a problem. Although it has ratified all core ILO labor conventions, Burundi has a history of hostility against free and democratic trade unions. While workers nominally have the rights to association, to bargain collectively, and to strike, the government routinely undermines these rights. Laws allowing for forced labor of civilians in cultivation, portage, and community development work remain on the books, although the government says they will soon be rescinded.

## CAMEROON

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

**AGOA Trade and Investment:** Cameroon's duty-free exports to the United States under AGOA were valued at \$116 million in 2002, almost all of which were oil or energy-related products. These exports represented 67 percent of Cameroon's total exports to the United States. No AGOA-related investment has been reported to date. Cameroon qualified for AGOA textile and apparel benefits in March 2002. The government established an AGOA Implementation Committee of high-level government representatives.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Cameroon has the largest and most diversified economy in the six-nation CEMAC region. It has completed a three-year, IMF-backed structural adjustment program, secured HIPC debt relief, and implemented privatization programs. Cameroon has privatized rubber production, sold its power utility to a U.S. company, and plans to privatize water utilities, telecommunications, the Cameroon Development Corporation, a petroleum storage facility, and the airline, agriculture, and insurance industries. The government has revised its commercial laws to attract more investment, with identical provisions for foreign and domestic investors. Parliament passed a new Investment Charter in March 2002, granting further incentives for investors and providing for public sector reforms. Foreign investors have sometimes found it difficult to obtain enforcement of their legal rights. AGOA has helped to resolve bilateral investment disputes and to move forward stalled U.S. investment projects. U.S. investment has increased dramatically; a U.S. firm manages Cameroon's power utility and another was recently granted a cobalt mining concession. Construction is proceeding on schedule on the Chad-Cameroon pipeline project, the

largest U.S. investment in sub-Saharan Africa. Official corruption, although reduced from previous years, remains a drain on the economy.

**Rule of Law/Political Pluralism/Anti-Corruption:** While Cameroon has a viable and vocal political opposition, the pace of political reform has been slow. Government security forces have been known to obstruct political meetings and harass political opponents and journalists. Presidential elections are scheduled for early 2004. Corruption is a major problem. The government developed a good governance program in conjunction with the UNDP, and established an anti-corruption commission, which has prosecuted a few senior officials. A new Governance Observatory is charged with monitoring corruption and has created anti-corruption cells in various ministries and has published reports. The government also created a National Elections Observatory to promote free and fair elections. The judiciary is regarded as ineffective and subject to political influence and corruption. The Prime Minister has promised a full audit of the judicial system.

**Poverty Reduction:** Cameroon's program to reduce poverty and improve the living conditions of its people has been approved by the IMF and is backed by a three-year arrangement under the Poverty Reduction and Growth Facility. Cameroon is a HIPC debt relief recipient and has worked with donors to develop ideas for development projects such as roads, hospitals, and schools. The government needs to develop better social sector spending plans and improve the delivery of health and education services.

**Labor/Child Labor/Human Rights:** Cameroon permits workers to unionize and allows independent labor activity, including collective bargaining. There are several poorly organized but independent labor unions. No formal collective bargaining has taken place since 1996. The government has ignored agreements after entering into them with unions. In 2001 and 2002, several strikes took place without interference or incident. The law protects striking workers against retribution, but lacks any penalties against employers who ignore the rule. The government has sometimes worked to weaken independent trade unions. Laws prohibit forced labor and protect child workers, but both still occur. While trafficking of women and children is an issue, Cameroon is participating in a regional ILO trafficking project. Cameroon has ratified ILO Conventions 138 and 182 on child labor. The U.S. Secretary of State has expressed concerns to the government about the arrest, arbitrary detention, harsh treatment and torture of opposition politicians, human rights activists, and other citizens. There are credible reports that security forces committed extra-judicial killings in Douala and the Far North.

## CAPE VERDE

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

**AGOA Trade and Investment:** Cape Verde's duty-free exports under AGOA were valued at \$51,000 in 2002, about 3 percent of Cape Verde's total exports to the United States. A Cape Verdean-Portuguese joint venture began exporting to the United States after Cape Verde became eligible for textile and apparel benefits in August 2002.



**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Cape Verde recently liquidated two large loss-making public enterprises and plans further privatization. The government has instituted a liberalized trade regime, abolished import quotas, and is looking for private investment to serve as an engine for economic growth. The government eliminated fuel subsidies in 2002, and passed a new bank law strengthening its central bank's autonomy. Cape Verde has applied for membership in the WTO.

**Rule of Law/Political Pluralism/Anti-Corruption:** Cape Verde is a multiparty parliamentary democracy with an elected President and Prime Minister. The judiciary is generally independent, but overburdened. Corruption is not a major problem.

**Poverty Reduction:** Cape Verde's poverty reduction strategy has been approved by the IMF and World Bank. It is based on a comprehensive framework for macroeconomic stability, private-sector led growth, and social and environmental stability.

**Labor/Child Labor/Human Rights:** The Constitution recognizes international core labor standards. Forced labor, child labor, and anti-union discrimination are prohibited, and workers are free to organize and strike without government authorization. The government generally respects and enforces labor rights. There were no special exemptions for the Export Processing Zones. Juvenile prostitution is a continuing problem, exacerbated by the growth of tourism, chronic poverty and large unplanned families. Cape Verde has ratified ILO Convention 182 on child labor. The Constitution provides for freedom of speech, press, assembly, and religion, and the government generally respects the rights of citizens.

## CENTRAL AFRICAN REPUBLIC

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Although the Central African Republic (CAR) is eligible for AGOA, its overall trade with the United States has historically been very low. In 2002, its AGOA exports totaled \$192,000, consisting entirely of jewelry or jewelry parts. This represented nearly 10 percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The CAR is a market economy and the Patasse government generally pursued market-oriented policies. Little is known about the economic policy planned by the new Bozize government, but Prime Minister Goumba has stated his intent to increase government accountability and direct government revenues to paying salary arrears to civil servants. The CAR is in arrears to both the African Development Bank and the World Bank. Prior to the seizure of power, the CAR was under consideration for an IMF Post-Conflict Loan, a process that President Bozize has stated his intention of pursuing.

**Rule of Law/Political Pluralism/Anti-Corruption:** General Bozize seized power in March 2003 from the democratically-elected President Patasse, suspended the constitution, and declared himself president. A transitional government has been formed under the leadership of Prime

Minister Abel Goumba, an elder statesman from the opposition. The Prime Minister has said the transitional government will govern for one to three years, after which elections will be held. This government is creating a National Transition Council, with representatives from a broad spectrum of political parties and civil society, to advise the government, help draft a new constitution, and prepare for elections. Prime Minister Goumba asserts that he wants to cut down on corruption and boost government revenues. The Bozize government has support from a broad cross-section of political parties and civil society.

**Poverty Reduction:** Before March, the CAR was working on an interim Poverty Reduction Strategy Paper for the HIPC initiative, but had not yet qualified for debt relief. The CAR had been under consideration for a Post-Conflict Loan from the IMF. One of the Bozize government's stated priorities is re-establishing IMF lending to the CAR. Prime Minister Goumba has stated the government's commitment to poverty reduction, but has not yet outlined a specific strategy.

**Labor/Child Labor/Human Rights:** Relations between labor and the Patasse government were poor. The right to strike was limited by complicated procedures for mandatory conciliation; the government had the right to requisition workers in the general interest. There was no explicit right to bargain collectively. Most unions in the CAR have voiced strong support for the Bozize government, which has stated its intention to abide by all international treaty commitments, unless otherwise stated. CAR has ratified ILO Convention 182 on child labor. Despite legislation prohibiting forced labor and employment of children under 14 years old, some problems persist. Human rights in the CAR remained poor throughout 2002, worsening significantly following the events of October 2002, when Bozize's forces invaded the CAR and attacked the capital of Bangui in an initial attempt to seize power. Bozize's rebels, CAR government forces, and Congolese rebels fighting on behalf of the government all committed human rights abuses. Conflict continued in the countryside until Bozize's rebels finally seized Bangui in March 2003.

## CHAD

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Chad did not register any AGOA-related trade or investment in 2002. Chad formed a national AGOA committee in late 2002.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Government of Chad has demonstrated a commitment to economic reform and has privatized several state-owned enterprises. However, the important cotton, telecommunications, and energy parastatals have not been privatized. Chad has no price controls or currency restrictions. A civil service reform strategy is being implemented. Recent economic and commercial activity spurred by the Chad-Cameroon Petroleum Development and Pipeline Project is greatly enhancing Chad's capacity for trade. This project, the largest private U.S. investment in Africa, will begin output in 2003 and significantly increase the volume of U.S.-Chad trade. Chad has a small but growing

American business community that is stimulating more interest in trade and investment. This is mostly related to the oil sector but also includes some firms in the service sector.

**Rule of Law/Political Pluralism/Anti-Corruption:** While Chad has made some advances since 1990 in developing democratic institutions, progress in the past year has been disappointing. Presidential elections in 1996 and 2001 were marred by irregularities. The 2001 election in particular was divisive, and security forces repressed peaceful demonstrations and arrested opposition leaders. The government still holds political detainees. Two anti-corruption laws have been adopted since January 2000, but have seen little enforcement. Corruption and poor governance continue to constrain economic growth. The government has supported numerous capacity-building initiatives in the legislative and judicial branches of government, which are producing results. Nevertheless, the judiciary remains subject to executive interference.

**Poverty Reduction:** The IMF and World Bank Boards approved an interim Poverty Reduction Strategy Paper (PRSP) in July 2000. The final PRSP has not yet been approved. There is a lack of timely data on poverty. Beginning in 2004, significant oil revenues are expected to fund poverty reduction activities. In 2004, Chad may finish HIPC procedures.

**Labor/Child Labor/Human Rights:** Chad has ratified ILO Convention 182, but child labor is a problem in the rural sector. The government is collaborating with UNICEF on a campaign against the worst forms of child labor. Chad has a Labor Law that recognizes the freedom of association and the right to strike, but preexisting laws make the right to organize unions subject to government interference and make participation in strikes punishable by imprisonment with forced labor. The government has been slow to repeal these laws. Nonetheless, Chad has an active labor movement whose rights are protected by law, albeit not always enforced by government. There were both legal and illegal strikes in 2002. Chad's human rights record remains problematic, following deterioration after the 2001 election. Security forces committed extra-judicial killings, torture, beatings, and rape. Arbitrary and prolonged detentions still occur. While these actions are not routine or government policy, the government rarely prosecutes or sanctions members of security forces who commit human rights abuses. Freedom of expression has improved markedly since 1990, as demonstrated by private newspapers operating freely and frequently criticizing government policies and leaders.

## REPUBLIC OF CONGO

**Status:** AGOA eligible.

**AGOA Trade and Investment:** The Republic of the Congo's duty-free exports to the United States under AGOA were valued at \$107 million in 2002, almost all of which consisted of energy-related products. AGOA exports represented 48 percent of the Republic of the Congo's total exports to the United States. The Republic of the Congo has not yet reported significant investment activity as a direct result of AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Republic of Congo is making important gains in trying to establish a market-based economy. The

government is trying to reduce its role in the economy and has stated its goal of assuring contract sanctity; however, more needs to be done to realize these objectives.

**Rule of Law/Political Pluralism/Anti-Corruption:** Congo signed a peace agreement with anti-government forces in the Pool region (“the ninjas”) in March 2003. The two sides have exchanged prisoners, held a peace committee meeting, and stated their commitment to implement all aspects of the agreement quickly. The government has agreed to incorporate healthy adult members of the ninjas into the army, and train and rehabilitate others. The government permits opposition political parties and NGOs to function, including human rights organizations, and there is a relatively open dialogue on public policy issues. There is a vigorous and diverse press, which is often critical of the government. Corruption continues to be a problem. The government recently established an anti-corruption office.

**Poverty Reduction:** The government is working with UN agencies and NGOs to create jobs and reduce poverty. Congo has received a \$40 million credit from the World Bank for infrastructure rehabilitation and improvements in living conditions.

**Labor/Child Labor/Human Rights:** Congo has had strong labor laws since independence. A well-developed civil society includes a free and robust organized labor movement, with the right to strike and the ability to protest freely. Congo ratified Convention 182 on child labor in April 2002. There have been unconfirmed rumors of trafficked persons transiting Congo. Some children are in the labor market, but the government does not condone this and makes an effort to support school attendance. In April 2003, the Ministry of Finance laid off more than 700 government workers on the verge of retirement without prior notice, in an attempt to comply with undertakings between the government and the IMF. Union leaders have demanded reinstatement of their pay given the fact that they remained at their jobs and that some positions had actually been extended by the Ministry of Public Service. Changes in the military command indicate the government is serious about improving the behavior of soldiers, some of whom were responsible for abuses in the Pool region in 2002. Anecdotal evidence indicates that about 20 percent of the ninjas were child soldiers. Congo’s human rights record remained poor. Security forces were responsible for extrajudicial killings and other abuses. There were reports of trafficking and the recruitment of child soldiers.

## **COTE D’IVOIRE**

**Status:** Eligible for AGOA since May 2002.

**AGOA Trade and Investment:** Cote d’Ivoire’s exports under AGOA were valued at \$49.7 million in 2002, representing 13 percent of Cote d’Ivoire’s total exports to the United States. These exports were primarily agricultural and energy-related products.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Cote d’Ivoire, one of the largest economies in sub-Saharan Africa, has one of the most highly developed economies on the continent, based on free markets and private property rights. Privatization has greatly reduced the government’s direct role in the economy. The attempted coup and armed

rebellion in September 2002 and the de facto partition of the country that followed severely compromised economic sector reforms, including further privatization in several sectors. Cote d'Ivoire has no significant limits on foreign investment. Government and court actions have helped bring progress in resolving several disputes involving U.S. firms in the past year. The government also held high-level negotiations and meetings with other U.S. companies involved in commercial disputes in the country. The government agreed to review the judicial system and pursue recommendations for reform, and is restructuring its Ministry of Agriculture to address needed reform in the agriculture sector. Ivorian law generally provides protection for intellectual property and draft legislation will reportedly make it fully compliant with TRIPS. There has been some backsliding in market reforms in the agricultural sector, and because of failure to meet benchmarks, the government is out of compliance with its IMF program.

**Rule of Law/Political Pluralism/Anti-Corruption:** Efforts to heal political, social, and ethnic divisions that have plagued Cote d'Ivoire in recent years came to a halt with the attempted coup in September 2002. The violence and ethnic character of much of the dispute between the rebels and government exacerbated tensions. Reports of human rights abuses by government and rebel forces further undermined civil society and the respect for law. Agreements brokered by France and ECOWAS promised to lead to a government of national reconciliation. Participants in the process reached agreement to deal with key issues like national identity cards, land tenure and citizenship, although details are unclear. An independent press, media, and multiple political parties are allowed to express their views, but have been subject to intimidation by the government since the coup attempt. Local elections held in July 2002 were flawed and characterized by charges of vote rigging and deliberate disenfranchisement by denial of or late issuance of voter registration cards to groups identified as likely to oppose the government. Widespread corruption and the lack of transparent and accountable governance continue to impede economic growth. The government acknowledges the need for judicial reform, but there has been little progress.

**Poverty Reduction:** The government has been working on a Poverty Reduction Strategy since early 2001, in conjunction with the World Bank, International Monetary Fund, and the African Development Bank. It is expected to focus on decentralization, good governance, private sector development, promoting women, and enhanced regional integration. This has been on hold since the September 2002 coup attempt.

**Labor/Child Labor/Human Rights:** Internationally recognized workers' rights, including the right to organize and bargain collectively, are generally respected, although enforcement of labor laws is sometimes a problem. There are several active unions in the private and public sector. Forced labor is officially prohibited. The government recognizes that children work but maintains that most work in family enterprises. The government supports a protocol developed by the U.S. Chocolate Manufacturers Association to address forced or hazardous child labor in the cocoa sector. Cote d'Ivoire is drafting legislation that will conform to ILO conventions. There are numerous allegations of extra-judicial killings, human rights abuse, mass killings and other violence in areas under both rebel and government control since September 2002. Serious problems remain with extra-judicial killings, arbitrary arrests and detentions, and beatings by security forces.

## DEMOCRATIC REPUBLIC OF THE CONGO

**Status:** AGOA eligible, with delayed implementation of AGOA trade benefits. Democratic Republic of the Congo (DROC) will become eligible for AGOA trade benefits upon formation of a transitional government.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** DROC is a market economy undergoing an ambitious reform program, with guidance from the IMF and the World Bank. Inflation and the exchange rate remained stable over the past year. The government is negotiating the restructuring of several parastatals. There are no legal barriers to trade and no technical trade barriers against U.S. imports, but the myriad tax and inspection authorities make importing time-consuming and open to abuse. DROC is working on reforms to ease investing in the country, including reducing paperwork burdens on investors, simplifying inspection procedures for imports, and simplifying tax payments.

**Rule of Law/Political Pluralism/Anti-Corruption:** DROC is working to improve its judicial system, which has been subject to executive influence and suffered from lack of resources. The government is creating specialized courts for commercial and labor disputes. Some corrupt judges have been removed. Corruption is widespread due to low salaries and a culture accepting of corruption. The government has created a new office to handle bids and contracts in order to reduce corruption in this area. The Inter-Congolese Dialogue between different political elements has been concluded.

**Poverty Reduction:** Poverty is widespread. The government's approved poverty reduction and growth strategy forms the basis for its IMF and World Bank programs. Current international poverty reduction schemes are handled mainly by NGOs. DROC is expected to receive HIPC debt forgiveness in 2003, which will free funds for spending on social programs.

**Labor/Child Labor/Human Rights:** DROC adopted a transitional constitution in April 2003. It includes all traditional labor rights and specifically prohibits forced labor. The minimum age for employment was raised to 15 in March 2003, and the requirement that married women have their husband's consent to work has been eliminated. DROC has ratified ILO conventions 182 and 138 on child labor. There has been progress on human rights issues in areas controlled by the government, but significant problems remain.

## DJIBOUTI

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Djibouti did not record any AGOA exports or any AGOA-related investment in 2002.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Djibouti's economy is generally open and encourages foreign investment and trade. The economy is based largely on trade through its port. In June 2002, the Dubai port authority assumed responsibility

for airport management; it took over responsibility for the port in 2000. The government is seeking investors for a major port expansion project. Privatization is a priority. Djibouti has an agency to promote investment and assist potential investors. In January 2002, Parliament passed legislation strengthening existing legal protections for intellectual property and held several awareness seminars on this issue. Djibouti is in mid-phase of an IMF structural adjustment program. Tax and banking reforms have been implemented.

**Rule of Law/Political Pluralism/Anti-Corruption:** The January 2003 parliamentary elections were Djibouti's first fully multiparty elections and the first in which women could vote. Of the 65 members elected to the National Assembly, seven were women. The president's party won the election with a slight majority, and despite some complaints of irregularities, international observers found the elections generally orderly. There were no reported incidents of government harassment of opposition leaders during the year. Corruption is a problem. The government anti-corruption office produced its first annual report in December 2002. Djibouti's Customs Service has also taken steps against corruption. The President has committed to improve democratization, good governance, and the rule of law. Although the constitution provides for an independent judiciary, it is not independent in practice.

**Poverty Reduction:** According to the most recent official statistics available (1996), 45 percent of Djibouti's population lives in poverty, and 10 percent are considered extremely poor. This rate is believed to have grown much higher since 1996. Although successful in some areas, Djibouti missed a number of its targets under an IMF Poverty Reduction and Growth Facility (PRGF), and the IMF has decided not to renew the program. A three-year drought has led to an increase in poverty and malnutrition. Malnutrition has increased from 24 percent to 30 percent in the last three years. The government has given a priority to rebuilding social and health services and is working to implement a strategy for fighting HIV/AIDS.

**Labor/Child Labor/Human Rights:** The Ministry of Labor, in conjunction with the private sector and workers representatives, is revising the labor code. The existing code prohibits all forced or compulsory labor. Independent labor unions are banned. The main workers union held general elections in October 2002, and the government lifted obstacles to their congress; but the labor movement remains ineffectual. The law prohibits labor by children under age 14, but this is not effectively enforced. Child labor exists but is primarily family-based and not coerced. Djibouti has not ratified ILO Convention 182 on child labor. Under the Constitution, workers are free to join unions and to strike, but the government restricts these rights in practice. The ILO has repeatedly criticized the government's actions and rejected the credentials of government officials claiming to represent labor unions at international conferences. Despite progress, human rights problems remain.

## EQUATORIAL GUINEA

**Status:** Not AGOA eligible, largely because of concerns related to economic reform, rule of law, political pluralism, labor and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Major oil discoveries have sparked dramatic economic growth and substantially increased U.S. investment in Equatorial Guinea. Nonetheless, the majority of Equatoguineans still live on subsistence agriculture. The government is making some progress in developing institutions, laws, and infrastructure. It is also trying to liberalize trade regulations and lower tariffs to conform to the CEMAC codes. There is an investment code that provides basic legal protections to investors. Among Equatorial Guinea's major problems are undeveloped institutions, poor fiscal discipline, and a corrupt judiciary.

**Rule of Law/Political Pluralism/Anti-Corruption:** Elections have not been free and fair. The government has harassed political opponents and, in March 2002, arrested several opposition activists. The media remains firmly under government control. The government is attempting to modernize its institutions and legal codes. Official corruption remains a significant problem, although the government has adopted a code of ethics for civil servants. The Minister of Justice oversees a commission that investigates allegations of government corruption.

**Poverty Reduction:** The government has undertaken modest poverty alleviation and infrastructure projects. For example, it used oil revenue to establish a national university, purchase medicine, and recruit qualified foreign doctors. However, much of the oil revenue remains unaccounted for. The government is developing a poverty reduction strategy and is working with various donors to develop social welfare programs. The government reports that 12 percent of its revenues for 2001 were spent on health, education, and social welfare. The government uses tax credits to encourage foreign investors to hire and train Equatoguineans. The government has spent \$2 million in recent years to reduce HIV infection and the vulnerability of at-risk groups, and is now spending \$10 million a year on HIV/AIDS prevention.

**Labor/Child Labor/Human Rights:** Despite some statements on improving respect for human and labor rights, the government's overall record remains poor. The government has allowed the International Red Cross to visit prisons. Equatorial Guinea ratified six ILO conventions in 2001, including Convention 182, but there is still child labor, primarily in the informal sector. Despite legislation legalizing trade unions, only one union has been registered, others have been denied registration, and one union still must operate in secret. Labor legislation does not recognize the right to strike, collective bargaining, or the right to join international organizations, and does not protect workers from anti-union discrimination. In mid-2001, the Government agreed to participate in a DOL-funded ILO project to address worker rights problems. Government security forces have committed serious human rights violations, including torture, intimidation and arbitrary arrest.

## ERITREA

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Eritrea's AGOA exports in 2002 were negligible. No new U.S. investment was reported. The Eritrean Government has declined to pursue its pending application for textile and apparel benefits under the Act.



**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** One of the world's poorest countries, Eritrea has made modest economic reforms. The government says it is committed to building a market economy; however, it and the ruling party continue to exert a dominant influence on the economy. Eritrea joined the World Intellectual Property Organization in 1997, but intellectual property rights protections remain inadequate. Although there is no harmonized tariff system, Eritrea has lowered tariffs and is working with the World Bank on an export promotion program.

**Rule of Law/Political Pluralism/Anti-Corruption:** National elections, scheduled to take place in 1998, were postponed due to the outbreak of the war with Ethiopia, and have yet to be rescheduled. The Constitution, ratified in 1997, provides for democratic freedom but its provisions have yet to be implemented. The ruling party, the People's Front for Democracy and Justice, is still the country's sole political party. In the fall of 2001, the government shut down the independent press. At the same time, it arrested a number of journalists, editors and prominent political dissidents, who are still being held without charges. The government also arrested two Eritrean employees of the U.S. Embassy, who have been held without charges since October 2001. Corruption is not a major problem, but the judiciary is weak and subject to executive influence.

**Poverty Reduction:** Poverty is widespread in Eritrea, encompassing about 80 percent of the population. Eritrea has poverty reduction, school-building, health, and infrastructure development programs in place, and has made progress toward improving living standards since independence in 1993. Despite scarce resources, exacerbated by the strain of maintaining a very large army, the government is committed to poverty reduction and increased spending on health and basic education. Eritrea is working closely with aid donors and NGOs to design and implement poverty reduction programs.

**Labor/Child Labor/Human Rights:** The government's poor human rights record worsened in 2002. It generally did not allow prison visits by local or international human rights groups, and arbitrary arrests and detentions continued. The government severely restricted freedom of speech and press, including the rights of the religious media. There are no formal government restrictions regarding the formation of unions, including within the military, the police, or other essential services. In practice, however, these types of groups do not exist independently of the government or ruling party. The Constitution prohibits forced or compulsory labor. However, high school and college students are required by the government to participate in paid summer work programs. Many national service inductees are required to work civilian jobs at a significantly reduced salary, even while nominally members of the military. The legal minimum age for employment is 18, but large numbers of children work in rural areas, usually on the family farm or in herding. In cities, some children work in manufacturing or in the informal sector. The government has ratified seven basic ILO conventions, but has not ratified ILO Convention 182 on child labor.

## ETHIOPIA

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

**AGOA Trade and Investment:** Ethiopia's duty-free exports under AGOA more than doubled, to \$2.3 million in 2002, representing 9 percent of total exports to the United States. One local firm has begun exporting apparel to the United States, and several others are eager to begin production.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Prime Minister has stated publicly that private-sector-led economic growth is his top priority. Ethiopia has participated in World Bank and IMF structural adjustment programs that promoted reforms in macroeconomic policies and procedures, including public expenditure reviews, conservative management of the money supply, tax reforms, and customs and civil service reforms. These reforms contributed to higher agricultural productivity, low inflation, and healthy GNP growth. Customs duties have been further reduced since the beginning of 2003. All export taxes have been eliminated, including coffee, the primary export and foreign currency earner. In June 2002, the government approved laws on investment and telecommunication that allow joint ventures in the electrical energy and telecommunications areas and further liberalized the investment regime, significantly reducing the minimum capital requirement for foreign investors, and allowing foreign nationals of Ethiopian origin to participate in economic sectors that were previously restricted. The revised June 1996 investment code guarantees free transferability of dividends, loan repayments, and capital, and provides for compensation for expropriation. Foreign investors are not subject to differential treatment on taxes. Ethiopia is a signatory to the Multilateral Investment Guarantee Agreement and in February 2003 formally applied for full WTO membership.

**Rule of Law/Political Pluralism/Anti-Corruption:** Ethiopia has made progress in building democratic institutions, independent labor unions and political organizations since the end of the communist regime in 1991. The government is organized around the concept of ethnic federalism and the regions are becoming increasingly autonomous, with a large degree of local control over fiscal and most political issues. The judiciary is weak and overburdened, but demonstrates signs of independence. The government established an Anti-Corruption Commission in May 2000, which investigated several cases of corruption and embezzlement, some of which are now being heard in court.

**Poverty Reduction:** Ethiopia ranks among the poorest countries in the world, and poverty alleviation has been the number one priority of the government. Ethiopia's Poverty Reduction Strategy Paper was finalized and submitted to the World Bank in 2002. Some international financial institutions and donors have already made financial pledges toward the PRSP, and government budget allocations also favor PRSP priorities. Funding for the Ministry of Health and the regional health bureaus has been increased in the 2002/2003 budget. Primary education enrollment more than doubled from 1995 to 2002, but the education system is characterized by inefficiency and low quality, and faces several challenges. The government's five-year Education Sector Development Program aims to improve the quality of education and promote

social equality by narrowing gaps in access based on sex, region, and urban/rural areas. Due to food shortages, nearly 14 million Ethiopians now depend on food assistance for survival, diverting resources from other programs.

**Labor/Child Labor/Human Rights:** Eighty percent of Ethiopians work in agriculture, with children often working alongside parents. In urban areas, children are found working as domestic workers, street peddlers, and employees in private enterprises. The ILO found that no problem of forced labor or child soldiers exists in Ethiopia, and Ethiopia has enacted most ILO core standards into law. The Council of Ministers approved ILO Convention 182 on child labor and it is under consideration by parliament. The Constitution provides most workers the right to form and join unions and to strike. However, government interference with union operations and harassment of activists are problems. There is an active tripartite dialogue among the government, unions and employers' associations. Ethiopia's human rights record is poor, though there is progress in some areas. Ethnic clashes continue to claim lives in several parts of the country. In the past year, such clashes have occurred in Gambela, Oromia, Afar, and Southern Regions. Efforts to establish a Human Rights Commission and the process of choosing a Human Rights Ombudsman are progressing very slowly.

## GABON

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Gabon's duty-free exports to the United States under AGOA were valued at \$1.146 billion in 2001, almost all of which were oil or energy-related products. These exports represented 71 percent of Gabon's total exports to the United States. No AGOA-related investment was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Gabon has one of the highest per capita incomes in sub-Saharan Africa, owing in large part to its small population and substantial oil wealth. The state controls much of the economy, including oil refineries, telecommunication, and timber export. However, it has made progress in privatizing other industries. The production of oil, wood, and minerals is largely private, and water, electricity, railroad, and sugar parastatals have been privatized. The telecom parastatal will be privatized in 2004, and other government-owned industries are in various states of privatization. Government financial mismanagement and corruption have blemished the country's international image and contributed to significant arrears in external and domestic debt payments. Gabon's investment regime provides for liberalized and streamlined procedures, and for equal treatment of domestic and foreign investors. However, a lack of transparency, widespread corruption, and large vested interests hinder Gabon's economic management.

**Rule of Law/Political Pluralism/Anti-Corruption:** The December 2002 local and regional elections, like the 2001 legislative elections before them, were marked by organizational flaws and other irregularities. Voter turnout was extremely low. There are over a dozen political parties, but at the end of 2002 the ruling party controlled parliament and most government bodies. Weak public sector financial management facilitates corruption. In 2002, the

government continued to work with the IMF to implement measures to improve transparency in its financial systems. The parliament passed anti-corruption legislation, which was pending review by the Constitutional Court at year's end. The judiciary is subject to political interference.

**Poverty Reduction:** Dropping petroleum receipts and growing arrears on both external and internal debt prevented the government from reaching its stated target of allocating 20 percent of its investment budget to education and health care. Indicators such as literacy, life expectancy and child vaccination rates remain lower in Gabon than in countries with comparable incomes. In 2002, the government continued work on a draft Poverty Reduction Strategy Paper (PRSP) with assistance from the UNDP and other donors. In negotiations with the IMF staff in February and April 2003, efforts continued to develop the PRSP into a workable document. It remains unclear, however, to what extent the PRSP will ultimately be incorporated into the government anti-poverty efforts.

**Labor/Child Labor/Human Rights:** The Constitution places no restrictions on the right of association and recognizes the right to form trade unions. Virtually the entire private sector workforce is unionized. The labor code provides for collective bargaining by industry, not by firm. The government rigorously enforces child labor laws with respect to citizen children, and there are few citizens under the age of 18 working in the modern wage sector. The penal code stipulates fines and prison sentences for violations of the minimum age for working. Gabon has ratified ILO Convention 182 on child labor. Nonetheless, trafficking in children remains a serious problem. Children (especially girls) are trafficked into Gabon, primarily from Benin, Togo and Nigeria, for use as domestic servants or in the informal commercial sector. In March 2002, the government, the EU, and an Italian NGO established a shelter for trafficking victims in Libreville. Also in March, the government hosted a regional cross-border trafficking conference at which attendees from 14 countries agreed to a list of general principles as a basis for future discussion and bilateral agreements. In May 2002 the government and the ILO launched a 3-year project on the prevention of child trafficking and child labor in the country. The government's human rights record remains poor, with abuses committed by security forces.

## THE GAMBIA

**Status:** AGOA eligible since January 1, 2003.

**AGOA Trade and Investment:** None to date.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Gambia has a relatively open economy based on regional trade, agriculture, and tourism. The government is seeking increased foreign investment, including through a joint project with the World Bank to foster development and to establish Free Trade Zones. Privatization has been slow, but the government hopes to privatize two mills and the groundnut parastatal in 2003.

**Rule of Law/Political Pluralism/Anti-Corruption:** The President was re-elected in October 2001 in elections that were judged to be relatively free and fair, despite some irregularities. The

previous president, deposed in a 1994 coup, was allowed to return to live in The Gambia. The government, with assistance from the Commonwealth, is working to increase the capacity of its overwhelmed judicial system. The political opposition is weak and divided. Corruption is a problem. In March 2003, the legislature ratified the ECOWAS anti-corruption bill.

**Poverty Reduction:** The Gambia's poverty reduction strategy, which aims to eradicate poverty by encouraging economic growth and reducing income inequalities, suffered a setback in 2002-03 due to the regional food security crisis. The bulk of The Gambia's budget goes to education, health, and agriculture, with little left for disaster relief. The government is generally on track with its IMF and World Bank programs, and is working with major donors to better coordinate assistance flows to support the poverty reduction strategy.

**Labor/Child Labor/Human Rights:** Gambian labor laws give private sector workers the right to bargain collectively, prohibit forced or compulsory labor, and codify acceptable work conditions. The right to strike is somewhat restricted, but legal strikers are protected by law from retribution. Collective bargaining does take place. Government intervention in labor disputes is not common, but occurred in one case in 2001. The Gambia has ratified ILO Convention 138 and 182 on child labor. Gambian law prohibits child labor, but children work on family farms. The Gambia is a destination for children trafficked from West and Central Africa. In 2002, the government made education for girls free, and now 48 percent of school-age girls are enrolled. The overall human rights situation continued to improve, although there is concern over a media law enacted in August 2002 that authorizes a Media Commission that some fear could be used against journalists. To date, this commission has not been formed and has not met.

## GHANA

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

**AGOA Trade and Investment:** Ghana's duty-free exports to the United States under AGOA were valued at \$35 million in 2002, consisting primarily of chemicals. Ghana's AGOA exports were 30 percent of Ghana's total exports to the United States. A U.S. firm opened a sock factory in March 2003. Companies from Mauritius and Malaysia, and a Ghana-Mauritius joint venture, are preparing factories for production.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Ghana has a market-based economy with few barriers to trade. "Special taxes" on certain imports were eliminated in 2002, but proposals have surfaced to reintroduce them on poultry and rice. More than two-thirds of Ghana's parastatals have been privatized. Private property rights are protected by law, though disputes over land ownership are common. A commercial court system expedites decisions on trade and commercial cases. Legislation on intellectual property rights has been under review for a year and is expected to pass in 2003. There have been a few commercial disputes with the government involving contract sanctity. One dispute is currently in arbitration.

**Rule of Law/Political Pluralism/Anti-Corruption:** Ghana generally respects the right to due process, although lengthy pre-trial detentions and corruption are problems. Fast-track High

Courts deal with routine commercial disputes and high-profile corruption cases. The integrity of the legal system is compromised by corruption and a severe lack of financial, human, and material resources. Freedom of press and assembly are routinely observed. Ghana has a Serious Fraud Office to expose and prosecute official corruption, and the government continues to pursue a “zero tolerance” policy on corruption. The government signed a contract with an American company in 2002 to reduce corruption in procurement.

**Poverty Reduction:** Since reaching HIPC decision point in March 2002, Ghana is incorporating its Poverty Reduction Strategy into the 2003 budget. The strategy will use HIPC funds to increase female participation in primary and secondary education, cut infant and maternal mortality, and increase spending in HIV/AIDS and malaria prevention. The government has also begun infrastructure projects in each of Ghana’s ten regions. The government has introduced a new National Health Insurance Scheme. The Free Compulsory Universal Basic Education program is a long-term initiative designed to ensure that education remains at the core of Ghana’s national development plan.

**Labor/Child Labor/Human Rights:** The government has made combating child labor and trafficking a high priority and has worked to increase awareness about trafficking in persons. Ghana has ratified ILO Convention 182 on child labor, and has a Ministry of Women’s and Children’s Affairs that focuses on boosting school attendance and reducing child labor. The law sets the minimum age for employment at 15, but is rarely enforced. The national steering committee for the International Program for the Elimination of Child Labor has developed an action plan to eliminate child labor in Ghana. The U.S. DOL is providing support and resources for Ghana’s participation in the ILO’s International Program on the Elimination of Child Labor. The rescue and rehabilitation of children involved in the worst forms of child labor are on-going. The government has made improvement in job counseling, labor statistics and occupational health and safety capacities a priority. Ghana hopes to bring its overall labor legislation into conformity with ILO conventions in 2003. It has a law that makes a legal strike almost impossible. Ghana generally respects the rights of its citizens. Police training on the use of non-lethal force has reduced the number of killings and serious injuries at demonstrations.

## GUINEA

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Guinea’s exports under AGOA were valued at \$68,000 in 2002, representing less than one percent of Guinea’s total exports to the United States. The Ministry of Commerce has identified four products – shea butter, palm oil, cacao, and cotton textile fiber – as products Guinea should focus on. However, new trade generated by AGOA remains extremely limited.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Guinea has a market-based economy with an investment code that guarantees the right of all to undertake any economic activity in accordance with current laws and is open to direct foreign investment. The land tenure code of 1996 provides a legal basis for land ownership. The government has

eliminated most price controls but still influences and/or controls the price of meat, bread, gasoline, diesel, and taxi fares. Guinea has laws for the protection of intellectual property and the government tries within its fiscal constraints to enforce intellectual property laws. There have been no significant changes in this category over the past year. However, various entities have noted improvement in customs administration and processes.

**Rule of Law/Political Pluralism/Anti-Corruption:** Guinea has a constitutional government system in which effective power is concentrated in a strong presidency. A reportedly flawed national referendum in November 2001 removed presidential term and age limits. Legislative elections held in June 2002 and boycotted by some opposition parties were judged by most observers to be questionable because of an officially reported participation rate that far exceeded voter turnout reported by independent sources, as well as lack of administrative neutrality, and widespread instances of multiple voting. The justice system does not provide adequate guarantees of fairness and safety to suspects and prisoners. The government agreed to initiate reforms in the justice and penal systems and started a nationwide daily review system in early 2002 to track investigations. The print media is largely free, but the government does not allow private radio and television broadcasts. Corruption remains a major problem. Since December 2001, when President Conte condemned official corruption, the National Anti-Corruption Committee has been active in pursuing government corruption. However, the justice system has not been effective in pursuing prosecutions, and enforcement of anti-corruption laws is irregular and inefficient.

**Poverty Reduction:** In 2002, the IMF suspended Guinea's Poverty Reduction and Growth Facility (PRGF) because Guinea had failed to meet key performance criteria. In reviews of the PRGF, the World Bank noted that Guinea is meeting all of its goals on spending in targeted social priority sectors. However, this spending contributed to a significant fiscal deficit. The loss of IMF funds and the pursuit of unsound macroeconomic policies have placed the nation's poor at greater risk.

**Labor/Child Labor/Human Rights:** The Labor Code specifically forbids forced or compulsory labor, and there is no evidence of its practice. Under the Labor Code, representative workers' unions or union groups may organize in the workplace and negotiate with employers or employer organizations. The law protects the right to bargain collectively on wages and salaries. Employers establish work rules and work hours in consultation with union delegates. The Code also prohibits anti-union discrimination and gives workers the right to strike, although attempts to exercise rights are sometimes met with intimidation from security forces. According to the Labor Code, the minimum age for employment is 16. However, child labor remains a problem, particularly in the informal sectors of subsistence farming, small-scale enterprises, and small-scale mining. In 2002, Guinea signed and ratified ILO Convention 182 on child labor. Problems have been reported regarding human rights abuses committed by members of the security forces, but there have been no significant incidents over the past year.

## GUINEA-BISSAU

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Guinea-Bissau did not export under AGOA in 2002.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Over the past five years, all of the governments of Guinea-Bissau (which has undergone a succession of rebellions and a coup d'état) have supported the transition to a market economy. The state no longer dominates the commercial sector, and has abolished state marketing boards, privatized some companies, and ended price controls. Since July 2002, a significant amount of bilateral aid has been suspended due to the gross diversion and misdirection of funds.

**Rule of Law/Political Pluralism/Anti-Corruption:** The 2000 elections were considered generally free and fair, but the elected government, an enthusiastic supporter of free-market liberalization, remained under the threat of military interference. Opposition parties were reportedly intimidated and the independent press harassed throughout 2002. The judiciary has been subject to political influence and corruption, and the President replaced the head of the Supreme Court twice in 2002. New National Assembly elections are called for July 2003, although there are serious concerns about the prospects for credible and transparent elections. Guinea-Bissau's anti-corruption efforts are sporadic and uncoordinated.

**Poverty Reduction:** Guinea-Bissau has not yet adopted a poverty alleviation strategy but is preparing one.

**Labor/Child Labor/Human Rights:** Guinea-Bissau has not ratified several key ILO conventions. Child labor, including some forced child labor, is a problem. The human rights record remains poor. Security forces have reportedly committed abuses, including beatings and arbitrary detention. The Government restricts freedom of speech and the press.

## KENYA

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

**AGOA Trade and Investment:** Kenya recorded \$129 million in AGOA exports in 2002, representing 68 percent of total exports to the United States. According to the Ministry of Trade and Industry, textile and apparel exports to the United States have risen from \$45 million in 2000 (before AGOA) to \$123 million in 2002. Total new AGOA-related investment has gone from \$15.3 million in 2000 to \$77.1 million in 2002. Eighteen new companies exporting under AGOA started operations in 2002, all in garments or related services. Direct AGOA-related jobs now number almost 30,000. Kenya was the first country to be accredited for AGOA exports of hand-loomed, handmade, and folklore items.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The new Kenyan Government has developed an Economic Recovery Strategy that lays out its plans for



economic reform. Privatization of Telkom Kenya remains stalled, but the new Transport and Communications Minister announced in March 2003 that more competitors will enter the telecommunications market by July to compete with Telkom in the provision of services.

**Rule of Law/Political Pluralism/Anti-Corruption:** The December 2002 election that ended President Moi's 24-year rule was the freest and fairest in Kenya's history. The new government of President Kibaki campaigned on an anti-corruption platform. Soon after coming to office, the President announced that he would declare his own wealth and ask other senior officials to do the same. He appointed a widely respected anti-corruption activist as Permanent Secretary for Ethics in the Office of the President. A new Ministry of Justice and Constitutional Affairs was quickly established. Ghost workers were removed from the public payroll. Commissions of inquiry were established to investigate a major foreign exchange scam and allegations of corruption in the judiciary. Most importantly, the new government quickly tabled the Constitution of Kenya (Amendment) Bill, the Anti-Corruption and Economic Crimes Bills, and the Public Officer Ethics Bill. These bills are essential to beginning a systematic fight against corruption, a key condition to the resumption of an IMF Poverty Reduction and Growth Program in Kenya.

**Poverty Reduction:** The new government implemented a policy of free universal primary education after assuming office. Primary school enrollment immediately increased from 5 million to over 7 million. However, the program cost substantially more than was initially estimated. Donors have been urging the government to quickly establish meaningful anti-corruption institutions, a key precondition for resumption of an IMF Poverty Reduction and Growth program in Kenya.

**Labor/Child Labor/Human Rights:** Workers have the right to organize unions, the right to bargain collectively, and the right to strike, albeit with some restrictions. In practice, workers complained of a harsh attitude toward labor unions under the Moi government. The Labor Law Reform process was delayed by wrangling over representation on the Task Force and should conclude by Fall 2003. Expected to be included in the reforms are applications of Kenyan labor laws to the EPZs and implementation of ILO convention 182 on child labor, which Kenya ratified in 2001. Following a series of strikes and demonstrations in early 2003, labor unions have been increasingly vocal in demanding that they be allowed to organize workers in the EPZs. Kenya's human rights record under President Moi was poor. Abuses by members of the police forces went unpunished. The Moi government limited freedom of speech and of the press, and harassed and intimidated newspapers that were critical of its policies. Political intimidation and violence worsened prior to the December general elections. Human rights have improved considerably in the months since President Kibaki took office.

## LESOTHO

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

**AGOA Trade and Investment:** Lesotho's AGOA exports totaled \$318 million in 2002, representing 99 percent of Lesotho's total exports to the United States. Most of these exports were apparel. The construction of a \$100 million denim rolling mill is well under way and

should be complete in late 2003. The same investor is also building a \$40 million cotton yarn-spinning mill that will be completed in mid-2004. Six new garment factories opened in Lesotho during 2002 (13 opened in 2001), bringing total employment in the textile sector to about 45,500. Due to AGOA, for the first time in Lesotho's history private sector manufacturing employment exceeds government employment.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Government of Lesotho and the IMF completed the third review of the Lesotho's Economic Reform Program in September 2002. The favorable review resulted in the government receiving the fourth disbursement of an IMF loan supporting poverty reduction. The privatization of Lesotho Electricity Corporation has been delayed pending a study on the financing of a national rural electrification program.

**Rule of Law/Political Pluralism/Anti-Corruption:** Lesotho held parliamentary elections in May 2002. International observers were welcomed and concluded that the elections were free, fair, lawful and peaceful. Lesotho's 120 parliamentary seats are split between the ruling party and nine opposition parties. On the anti-corruption front, Lesotho has also made a substantial commitment to fighting corruption, spending at least \$4 million to prosecute offenders in a major bribery scandal involving the former head of the Lesotho Highlands Water Authority. A Canadian corporation was convicted of bribery in October 2002 in a separate proceeding and fined \$2.2 million. Other corporate and individual defendants are being tried in separate proceedings. In terms of both scope and results, the investigation and subsequent legal proceedings are without precedent in sub-Saharan Africa.

**Poverty Reduction:** Lesotho continues to work closely with the World Bank on its poverty reduction strategy and is making good progress. The free primary education program was extended through grade 4 in 2003 and will extend to additional grades in coming years.

**Labor/Child Labor/Human Rights:** There were no governmental restrictions on international affiliations or contacts by unions or their members nor on the rights of workers or union members to form political parties. The Lesotho Workers' Party formed during 2002 and won a seat in Parliament. A new Directorate of Dispute Prevention and Resolution began hearing cases in January 2002 and has won praise from Lesotho's unions for prompt and fair disposition of cases brought before it; most cases are resolved within weeks. Foreign buyers' inspections of factories have been followed by some significant improvements in working conditions, especially in the case of larger operations, although unpaid overtime, arbitrary dismissals, and violations of minimum wage laws continue to characterize other employers. The government is working to educate both workers and company managers about their rights and duties.

## LIBERIA

**Status:** Not AGOA eligible, largely because of concerns related to economic reform, rule of law, corruption, human rights, and the government's destabilizing policies in the region, particularly its participation in the conflict in Sierra Leone.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Government officials and combatants continue to exploit the country's natural resources for personal benefit. Despite Liberia's rich natural resources and potential for self-sufficiency in food, the country's productive capacity remains depressed by continued fighting, high unemployment, low literacy, and the absence of basic infrastructure. Price controls on key commodities such as rice, coffee, cocoa and petroleum products remain in effect, although the government liberalized the rice market by ending the import monopoly. Rules for foreign investment remain opaque and investors are often subjected to bribes and extortion.

**Rule of Law/Political Pluralism/Anti-Corruption:** Liberia's economy was devastated in the seven-year civil war that ended in 1996 and in subsequent fighting. Since the election of President Charles Taylor in July 1997, the government has done little to encourage economic development, ensure the rule of law, improve its human rights record, limit corruption, or promote foreign investment. Extortion is a widespread phenomenon in all levels of society. The legislature and the judiciary do not demonstrate genuine independence from the executive. The 1997 elections were deemed free and transparent, but were conducted in an atmosphere of intimidation, as citizens feared that military forces loyal to Charles Taylor would resume the civil war if Taylor lost the election. Liberia is scheduled to hold national elections in October 2003.

**Poverty Reduction:** There is no effective social service delivery system and the government directs few resources to poverty alleviation. The country's primary hospital is closed due to lack of funds, supplies, and personnel.

**Labor/Child Labor/Human Rights:** The government's human rights record is poor. Its agents commit extrajudicial killings, torture, and beatings; intimidate and threaten the press; arrest journalists; and harass human rights defenders. The Labor Code explicitly prohibits forced labor, but there are reports of it on timber concessions and elsewhere. The ILO has noted several cases in which the government has failed to bring law and regulation into conformity with existing conventions or otherwise submit texts for ILO review. Specifically, Liberia has not ratified ILO Convention 182 on child labor. There are credible reports of security forces forcing children to work. There have been instances of prisoners being illegally "hired out" by prison officials to private enterprises. Under an emergency declared in 2002, the police have detained dozens of suspected "dissident collaborators" and continued arbitrary arrests of journalists and human rights defenders. In addition, government troops carried out widespread looting and other abuses against civilians.

**U.S. National Security and Foreign Policy Interests:** Liberia seriously undermines regional security and U.S. interests by supporting Sierra Leone's Revolutionary United Front (RUF) rebels. The RUF conducted a decade-long civil war in Sierra Leone and more recently carried the conflict into neighboring Guinea, creating a severe refugee crisis by attacking refugee camps and preventing the flow of basic aid and food stocks to areas where more than 500,000 refugees and internally displaced persons reside. The UN Security Council imposed sanctions on Liberia in May 2001 because of the government's support for the RUF.

## MADAGASCAR

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

**AGOA Trade and Investment:** Madagascar's exports under AGOA were valued at \$79.7 million in 2002, representing 37 percent of Madagascar's total exports to the United States. These exports were primarily textiles and apparel. Madagascar's duty-free exports to the United States under AGOA declined drastically during 2002 as a result of the political crisis, which hit Export Processing Zone (EPZ) firms responsible for most AGOA exports particularly hard, and cost thousands of workers their jobs. Influenced by AGOA, Madagascar has approved twenty new EPZ companies in the past year, nine in the textile and apparel sector. These new companies represent \$10.6 million in international investments and the creation of approximately 5,100 jobs. A U.S. investor is a joint-venture partner in a new apparel plant in Antsirabe, with a Malagasy firm and two Sri Lankan textile companies as equal partners.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Madagascar continued to implement its program of macroeconomic and structural reforms. At a meeting organized by the World Bank in July 2002, the new Ravalomanana government proposed a recovery program centered on good governance, growth and poverty reduction, which sufficiently impressed donors to pledge significant financial support. The government followed with a series of short-term fiscal measures to help restart the economy. The government also stressed private sector partnership and established a new committee to ensure dialogue between the private sector and government on economic policy questions.

**Rule of Law/Political Pluralism/Anti-Corruption:** Early legislative elections in December 2002 reinforced Madagascar's political stability. The elections were relatively well organized, free of violence, and perceived by international and national observers as transparent and democratic. Corruption is pervasive, but the Ravalomanana government has made anti-corruption efforts a key priority, and has announced it will establish a national council to oversee anti-corruption efforts. The sudden removal of two key officials and suspensions of numerous magistrates signal an activist approach on this issue. Madagascar has many political parties, as well as privately owned newspapers, radio and TV stations that regularly criticize the president and the government. The judiciary has been strengthened by improved working conditions for court officials, sanctions against corrupt judges, and through a program to disseminate legal information. Lengthy pre-trial detention remains a major problem, but the government continues a major effort to reduce the number of these detainees.

**Poverty Reduction:** Poverty rates increased in 2002 to 71.6 percent due to the political crisis. The government is in the process (April 2003) of finalizing its Poverty Reduction Strategy Paper (PRSP) and hopes to attain the completion point under the HIPC Initiative in 2004, after one year of implementation of the PRSP. Resources freed by HIPC assistance will be targeted to health, education, rural roads, and direct support to communities. The government has negotiated an ambitious Structural Adjustment Program with the World Bank and IMF to reverse economic decline, launch sustainable growth, and reduce poverty.

**Labor/Child Labor/Human Rights:** Following a period of concern during the political crisis, Madagascar's situation has stabilized and human rights are once again generally respected. The law provides workers, other than essential service workers, the right to establish and join labor unions, but the ILO has noted that many categories of workers are inappropriately designated as essential workers, and thus are not allowed to strike. Discrimination against union organizers is prohibited, but enforcement of labor regulations is hampered by lack of government resources, including in EPZs where problems persist. Forced labor, and forced or bonded child labor is prohibited. Although Madagascar has ratified ILO Convention 182, child labor is present, mostly in agriculture and the informal sector. The ILO has asked the government to bring existing labor laws into conformity with ILO conventions and international labor standards. One current issue concerns detentions related to the 2002 political crisis (approximately 250 detainees) and a possible amnesty for some or all of the detainees.

## MALAWI

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

**AGOA Trade and Investment:** Malawi's exports under AGOA were valued at \$47 million in 2002, representing 69 percent of its total exports to the United States. The total work force engaged on AGOA-related activities, based on an U.S. Embassy survey of producers, has reached over 6,500, including over 2,500 jobs created in 2002 alone.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Malawi continues to take steps to foster a market-based economy. The government encourages both domestic and foreign investment in most sectors of the economy, without restrictions on ownership, size of investment, source of funds, and destination of final product. The Competition and Fair Trading Act, passed in November 1998 and made operational in April 2000, aims to regulate and monitor monopolies and the concentration of economic power, protect consumer welfare, and strengthen the efficient production and distribution of goods and services. The government has made progress with its multi-sector privatization program, selling off more than 50 of approximately 110 targeted companies since 1996.

**Rule of Law/Political Pluralism/Anti-Corruption:** Malawi's fledgling democracy has produced elections and judicial processes declared substantially free and fair by the international community. In June 1999, Malawi held its second multi-party democratic presidential and parliamentary elections. The three main parties are the United Democratic Front, the Malawi Congress Party, and the Alliance for Democracy. An opposition "pressure group," has applied to register as a political party. A number of other small political parties have formed in the run-up to the 2004 presidential election. Malawi's Constitution guarantees basic freedoms and respect for civil liberties, including freedom of speech, religion, and assembly. Malawi has a fairly independent but overburdened judiciary. The government's Anti-Corruption Bureau actively pursues public and private corruption.

**Poverty Reduction:** Since 1981, Malawi has undertaken economic structural adjustment programs supported by the World Bank, the International Monetary Fund, and other donors. The

government has made poverty reduction a priority, and sets its policies accordingly, placing special emphasis on education, health, agriculture, and private sector development. Malawi reached the decision point for its Highly Indebted Poor Country debt relief program in December 2000 and has since developed its Poverty Reduction Strategy Paper. The PRSP serves as the central planning document for government budgeting and poverty reduction activities. The final version of Malawi's PRSP was published and officially launched in April 2002.

**Labor/Child Labor/Human Rights:** Malawi's labor laws have been recently revised and cover most of the ILO's core labor standards. However, a lack of resources hampers government enforcement and cooperation. Malawi's Constitution and employment laws comply with ILO Conventions 138 and 182 on child labor, though this remains a problem. The government made progress in combating child labor in 2002 by developing a draft bill, which is awaiting consideration by Parliament, and setting up an outreach task force.

## MALI

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Mali's duty-free exports under AGOA were valued at \$342,000 in 2002, representing 13 percent of Mali's total exports to the United States. These exports were primarily minerals and metals. Investors from Mali and Mauritius have invested about \$7.5 million to build a new yarn factory, which would initially process 5,000 tons of cotton; capacity could be increased to 15,000 tons a year. Production is scheduled to begin by September 2003. The yarn will be exported to Mauritius for use in manufacturing apparel that could be exported to the United States under AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Mali received high marks in early 2003 from the IMF and Paris Club for its efforts to implement a market-based economy. National treatment is guaranteed for foreign investors. The government has made consistent efforts to attract U.S. and other foreign businesses, and created a new ministry for investment and private sector promotion. The government continues its efforts to liberalize the cotton sector; in September 2002, it launched an international bid for the sale of three cotton gins. A U.S. company is negotiating with the government to reach a final agreement to purchase cotton gins. The government continues to implement outreach programs on radio and television in order to implement a market-based pricing structure for petroleum products.

**Rule of Law/Political Pluralism/Anti-Corruption:** Mali is a constitutional democracy. In 2002, it elected a new president. Outgoing President Konare peacefully transferred power to President Toure in June 2002. Legislative elections were also successfully held, and a new National Assembly took office in August 2002. President Toure appointed new cabinet members, grouping technocrats with representatives of the most prominent political parties. The government is still in the process of implementing its ten-year program for restructuring and modernizing the judiciary. The government has hired and trained more personnel including prison guards, renovated prisons, and disseminated to all jurisdictions the penal code, as revised in 2001. President Toure announced that the fight against corruption would be one of his top

priorities. In early 2003, he signed a decree encouraging greater competition for government contracts, and recently launched a plan to strengthen institutions in charge of government assets. In February 2003, the National Democratic Institute conducted USAID-funded anti-corruption workshops and training for counselors at the National Assembly and Supreme Court.

**Poverty Reduction:** In February 2003, the IMF concluded that Mali has completed the enhanced HIPC program and will receive \$18 million in debt relief to fight poverty. The Paris Club approved \$70 million for the same purpose. For the period 2002-2004, 46 percent of Mali's resources, amounting to more than \$280 million (\$100 million from debt relief), are earmarked for the education, health and social sectors and 45 percent for the rural development and production infrastructures.

**Labor/Child Labor/Human Rights:** Mali has ratified ILO Convention 182 on child labor. However, Malian children are trafficked and sold into forced labor in Cote d'Ivoire and are also used in agriculture. The government continues to implement several programs with UNICEF and the ILO to combat child labor and child trafficking, including the rescue of trafficked children. One program relates to child trafficking between Mali and Cote d'Ivoire, as reported by UNICEF in 2000. In the past year, ministers of labor and family promotion of Mali and Cote d'Ivoire organized several meetings in both countries to fight child labor and trafficking. The Constitution and Labor Code provide for the freedom of workers to form or join unions and protect freedom of association, and virtually all salaried employees are organized. Anti-union discrimination has not been a problem. The government generally respects citizens' rights. In December 2002, the government held a meeting to review and assess the Human Rights Forum that has been held annually for the past six years. At these fora, individuals and organizations may publicly address complaints against the government or public authorities they believe have violated their rights.

## MAURITANIA

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Mauritania's AGOA exports in 2002 were electronic products valued at \$35,000, representing about four percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Mauritania has moved steadily toward establishing a market-based economy and has made continued progress in exposing the economy to market forces. An ambitious reform program aims to stimulate economic growth. Mauritania has established an environment that is conducive to investment, though bribery and corruption continue to be problems. By law, foreign investors receive national treatment, and Mauritania issued a new investment code in January 2002 simplifying export and investment procedures. The currency is freely convertible and the government does not directly subsidize business or industry. There are tax incentives for small and medium-sized enterprises. The national airline, all commercial banks, and the telecommunications parastatal have been privatized, and electric and water utilities are being privatized.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government has undertaken efforts to retrain judges and others working in the judicial system to implement the constitutional requirement of an independent judiciary, but problems remain. Political discussion is generally unrestrained, aided by an increasingly independent press, which criticizes the government; however, the government sometimes engages in censorship and there is no independent broadcast media. The government has jailed opposition politicians and banned an opposition party. Presidential elections are scheduled for late 2003.

**Poverty Reduction:** In February 2000, Mauritania qualified for debt service relief under the HIPC Initiative and will receive relief equivalent to 40 percent of total yearly debt service payments over ten years (approximately \$1.1 billion). The government has developed a consensus-based strategy to reduce poverty to 38 percent of the population by implementing health care, education, and rural development programs. Universal primary education is a key government objective and a tool for poverty reduction. Primary school attendance has increased from 45 percent in 1990 to 86 percent in 1999.

**Labor/Child Labor/Human Rights:** The Constitution provides for freedom of association and the right of citizens to join any political or labor organization. The ILO has expressed concern about prohibitions on strikes and restrictions related to freedom of association, and also about continuing allegations of forced labor. The government has in the past promised to reform its labor code, but it has yet to bring labor legislation before the parliament. The government has outlawed slavery, but there continued to be reports that forms of slavery persisted in remote areas. The government has attempted to address the consequences of slavery through its poverty reduction program, focusing on education and economic development. Mauritania was one of the first states in West Africa to ratify the Convention on the Rights of the Child. It has implemented ILO Conventions 138 and 182 on child labor. These rules are generally respected in the formal sector, but children continue to work in the informal sector and in rural areas. The government lacks resources to effectively enforce child labor laws. Women play an increasing role in politics. Despite the many positive developments, the overall human rights record is poor.

## MAURITIUS

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

**AGOA Trade and Investment:** Duty-free exports from Mauritius under AGOA in 2002 totaled \$114 million, 41 percent of Mauritius' total exports to the United States. These exports included textile and apparel products, sugar, and electronic products. The United States is Mauritius' biggest market for apparel exports. AGOA has inspired significant investment in Mauritius. To take advantage of AGOA's textile and apparel provisions, a Chinese firm has started construction of a \$60 million cotton yarn-spinning mill, which will employ 300 people; an Indian firm began construction of a spinning mill in February 2003, which will employ 140 people; and a Mauritian company broke ground on a new mill in January 2003 that will produce 5500 tons of yarn annually. Mauritius' Board of Investors has approved proposals by Italian and Indian investors for additional plants. AGOA also motivated Mauritius-based companies to invest in the textile



sectors of Madagascar, Mozambique, Lesotho, and Senegal. They are also considering further investments in Namibia and Uganda.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Mauritius was judged the most competitive economy in Africa by the World Economic Forum in 1998 and 2000. The government works with the private sector to encourage transparency and encourage market forces. Mauritius has undertaken trade liberalization, including lowering tariffs. It has signed the Information Technology Agreement. Mauritius is updating patent, trademark, and copyright laws.

**Rule of Law/Political Pluralism/Anti-Corruption:** Mauritius is a vibrant democracy. Fair and orderly elections, supervised by an independent commission, take place at regular intervals. The press and political parties operate freely and the judiciary is independent. Procurement is open and transparent, although there have been allegations that some contracts are awarded to the ruling elite and favored persons. Mauritius has passed anti-corruption legislation and the new anti-corruption commission is investigating cases involving ministers and a commercial bank.

**Poverty Reduction:** Rapid economic growth and strong social policies have significantly reduced the percentage of the population living below the poverty line. Primary and secondary education is free and compulsory for ages five to twelve. Nearly 100 percent of primary school age children are enrolled in school. Nevertheless, Mauritius is working closely with the World Bank to address disparities in the employment and education sectors. The private sector has been involved in the diversification of sources of health care. One hundred percent of rural and urban populations have access to safe drinking water.

**Labor/Child Labor/Human Rights:** The government of Mauritius generally respects the rights of its citizens, including freedom of speech, press, assembly, and religion. Mauritian law prohibits forced or compulsory labor as well as trafficking of children. Child labor has been a problem but the government is actively combating it. The Constitution prohibits discrimination based on race, caste, place of origin, political opinion, color, religion or sex. A Sex Discrimination Act was passed in December 2002. All workers, including those in EPZs, have the right to organize. The right to strike is somewhat limited by a required 21-day cooling off period followed by binding arbitration. In response to a March 2002 strike by Chinese factory workers against a garment manufacturer, Mauritius developed guidelines for employment of foreign workers in Economic Processing Zones. Mauritius has ratified ILO Convention 182 on child labor.

## MOZAMBIQUE

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

**AGOA Trade and Investment:** Mozambique's AGOA exports were valued at \$5.9 million in 2002, representing 73 percent of the country's total exports to the United States. These exports consisted primarily of agricultural products. Three Mozambican garment companies shipped approximately 750,000 units to the United States in 2002. These three companies have garnered

contracts for 2003 in excess of one million items and that number is expected to increase. Several artisans are taking advantage of AGOA through the Aid to Artisans program. A group of Mozambican artisans have put together several containers of masks and sculptures and is working with the Embassy in an effort to find buyers. The export of non-industrially caught prawns will begin soon.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Mozambique has continued to make progress in its economic and political performance. It has established and continues to refine 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. Privatization plans are near completion and over 1,200 companies have been privatized. Currently, a U.S.-led consortium is involved in taking over one of the last government-owned enterprises, the Nacala port and rail corridor in the northern provinces of Nampula and Niassa. Mozambique actively encourages U.S. trade and investment. The creation of the Center for the Promotion of Investment has further encouraged investment by streamlining the bureaucratic process. The government has shown an interest in obtaining a Sovereign Credit Rating, demonstrating a commitment to greater transparency and international standardization. Mozambique remains cooperative on intellectual property rights protection. The government generally does not employ non-tariff barriers.

**Rule of Law/Political Pluralism/Anti-Corruption:** Mozambique is a multi-party democracy with representation from the main opposition party and several smaller political parties in the National Assembly. Opposition parties that boycotted elections in 1998 are expected to contest local elections scheduled for October 2003. National presidential and legislative elections are scheduled for 2004. USAID is working with the Attorney General's Anti-Corruption Unit to combat corruption.

**Poverty Reduction:** The Action Plan for the Alleviation of Absolute Poverty is the government's strategy for dealing with the fundamental need to bring some relief to the vast majority of Mozambicans living in abject poverty. Mozambique's performance in this regard helped it to reach the Enhanced HIPC completion point in September 2001. The resulting decreases in debt stock will continue to allow Mozambique to devote resources to health, education, and infrastructure.

**Labor/Child Labor/Human Rights:** Mozambique is a poor and mostly agricultural country which has not developed a sophisticated labor relations system. The labor system is dominated by three actors: the confederation of business associations, the organization representing the various unions, and the Ministry of Labor. This tripartite group sets the minimum wage and working conditions in Mozambique. Employees work through the unions to bargain collectively, though the unions are not as effective as unions in more established labor market. DOL is working to bring collective bargaining training to all of the stakeholders and will also investigate the possibility of expanding a new arbitration center to also handle arbitration cases between employers and employees. Forced or compulsory work is prohibited by law, as is child labor. The tripartite group sets the minimum wage as well as the length of the workweek and discusses

issues related to occupational safety. The human rights situation in Mozambique remains problematic, although there have been improvements.

## NAMIBIA

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

**AGOA Trade and Investment:** Namibia's AGOA exports were valued at \$1.7 million in 2002, representing three percent of Namibia's total exports to the United States. These exports consisted primarily of textile and apparel products. Over the last year, Namibia has been the beneficiary of significant AGOA-related investment. A Malaysian-based firm has invested over \$200 million in a textile and garment-manufacturing plant, generating over 4,200 jobs. Two additional garment firms expect to start production by May 2003 after investments of \$65 million and \$50 million. These investments will create an additional 6,000 jobs. A South African company is finalizing development plans for a \$130 million weaving and dyeing plant in Windhoek. The plant is expected to employ over 1,000 workers and attract additional garment manufacturers to take advantage of its Namibian-produced woven fabric.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Namibia has an open and secure commercial environment. Some parastatals continue to struggle, notably government-owned Air Namibia. Most other "commercialized" parastatals are maintaining or improving performance, with some regularly remitting dividends to the Government. Namibia's black economic empowerment partnerships, which are becoming an increasingly common element in new ventures involving foreign investors, generally offer open, transparent, and non-mandatory economic participation to historically disadvantaged Namibians.

**Rule of Law/Political Pluralism/Anti-Corruption:** The 2004 presidential elections will be an important test for Namibia's young democratic institutions. The President has publicly stated that he will step down in 2004, and signs within the ruling SWAPO party show movement toward selecting a successor. A draft anti-corruption bill is before Parliament which, when passed, will create a new Anti-Corruption Commission. Investigation into a recent scandal involving the Social Security Commission has uncovered allegations of impropriety and exemplifies a strong and widely held antipathy to corrupt practices.

**Poverty Reduction:** Namibia's progress in reducing poverty is noteworthy, particularly with regard to AGOA-related job creation during the past year, but the effects of HIV/AIDS threaten these gains. GDP growth has averaged over three percent since independence, but the World Bank estimates that capital displacement and lost productivity due to HIV/AIDS will reduce average growth over the next fifteen years to just over two percent, resulting in likely declines in GDP per capita. As such, stimulating growth through greater trade is essential to mitigating the devastating impact of HIV/AIDS.

**Labor/Child Labor/Human Rights:** While some problems continue to exist, the human rights situation in Namibia improved over the past year, largely due to the cessation of hostilities in Angola and the resultant spillover of violence into northern Namibia. A Domestic Violence Bill

is progressing through Parliament and will, when enacted, improve law enforcement's capacity to deal with the problem and impose far stiffer punishment on those convicted of domestic violence. The government generally respects the rights of citizens, including freedoms of speech, press, religion, and association. Workers are free to form unions and to bargain collectively, but the right to strike is somewhat limited and denied entirely to workers in Export Processing Zones.

## **NIGER**

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Niger's duty-free exports to the United States under AGOA were valued at just \$22,000 in 2002, three percent of Niger's total exports to the United States. These exports included forest products, miscellaneous manufactures, and electronic products. No new AGOA-related investment was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Niger is moving rapidly towards a market-based economy, but it is constrained by limited resources. The government has privatized five enterprises and six more are scheduled to be privatized soon. Niger has sustained the budgetary discipline and macroeconomic performance necessary to continue to receive disbursements under its three-year IMF Poverty Reduction and Growth Facility. There are no legal barriers to U.S. trade and investment in Niger. There have been no investment disputes involving either U.S. or other investors in Niger. The investment code provides for the settlement of disputes.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government is moving forward to reform Niger's judicial system; the system's independence from the executive branch and long delays remain problems. The government has worked with opposition legislators on a widely-supported decentralization plan in advance of local elections planned for later in 2003. Niger continues to make progress on establishing the rule of law, respecting political pluralism, and recognizing the right to a fair trial and equal protection under the law. The government is committed to and has made progress on reducing corruption. Niger established an independent auditors office within the government.

**Poverty Reduction:** Niger's Poverty Reduction Strategy Paper was adopted in February 2002. Niger should reach its HIPC completion point in 2003. The government has used its HIPC savings within the framework of the Poverty Reduction Strategy Paper.

**Labor/Child Labor/Human Rights:** The Labor Code is based on ILO principles, and includes the right to organize and prohibits anti-union discrimination by employers. Enforcement is uneven due to the lack of administrative infrastructure. Niger has ratified ILO Convention 182, but child labor is common. The government is working with UNICEF and the ILO to fight against the worst forms of child labor and to promote education through its Basic Education and African Girls Initiative programs. There are still problems regarding the abuse of power by

security forces. Trafficking in persons also remains a problem. Nevertheless, over the past year Niger has made progress on human rights.

## NIGERIA

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Nigeria's duty-free exports to the United States under AGOA were valued at \$5.4 billion in 2002, consisting primarily of petroleum products. These exports represented 93 percent of Nigeria's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Nigeria has made progress toward establishing a market-based economy that protects private property rights, incorporates an open, rules-based trading system, and generally reduces government interference in the economy. Controls over foreign investment have been loosened. The government has moved forward with its privatization program, and efforts are underway to privatize companies in several sectors. Corruption in procurement has been a problem, but the government has established an office to review all capital projects over \$100,000. Although time-consuming and difficult, this process helped secure a \$49 million NITEL contract for a U.S. firm. The government imposed interest rate caps on commercial sector lending in December 2002. The government banned imports of critical consumer items and foodstuffs such as printed textiles, wheat flour and frozen chicken in 2002, while tariffs on rice and detergent were raised to 100 percent. The government's strict 100 percent inspection policy for all goods entering the country has further slowed already poorly functioning ports. Although the government is working toward restructuring the intellectual property rights regime, piracy remains a major issue.

**Rule of Law/Political Pluralism/Anti-Corruption:** The elected civilian government is now in its fourth year, and the government has repeated its commitment to the rule of law. Despite an executive-legislature impasse over budget and spending processes, and threatened impeachment proceedings against the president in fall 2002, the vast majority of Nigerians steadfastly support the democratic process. In late 2002, the election commission registered 27 new political parties, bringing the number of parties in the country to 30. A voter registration program was conducted in September 2002, albeit with widespread complaints about irregularities. National elections, including presidential, state, and local elections, were held in April 2003. While the national level Supreme Court and Appellate Courts have distinguished themselves, overall the judicial system lacks the resources and administrative capability to function effectively, and there are long delays in resolving civil and criminal cases. Corruption is a problem. An anti-corruption commission is in place, but it has been challenged under a new bill passed by the National Assembly. President Obasanjo has refused to sign the new bill, which observers believe was passed in bad faith and gives immunity to members of the Nigerian Senate being probed by the current commission.

**Poverty Reduction:** Poverty reduction is the stated objective of the government's economic agenda. Despite some improvement in the provision of basic services such as education and health, these efforts have been stymied by a lack of policy cohesion and direction. The

government is working with the World Bank and IMF to develop a Poverty Reduction Strategy Paper.

**Labor/Child Labor/Human Rights:** All citizens have the right to form or belong to any trade union or other association for the protection of their interests. However, Nigerian law permits only a single central labor federation and the government recognizes only 29 trade unions. Nigerian law provides for the right to organize and the right to bargain collectively, but restrictions make organizing and striking in Export Processing Zones difficult. Workers have the right to strike but certain essential workers are required to provide advance notice. The government often intervenes in disputes seen to challenge key political or economic objectives. Legal restrictions on the right to organize have been cited repeatedly by the ILO without remedial action by the government. Nigerian law prohibits forced or bonded labor, but there are reports that it occurs and enforcement of the law was ineffective. Children under 15 may not be employed in commerce and industry and children may not be employed in agricultural or domestic work for more than 8 hours per day. However the ILO estimates that 25 percent of Nigeria's children are employed in some capacity. Private and government initiatives to stem the growing incidence of child employment continue but are ineffective. Although there were improvements, the government's human rights record remains mixed. Security forces have committed abuses. State sharia courts have sentenced persons to amputations and death by stoning; however, no amputation or stoning sentences were carried out in 2002. The Federal Government opposes these sentences, but says that under the Nigerian constitution, the judicial process must resolve these matters. The government generally respects freedom of speech and of the press; however, it placed some limits on freedom of assembly and association, including religious proselytization, citing security concerns in areas that have experienced communal unrest. The government occasionally restricts freedom of movement for security reasons in areas of unrest and uses lethal force at checkpoints.

## RWANDA

**Status:** AGOA eligible. Rwanda qualified for AGOA textile and apparel benefits in March 2003.

**AGOA Trade and Investment:** Rwanda's duty-free exports to the U.S. under AGOA were valued at \$10,000 in 2002, under one percent of Rwanda's total exports to the United States. No investment activity related to AGOA was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Rwanda has liberalized foreign exchange and interest rates, and has an investment code in place. Payments and international transfers are made easily. Rwanda has sold or leased 30 parastatal enterprises, and plans to privatize the tea, coffee, communications, and utilities sectors.

**Rule of Law/Political Pluralism/Anti-Corruption:** Political activity and free speech are restricted in Rwanda. However, the government held local elections in March 1999 and district elections in 2001, and national elections are scheduled for later in 2003. The judiciary is subject to executive influence, and suffers from a lack of resources and some corruption. The National

Assembly has actively investigated public officials accused of corruption and abuse of office, and an anti-corruption body has been established.

**Poverty Reduction:** Rwanda is still rebuilding social services decimated by the 1994 genocide. Special training centers for teachers and health care professionals have been created in Kigali. A Poverty Reduction Strategy Paper was finalized in December 2001 and is now being implemented.

**Labor/Child Labor/Human Rights:** Union membership is voluntary and open to all salaried workers, including public sector employees. The Constitution includes the right to form labor unions, but agricultural workers are still denied the right to associate freely. Regulations effectively restrict the right to strike, and strikes by civil servants are prohibited. The government ratified ILO Convention 182 but does not enforce child labor laws effectively. Most child labor occurs on family farms. There are no reports of forced labor. While there were some improvements, the government's human rights record remains poor. The military is believed to have committed human rights abuses, including extra-judicial killings in the Democratic Republic of the Congo, and there are reports of extra-judicial killings inside Rwanda.

## SÃO TOMÉ AND PRINCIPE

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Total São Tomé and Príncipe exports to the United States in 2002 totaled \$391,000, none of which was under AGOA. No AGOA-related investment was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** São Tomé and Príncipe (STP), a country of about 140,000 people, is one of the poorest and most heavily indebted nations per capita in Africa. It has a market-based economy. Currency restrictions have been lifted, largely doing away with a parallel exchange rate system. Import regulations have been simplified and made more transparent. Administrative and budget reforms are underway. The telecommunications and air transport companies have majority private ownership, but the gas distribution and electricity and water companies remain under state control. All of the state-run cocoa plantations have been privatized. Foreign investment is welcome. The island nation remains highly dependent on cocoa and foreign assistance. STP is in the early stages of petroleum exploration and development; STP is expected to hold a licensing round in October 2003, and production could begin by 2004. In the oil sector, as in many other areas, the government has not developed sophisticated legislation for regulation of investment and trade.

**Rule of Law/Political Pluralism/Anti-Corruption:** STP is a multi-party democracy with a free press. Free and fair presidential elections were held in July 2001, and legislative elections in March 2002. The President and Prime Minister are from different parties. The Constitution guarantees political and civil liberties and the government respects these liberties in practice. The judiciary is relatively independent. Corruption is a serious obstacle to foreign investment. The new government has stated that it will continue the vigorous anti-corruption campaign

launched by the previous government, which has seen several senior officials fired and some prosecuted.

**Poverty Reduction:** STP's social indicators are strong for such a poor country. However, the standard of living for most residents is extremely low. In 2002, the government continued negotiations with the IMF for establishment of a monitored poverty reduction facility, and made a number of amendments to its policies and budget in response to IMF concerns. STP has qualified for HIPC debt relief, and has begun making contributions to a national fund to support social programs and infrastructure development. The government devotes a relatively large proportion of its meager resources to education, health, and social welfare. Primary school attendance is approximately 90 percent.

**Labor/Child Labor/Human Rights:** The Constitution provides for the freedom of association, the right to organize and bargain collectively, and the right to strike. The law forbids forced or bonded labor, including of children, and such labor is not known to exist. The legally mandated employment age is 18 years, though some younger children do help out in family farms or businesses. Working conditions on many cocoa plantations – the largest wage employment sector – are difficult. The average salary for plantation workers does not provide a decent standard of living, and the IFIs have criticized the government for ineffective administration of subsidy support programs. Children work on plantations and in the informal sector. STP has not ratified ILO Convention 182. Freedom House has rated STP very highly for its respect for political and civil liberties.

## SENEGAL

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

**AGOA Trade and Investment:** Senegal's duty-free exports to the United States under AGOA were valued at \$499,000 in 2002, representing 13 percent of Senegal's total exports to the United States. Initial exports of green beans began in late 2002 under AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Senegal's market-based economy has no significant barriers to foreign private investment. Since 1994 the government has eliminated price controls, discontinued export subsidies, removed import bans and licensing requirements, dismantled monopolies, modernized regulatory frameworks, and is privatizing state-owned industries. The legal system, although overburdened, actively protects private property rights and there is an arbitration center to resolve business disputes. Senegal is signatory to major intellectual property rights conventions and a member of the World Intellectual Property Organization. The government has announced its intent to update intellectual property rights law, but enforcement of counterfeiting laws is lax. Senegal and the United States have a Bilateral Investment Treaty.

**Rule of Law/Political Pluralism/Anti-Corruption:** While the judicial system requires some strengthening as an independent institution, there is generally respect for a fair trial, equal protection under the law, and civil liberties, including freedom of speech, movement, and the



press. Senegal's Constitution provides due process and human rights, including equal protection under the law. Corruption is an obstacle to economic development. Audits of state-owned companies resulted in the conviction of one company director.

**Poverty Reduction:** The government's Poverty Reduction Strategy Paper, which calls for private sector-led growth, programs to improve education and health services, and micro-credit financing to stimulate employment, was approved by the World Bank and IMF in 2002. Senegal is receiving interim HIPC debt relief pending final approval, which should come in later in 2003.

**Labor/Child Labor/Human Rights:** Senegal has ratified ILO Conventions 138 and 182 on child labor. In 1998, Senegal, in conjunction with the ILO, initiated a program for the elimination of child labor, which has been extended through 2003. Despite a request from the ILO, the government has yet to amend the labor code to ensure that trade unions are not subject to dissolution by administrative authority under certain conditions. Currently the labor code requires prior authorization before a trade union can exist legally. Observers agree that the human rights situation in the Casamance region, site of a long-running rebel insurgency, have improved significantly over the past two years. In this region, there had been reports that security forces occasionally commit extra-judicial killings, beatings, and arbitrary detention.

## SEYCHELLES

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Seychelles did not report any AGOA-related investment or exports under AGOA in 2002.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Seychelles has been slowly abandoning statist economic policies in favor of a free-market approach, and has one of the highest GDPs per capita in Africa. Further reform is expected as a result of the country's application for membership in the WTO. There is no restriction on foreign ownership, and a number of incentives are offered to stimulate private sector investment. However, the economy is generally static, the government continues to play a strong role in the economy, and regulations and controls are burdensome. The trade regime is restrictive: imports, except for capital goods, require government approval, and non-essential imports are subject to quotas. Intellectual property rights are generally not adequately protected.

**Rule of Law/Political Pluralism/Anti-Corruption:** Seychelles has held two free and fair multiparty elections since 1993, including elections in 2001. The constitution adequately protects citizens' rights. Though democratically elected, President Rene wields authority virtually unchecked, especially in the areas of political patronage and resource allocation. There are some restrictions on freedom of the press. The judicial system lacks resources and is subject to executive interference. Corruption is low.

**Poverty Reduction:** Incomes have risen tenfold since 1976. The government emphasizes the importance of health and education, and citizens have access to adequate social services. Primary education for children aged six to fifteen is free and compulsory.

**Labor/Child Labor/Human Rights:** Seychelles generally respects the human rights of its citizens. Children have legal protection from labor and physical abuse, and no form of child labor exists in Seychelles. Seychelles has ratified ILO Convention 182 on child labor. Workers have the right to form and join unions and to engage in collective bargaining. However, collective bargaining rarely takes place. Between 15 and 20 percent of the labor force is unionized. The government has the right to review and approve all collective bargaining agreements. Strikes are illegal, but permission to strike may be obtained from the police commissioner. Forced or compulsory labor is prohibited. Enforcement of occupational health and safety laws is problematic, largely due to a lack of funding. The Export Processing Zone is not subject to labor laws.

## SIERRA LEONE

**Status:** AGOA eligible. Sierra Leone became eligible for AGOA trade benefits in October 2002. Implementation of Sierra Leone's trade benefits under AGOA had previously been delayed pending progress in stabilizing its political and security situation.

**AGOA Trade and Investment:** No AGOA-related trade and investment has been reported to date.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Sierra Leone has a market-based economy and an open, rules-based trading system. The 1991 Constitution protects private property rights. Laws generally protect intellectual property rights, including trademark, copyright and industrial design. The legal code provides for resolution of bilateral trade and investment disputes. The main barrier to investment is the continuing effect of the recently concluded internal conflict that devastated Sierra Leone.

**Rule of Law/Political Pluralism/Anti-Corruption:** Peaceful multiparty elections were held in May 2002, just four months after the end of more than a decade of hostilities. The elections were marked by some abuses, but these were not sufficient to affect the overall outcome of the presidential contest, nor most legislative races. Nine parties fielded presidential candidates. The courts demonstrate significant independence, but are weak, especially outside the capital, and suffer from a decade of disuse due to the civil war. Government policies are conducive to domestic and foreign investment, although corruption at all levels remains a significant problem. An Anti-Corruption Commission has been established but has yet to secure any convictions.

**Poverty Reduction:** Government policy aims to reduce poverty, increase the availability of health care and educational facilities, expand the physical infrastructure, and promote the development of private enterprise. Poverty alleviation programs are currently financed 100 percent by donors. Debt service is a challenge for the government. Sierra Leone continues to rely on substantial disbursements from IMF post-conflict programs. Its performance under the

Poverty Reduction and Growth Facility (PRGF) remains on track. In March 2002, the IMF announced Sierra Leone would receive \$950 million under the enhanced HIPC initiative. In July 2002, the Paris Club, which holds approximately 26 percent of Sierra Leone's external debt, provided an immediate \$3 million reduction in debt service. The remaining reduction will be delivered as Sierra Leone meets specified targets in its PRGF.

**Labor/Child Labor/Human Rights:** Worker rights are protected under the Regulation of Wages and Industrial Relations Act of 1971. However, government institutions have not demonstrated the capacity to enforce these laws. The ILO has been critical of the government's failure to take action to protect workers against anti-union discrimination by employers. Sierra Leone has ratified ILO Convention 182 on child labor. The law prohibits the employment of children under 12, which does not meet ILO minimum standards. There is a minimum wage law. The ILO has criticized a law that allows traditional leaders to demand compulsory labor. The government's human rights record has improved significantly in the past year, but serious problems remain.

## SOUTH AFRICA

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

**AGOA Trade and Investment:** South Africa increased its total AGOA exports from \$923 million in 2001 to \$1.3 billion in 2002, a 45 percent increase. AGOA exports constitute 32 percent of total South African exports to the United States. The automobile sector continued to lead the pack in AGOA exports. AGOA transportation equipment exports increased by 81 percent, from \$300 million in 2001 to \$544 million in 2002. AGOA apparel and textiles exports nearly tripled from \$33 million in 2001 to \$88 million in 2002. Exports of AGOA agricultural goods rose by over half from \$78 million in 2001 to \$123 million in 2002. Miscellaneous manufactured products increased by 28 percent from \$28 million to over \$36 million. Forest products nearly doubled from \$9 million to \$17 million.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** South Africa has a market-based economy that incorporates an open, rules-based trading system, and provides for the protection of private property rights. South Africa is moving slowly forward with the privatization and restructuring of state-owned enterprises. The government has made some progress with the process of granting concessions for South Africa's ports, but there are questions about the certainty of the rules regarding bidding. South Africa successfully launched its flagship IPO with the March 2003 listing of 25 percent of communications utility Telkom on the Johannesburg and New York stock exchanges. The launch broadened private ownership in the operator and reduced the government's stake to 40 percent. The government has also sought to revive the failed bidding process for a majority stake in the proposed Second Network Operator (SNO). Although Telkom's exclusivity period ended in May 2002, South Africa was unable to entice a qualified bidder for the SNO license to compete with Telkom due to market conditions and regulatory uncertainty. South Africa is making some progress on intellectual property rights protection. Police increased seizures of counterfeit goods, but follow-up and prosecution have been inadequate. Copyright protection is still inadequate. South Africa has

significantly reduced its average tariff rate, but some tariffs remain high. South Africa provides national treatment for foreign investors. There is no record of expropriation or nationalization of any U.S. investment. There is a bilateral Trade and Investment Framework Agreement, as well as a bilateral tax treaty in force.

**Rule of Law/Political Pluralism/Anti-Corruption:** South Africa is a multiparty parliamentary democracy, and opposition parties operate freely. The government is committed to the rule of law, and is working to strengthen its judicial and regulatory systems. The judiciary is independent at all levels. While South Africa faces serious governance and corruption challenges, the government has made the fight against corruption a priority, for example through the establishment of ten anti-corruption bodies. An extremely high crime rate and inadequate police response remain serious problems.

**Poverty Reduction:** The 2003 budget provides for a marked acceleration in spending on social services, investment in infrastructure, and support for local development. By extending the child support grant, investing in skills, improving access to education and health, supporting land redistribution and agricultural development, and promoting small business development, the government is taking further steps to address poverty and vulnerability in South Africa. The Black Economic Empowerment program, small business support programs, and infrastructure projects to improve access to basic services, housing, education and health care are all aimed at reducing poverty and narrowing the wide income disparities resulting from apartheid. Increasing rates of HIV/AIDS and high unemployment are serious obstacles to reducing the divide between the rich and poor.

**Labor/Child Labor/Human Rights:** The Constitution provides for equal protection, freedom of speech and the press, freedom of assembly, and an independent judiciary. South Africa provides strong worker rights protections, including the right to freely associate and to bargain collectively. However, there have been attempts by the government to establish a more flexible labor market, especially in the face of developmental needs and privatization. There is a legally established minimum age for the employment of children, but enforcement is difficult in some cases. Child labor occurs in South Africa, particularly in the agricultural sector. South Africa has ratified all ILO core conventions. The government generally respects the human rights of its citizens; however, problems remain in several areas. The government has focused high-level attention on the human rights issues of law enforcement, and is making serious efforts to improve the professionalism of its security services. It has taken action to investigate and prosecute some members of the security forces involved in human rights abuses.

## SWAZILAND

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

**AGOA Trade and Investment:** Swaziland recorded \$81 million in AGOA exports in 2002, primarily apparel. This represented 71 percent of total exports to the United States. The Swaziland Investment Promotion Authority (SIPA) estimated that foreign direct investment resulting from AGOA totaled over \$56 million in 2002. SIPA also estimated that 18,273 jobs

have been created in the apparel sector. Twenty-three companies in the Kingdom are currently exporting to the United States under AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** There is relatively little government intervention in Swaziland's free market economy. Swaziland has protection for patents, trademarks, and copyrights. Pending intellectual property rights legislation would offer greater protection. There is no investment code and, as of yet, there are no plans to implement one.

**Rule of Law/Political Pluralism/Anti-Corruption:** In late 2002, the Government of Swaziland announced that it would not recognize certain Court of Appeals judgments. Thereafter, the Court of Appeals resigned en masse and the High Court held the government in contempt of court. Based on the contempt ruling, the government is barred from seeking relief in court for civil matters. In April 2003, the Prime Minister removed the High Court Judge who wrote the decision finding the government in contempt.

**Poverty Reduction:** Progress in establishing economic policies to reduce poverty and improve access to health care could be bolstered. According to a select committee of parliament, the Prime Minister, acting without parliamentary approval, diverted \$2.8 million to pay a deposit on a jet for the King that would ultimately cost approximately \$72 million. At the same time, the government received agreement from international donors to provide emergency food aid to 297,000 people. The Minister of Finance has lamented the fact that 90 percent of the country's wealth is in the hands of ten percent of the population. Although studies show that the rate of HIV/AIDS prevalence among adults has risen to nearly 39 percent, the share of the national budget allocated for health declined from approximately seven percent in 2001 to six percent in 2002. There are signs, however, that the government now recognizes that it must do more to combat HIV/AIDS. Swaziland's 2003-04 budget, which has not yet been adopted, proposes allocating 7.5 percent of the overall budget to the Ministry of Health.

**Labor/Child Labor/Human Rights:** The Industrial Relations Act of 2000, which was enacted in order to qualify Swaziland for AGOA benefits, has subsequently been weakened, and no mechanisms have been created to effectively implement the Act. In late 2002, the AFL-CIO filed a petition to remove Swaziland's GSP eligibility based on allegations that the government failed to uphold internationally respected workers' rights. Government officials have admitted that certain foreign investors exporting under AGOA do not comply with local labor laws. The government has pledged to address this problem by increasing labor inspections; however, no such program has been put in place. In 2003, the Government banned from nationally-owned radio and television any statement deemed critical of the King, the government, or their policies. Human rights problems continue. The government has restricted political activity and freedom of assembly.

## TANZANIA

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

**AGOA Trade and Investment:** Tanzania's duty-free exports under AGOA were valued at \$1.3 million in 2002, almost all of which were agricultural and forestry products. These exports represented 5 percent of Tanzania's total exports to the United States. Tanzania qualified for the textiles and apparel provisions of AGOA in February 2002 and exported \$127,000 of textiles under AGOA during the year. Apparel manufacturers are beginning to receive new orders for exports under AGOA, and yarn is being exported from Tanzania to Mauritius for use in Mauritian clothing exports under AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Tanzania's economic reforms since the mid-1980s have been comprehensive and sustained. Real GDP growth has averaged four percent in the past five years, and will exceed five percent in 2003. The government has privatized nearly all of its parastatal enterprises and has liberalized its agricultural policy. Market forces determine interest and exchange rates. U.S. investment in Tanzania is slowly increasing, but is hindered by corruption, poor infrastructure, high electricity costs, and bureaucratic inefficiency. The inability to own land or offer it as collateral remains a major impediment to new investment.

**Rule of Law/Political Pluralism/Anti-Corruption:** Criminal trials are open to the public and press. The judiciary is formally independent but suffers from corruption, inefficiency and executive influence. Tanzania became a multiparty state in 1992, and held its second multiparty election in October 2000. While opposition parties campaigned freely, police often harassed opposition supporters, especially in Zanzibar. The government participates in the World Bank Institute's anti-corruption and governance program, established an Anti-Corruption Commission, and has indicted senior officials for corruption. Nevertheless, the government failed to enact most of the recommendations from a highly respected 1997 report on corruption, and has been slow to indict high-ranking officials implicated in corrupt activities.

**Poverty Reduction:** In 2001, Tanzania was one of the first African countries to receive enhanced HIPC debt relief under "Cologne" terms. The government has refocused on social sectors with emphasis on primary services. Tanzania is implementing its Poverty Reduction Strategy Paper for the HIPC Initiative. Although GDP has grown consistently at 4 percent annually, there has not yet been substantial progress on poverty reduction.

**Labor/Child Labor/Human Rights:** Tanzania has been a member of the ILO's International Program for the Elimination of Child Labor since 1994, and is currently undertaking a program to eliminate child labor. The country ratified all eight core ILO conventions and participates in an ILO program in the agricultural sector. However, there are significant limits on the right to form unions and the right to strike, and complaints about treatment of employees in privatized industries. Following the excessive force used against opposition supporters on Pemba Island in January 2001 which resulted in at least 30 deaths, the government and main opposition political party in Zanzibar reached an agreement that paves the way for significant electoral reforms to be

implemented before the next general elections in 2005. While there were improvements in human rights, serious problems remained.

## TOGO

**Status:** Not AGOA eligible, largely because of concerns related to economic reform, political pluralism and rule of law, corruption, poverty reduction, and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Togo's economic development is impeded by a large and inefficient state-owned sector, high spending on the security forces, widespread corruption and lack of government fiscal and budgetary discipline. Privatization has been sporadic. Togo privatized three hotels in 2002, but offers for three state-owned banks went unanswered because of their poor performances and high prices. Togo has a relatively liberal trade policy and investment code and good infrastructure. There are no significant restrictions on foreign investment, but it is limited. Several U.S. companies are considering projects in Togo.

**Rule of Law/Political Pluralism/Anti-Corruption:** Legislative elections originally scheduled for March 2000 were held in October 2002. Mid-year changes to the electoral commission caused opposition parties to boycott the elections. President Eyadema, Africa's longest serving head of state, had promised to leave office in 2003, but in December 2002 the newly elected legislature amended the constitution to allow him to run again in the June 2003 elections. There are many active opposition parties, as well as an active independent press. In the past year there were some violations of freedom of the press, intimidation of opposition parties, and abuses of the judicial system. Corruption remains a problem. The anti-corruption body continues to investigate relatively low-level officials.

**Poverty Reduction:** Ongoing political and economic difficulties have largely blocked progress in poverty reduction. Many donors have cut development aid to Togo due to human rights abuses and the stalled democratic process. Togo is in arrears to the World Bank, and the IMF suspended its Staff Monitoring Program in 2002.

**Labor/Child Labor/Human Rights:** Togo's labor code provides some protections for the right to organize and bargain collectively, but the government limits these rights and does not ensure their enforcement. Trade union leaders are arbitrarily arrested and intimidated. Togo remains a major origin country for trafficking in women and children, though the government has made efforts to stem this trade. A special court worked steadily over the past year to investigate and prosecute cases of child trafficking. The legislature has not passed proposed legislation on child labor and trafficking. Togo has ratified ILO Convention 182 on child labor. The Government does not accord fundamental worker rights to workers in the Economic Protected Zones, a practice that the ILO has criticized. Togo's human rights record is poor and the incidence of arbitrary arrests, beatings, and detentions remained high during the past year.

## UGANDA

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

**AGOA Trade and Investment:** Uganda recorded only \$32,000 in AGOA exports in 2002, but that figure will increase substantially in 2003 as AGOA-related apparel production comes on-line. In just the first two months of 2003, Uganda registered \$156,000 in AGOA apparel exports. Foreign companies have established major operations in Uganda in response to AGOA incentives.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Uganda's economy is based on agriculture. The country is a leading economic reformer in Africa. Uganda has an average 6.5 percent annual growth over the past sixteen years, a relatively vibrant capital market, and a business-friendly commercial environment. Privatization and civil service reforms are proceeding, and the budgetary process is increasingly transparent. The government has made progress in improving the country's infrastructure, and is creating a national road grid. Monopolies in the coffee, cotton, power and telecommunications sectors have been abolished. There has been a recent increase in nontraditional exports such as cut flowers and vanilla. Uganda has consistently welcomed foreign investment.

**Rule of Law/Political Pluralism/Anti-Corruption:** Presidential and parliamentary elections took place in 2001, with President Museveni re-elected. The elections were characterized by violence and irregularities in some parts of the country, but observers believe the 2001 presidential, 2001 parliamentary, and 2002 local elections generally reflected the will of the population. Despite restrictions on political parties and political activities, opposition figures have a significant presence in Parliament and speak out freely. Corruption remains a major problem, but indicators show some positive changes during the year, including the creation of a Local Government Account Committee and the passing of an Ethics Bill in Parliament. Poor judicial administration, lack of resources, a large case backlog, and lengthy trial delays circumscribed due process and the right to a fair trial, although backlogs have recently been reduced.

**Poverty Reduction:** In May 2000, Uganda was the first African country to reach its HIPC completion point. It has a long-established Poverty Eradication Action Plan and a Poverty Action Fund. Uganda is one of the first countries in Africa to show a sustained decline in the incidence of HIV/AIDS, reducing the rate of infection in Uganda from 30 percent to less than seven percent in 10 years. Plans to develop the education and health sectors are in place, but ambitious plans to combat poverty are limited by human capacity constraints. Nonetheless, poverty levels have dropped from 52 percent of the population in 1994 to 35 percent in 2001.

**Labor/Child Labor/Human Rights:** The minimum working age is 18; forced labor by children is prohibited by statute but still occurs, especially in the informal sector and among rebels. Financial constraints limit enforcement of child labor laws. There are inconsistencies between the outdated labor code and Uganda's Constitution, which guarantees freedom of association but places legal requirements on forming labor unions. The right to strike is severely limited by



requirements to resort to reconciliation procedures. Uganda is working with the ILO to update its labor code and strengthen overall industrial relations. Uganda has ratified ILO Convention 182 on child labor. Uganda has joined the ILO's International Program on the Elimination of Child Labor and is participating in a regional ILO project focusing on child labor, cross-border smuggling and drug trafficking. Human rights problems persist. The government has made serious efforts to stem human rights violations, including punishing military officers found guilty of violations. There have been no recent reports of politically motivated killings or disappearances. Uganda is still involved in the conflict in the Democratic Republic of Congo (DROC), although the Government withdrew a significant portion of its forces from DROC in 2002.

## ZAMBIA

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

**AGOA Trade and Investment:** Zambia's AGOA exports were valued at \$83,000 in 2002, representing just one percent of total exports to the United States. AGOA textile provisions have enhanced regional sales of cotton cloth produced in Zambia. A consortium of international investors is considering a \$35-50 million investment to create an integrated garment-making capacity in Zambia to take advantage of preferential AGOA access.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Zambia has maintained its reform program and continues to receive IMF support under a Poverty Reduction and Growth Facility. The government completed the concessioning of Zambia Railways and has announced the procedure under which it will relinquish control over the Zambia National Commercial Bank. In February 2003, the Zambian High Court issued the first ever judgment in Zambia for software piracy, in favor of a U.S. firm.

**Rule of Law/Political Pluralism/Anti-Corruption:** Legal challenges of the December 2001 elections continued to advance through the judicial system. The government has undertaken a parliamentary reform program designed to make Zambia's legislature an equal partner in governance and an effective counterpoint to executive power. Reviews of the constitution and the electoral system are also underway, with participation by civil society.

**Poverty Reduction:** Erratic rainfall affected the 2002 harvest of staple crops. The Zambian government redirected some funds budgeted for poverty reduction programs to purchase relief foods. Both the budgetary effect and the humanitarian impact of food shortages were exacerbated by the Zambian government's decision to reject U.S.-donated relief corn because of concern about biotechnology.

**Labor/Child Labor/Human Rights:** There were improvements in several areas of human rights in Zambia, but numerous problems remained, particularly concerning the conduct of the police. The private media were generally free. Several Zambians returned from self-imposed exile abroad. The Zambian government cooperated with several programs sponsored by the U.S. Department of Labor (DOL) to address Zambia's serious child labor problem, which is

exacerbated by the increase in deaths from HIV/AIDS and the growing numbers of orphans and households headed by children. In addition, DOL undertook a multi-country project based in Zambia to improve the capacities of regional employers' associations, trade unions and labor ministries to protect worker rights while promoting productivity. Zambia has ratified all eight of the core ILO labor conventions, but government employees' right to strike and right to bargain collectively are limited. A deterioration of respect for basic worker rights in the private sector was noted in 2002.

## ZIMBABWE

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

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Zimbabwe's economy has been in near free-fall recession since 1999, primarily due to poor government policies, mismanagement, overspending, and a chaotic land reform program. The decline accelerated in 2002, with GDP down 12 percent. The government's land redistribution program demolished Zimbabwe's agricultural sector, which traditionally accounted for half of exports. The country's infrastructure is collapsing, with basic commodities increasingly unavailable. Inflation is over 200 percent, and unemployment is estimated at 60 percent. Both the farm and non-farm economies have been hit hard, and inefficient state-owned monopolies continue to act as a drag on the economy. Due to this instability, the investment and operating climates have deteriorated significantly, and foreign direct investment is near zero. Despite some adjustments to the official exchange rate and a small number of price controls, the official rate remains below the parallel rate and many unrealistic price controls remain in place. Zimbabwe has poor relations with the international donor and multilateral lending community. Unpaid arrears have made Zimbabwe ineligible for IMF programs and may cause Zimbabwe to lose its voting rights in 2003. Laws provide for non-discriminatory practices, including full transparency in the tendering process, but in practice government procurement continues to be subject to considerable political influence. The country has a well-developed stock market and generally respects the rulings of courts in business matters. Although Zimbabwe is a member of the World Intellectual Property Organization, the government's lack of commitment to property rights is evident in the on-going land seizure campaign.

**Rule of Law/Political Pluralism/Anti-Corruption:** In the aftermath of the deeply flawed March 2002 presidential election, which most serious observer groups dismissed as not free and unfair, the government intensified its repression of the opposition, the judiciary, and the independent press. President Mugabe regularly disparaged the principal opposition party – which, by the government's count, won 1.2 million of the 2.8 million votes cast in the presidential election – as a puppet of the United Kingdom that should be crushed. The president of the main opposition party is on trial for trumped-up treason charges, and a majority of opposition members of parliament experienced arrests, harassment, or threats at the hands of government agents or supporters. Corruption at all levels of government is increasing, exacerbated by the economy's implosion. A government-sanctioned audit of the chaotic land redistribution program – the centerpiece of the ruling party's political agenda – revealed

widespread abuse of the announced resettlement rules by ruling party cronies, who benefitted handsomely from a policy that has contributed greatly to Zimbabwe's rapid economic contraction. The constitution guarantees due process and provides for the right to a fair trial, but independent members of the judiciary face intimidation and arbitrary arrest, and most of the members of the Supreme Court have been replaced with ruling party lackeys.

**Poverty Reduction:** Poverty expanded rapidly in 2002, due primarily to economic mismanagement and the ill-conceived land reform program. Approximately 7.2 million Zimbabweans, over half the population, face food shortages and rely on donor assistance. The United States provided over \$111 million in food aid to Zimbabwe in 2002. Rampant inflation and black marketeering have impoverished many Zimbabweans who had previously been self-sufficient. A massive exodus of health care professionals, coupled with inadequate government funding, has made healthcare unavailable to many Zimbabweans.

**Human Rights/Labor/Child Labor:** Zimbabwe's human rights record continued to worsen, as an increasingly unpopular government escalated its repression of suspected opposition supporters. In 2002, there were nearly 1,400 reported cases of torture, unlawful arrest, murder, rape, and other politically motivated crimes. More than 90 percent of those attacks were committed by ruling party supporters and security services, according to reputable human rights organizations. The government frequently singled out labor leaders for intimidation. The government and its supporters threaten, harass, and intimidate opposition parties, the independent media, NGOs, and the judiciary, and passed even more restrictive media laws. Zimbabwe is a member of the ILO and all workers, except government employees, have the right to form and join trade unions. Unions have the right to organize and bargain collectively, although in the current political environment unions are targeted for intimidation and violence. Forced labor is prohibited, and employment of children under age 15 is illegal. Zimbabwe has ratified ILO Convention 182 on child labor.

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

The Official U.S. Government website on AGOA

[www.agoa.gov](http://www.agoa.gov)

The Office of the United States Trade Representative

[www.ustr.gov](http://www.ustr.gov)

See the listings under the Africa region.

The U.S. Customs Service

[www.customs.gov](http://www.customs.gov)

The informed compliance publications under importing and exporting are very useful as well as the regulations provided for under the AGOA portion of the International Agreements section.

The Department of Commerce's Office of Textiles and Apparel

[www.otexa.ita.doc.gov/Trade\\_Act\\_2000.htm](http://www.otexa.ita.doc.gov/Trade_Act_2000.htm)

This site includes fill rates for the apparel cap on regional and third country fabric.

The Department of Commerce's Office of Africa

[www.mac.doc.gov](http://www.mac.doc.gov) and [www.doc.gov](http://www.doc.gov)

The U.S. Department of State

[www.state.gov](http://www.state.gov)

The Overseas Investment Corporation

[www.opic.gov](http://www.opic.gov)

Select 1) Press and Publications, 2) Publications, or 3) OPIC highlights.

The Export-Import Bank for the United States

[www.exim.gov/africa](http://www.exim.gov/africa)

The United States Agency for International Development

[www.usaid.gov/regions/afr/](http://www.usaid.gov/regions/afr/)

See especially Africa Bureau and Office of Transition Initiatives.

The International Trade Commission

[http://reportweb.usitc.gov/africa/trade\\_data.html](http://reportweb.usitc.gov/africa/trade_data.html).

This site contains data on U.S. trade with sub-Saharan African countries.

The Department of Agriculture

[www.fas.usda.gov](http://www.fas.usda.gov)

The Department of Transportation

[www.dot.gov](http://www.dot.gov)

The Department of Transportation's Safe Skies for Africa  
<http://www.ssfa.net>

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

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

The Trade and Development Agency  
[www.tda.gov/region/index.html](http://www.tda.gov/region/index.html)

## Annex A - AGOA-Eligible Countries

Republic of Benin	Republic of Malawi*
Republic of Botswana*	Republic of Mali
Republic of Cameroon*	Islamic Republic of Mauritania
Republic of Cape Verde*	Republic of Mauritius*
Central African Republic	Republic of Mozambique*
Republic of Chad	Republic of Namibia*
Republic of Congo	Republic of Niger
Democratic Republic of the Congo #	Federal Republic of Nigeria
Republic of Cote d'Ivoire	Republic of Rwanda*
Republic of Djibouti	Democratic Republic of Sao Tome and Principe
State of Eritrea	Republic of Senegal*
Ethiopia*	Republic of Seychelles
Gabonese Republic	Republic of Sierra Leone
Republic of The Gambia	Republic of South Africa*
Republic of Ghana*	Kingdom of Swaziland*
Republic of Guinea	United Republic of Tanzania*
Republic of Guinea-Bissau	Republic of Uganda*
Republic of Kenya*	Republic of Zambia*
Kingdom of Lesotho*	
Republic of Madagascar*	

\* - qualified for textile and apparel benefit

# - effective date for the implementation of trade benefits to be announced by USTR in the Federal Register



## Annex B - AGOA Eligibility Criteria

### The Eligibility Criteria

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

#### SEC. 104. ELIGIBILITY REQUIREMENTS

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

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

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

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

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

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

(ii) the protection of intellectual property; and

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

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

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

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



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

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

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

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

1. The country is a Communist country, unless its products receive normal trade relations treatment, it is a member of the World Trade Organization and International Monetary Fund or is not dominated or controlled by international communism (Sec. 502(b)(2)(A));
2. The country is a party to an arrangement or participates in any action that withholds or has the effect of withholding vital commodity resources or raises their prices to unreasonable levels, causing serious disruption of the world economy (Sec. 502(b)(2)(B));
3. The country affords preferential treatment to products of a developed country which has or is likely to have a significant adverse effect on U.S. commerce (Sec. 502(b)(2)(C));
4. The country has nationalized, expropriated or otherwise seized property, including trademarks, patents, or copyrights owned by a U.S. citizen without compensation (Sec. 502(b)(2)(D));
5. The country does not recognize or enforce arbitral awards to U.S. citizens or corporations (Sec. 502(b)(2)(E));
6. The country aids or abets, by granting sanctuary from prosecution, any individual or group which has committed international terrorism (Sec. 502(b)(2)(F));
7. The country has not taken or is not taking steps to afford internationally-recognized worker rights, including the right of association, the right to organize and bargain collectively, freedom from compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health (Sec. 502(b)(2)(G)).
8. The country has not implemented its commitments to eliminate the worst forms of child labor, as defined by the International Labor Organization's Convention 182 (Sec. 502(b)(2)(H); this provision was added by the Trade and Development Act of 2000 in Section 412).

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

In addition, the President must take into account:

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



### **List of Frequently Used Acronyms**

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

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