

CHAPTER 2

AGOA-Related Imports and Investment

This chapter provides information on U.S. trade with SSA beneficiaries of the African Growth and Opportunity Act (AGOA), including its GSP provisions. U.S. trade under AGOA is presented by major trading partner and commodity sector, as well as for the SSA region as a whole. Trade data were compiled from official statistics of the U.S. Department of Commerce. The chapter also discusses investment developments related to AGOA. Information on AGOA-related investment was obtained primarily from field research conducted in Lesotho, Mauritius, and South Africa in February/March 2003; the U.S. Department of State; and various publications, such as the EIU Viewswire. AGOA-related investment example tables represent reported information from the above-referenced sources, and are not Commission statements, opinions, or assessments.

African Growth and Opportunity Act

The African Growth and Opportunity Act was passed into law by Congress in May 2000.¹ The Act amended the GSP program and authorized the President to provide duty-free and quota-free treatment for certain African products until September 30, 2008, if, after receiving advice from the USITC, the President determines that these products are not import-sensitive. AGOA also provides for graduation of countries from the program when they become high-income countries and for the removal of eligibility of articles under certain conditions. On August 2, 2002, President Bush signed the Trade Act of 2002, modifying certain provisions of the AGOA and expanding preferential access for imports from SSA beneficiary countries. The modifications, collectively referred to as AGOA II,² became effective immediately upon enactment.³

On December 31, 2002, President Bush approved the continued designation of 36 sub-Saharan African countries as eligible for tariff preferences under AGOA. The President further determined that The Gambia and the Democratic Republic of the Congo (DROC) should be designated as AGOA beneficiary countries. The DROC was added to the eligibility list with delayed implementation of AGOA's duty-free trade benefits. On October 31, 2003, the DROC was granted AGOA trade

¹ Trade and Development Act of 2000, Pub. L. 106-200, Title I, May 18, 2000, 114 Stat. 252.

² Sec.3108 of the Trade Act of 2002, Pub.L.107-210, 116 Stat. 1038.

³ For additional information, see USITC, *U.S. Trade and Investment with Sub-Saharan Africa*, Third Annual Report, USITC pub. 3552, Chapter 2, pp. 19-21.

preferences. Table 2-1 lists the 38 SSA countries designated as eligible for AGOA trade preferences on December 31, 2002.⁴

Table 2-1
SSA countries designated as beneficiary countries of AGOA on December 31, 2002 (38)

Benin	Ghana	Nigeria
Botswana	Guinea	Republic of the Congo
Cameroon	Guinea-Bissau	Rwanda
Cape Verde	Kenya	São Tomé and Príncipe
Central African Republic	Lesotho	Senegal
Chad	Madagascar	Seychelles
Côte d'Ivoire	Malawi	Sierra Leone
Democratic Republic of the Congo ¹	Mali	South Africa
Djibouti	Mauritania	Swaziland
Eritrea	Mauritius	Tanzania
Ethiopia	Mozambique	Uganda
Gabon	Namibia	Zambia
Gambia	Niger	

¹ On December 31, 2002, the DROC was added to the eligibility list with delayed implementation of AGOA duty-free trade benefits. On October 31, 2003, the DROC was granted AGOA trade preferences.

Source: USDOC, "Results of the AGOA Country Review for 2003 Eligibility," found at Internet address <http://www.agoa.gov>, retrieved Nov. 14, 2003.

AGOA Forum

The African Growth and Opportunity Act also established an annual U.S.-Africa Trade and Economic Cooperation Forum. The AGOA Forum provides an opportunity for regular dialogue, and for strengthening economic and political relations between the United States and sub-Saharan Africa. The inaugural meeting of the Forum was hosted by the Secretary of State, Secretary of the Treasury, Secretary of Commerce, and the United States Trade Representative (USTR) on October 29-30, 2001, in Washington, D.C.⁵ The second Forum was held from January 15-17, 2003, in Mauritius. The USTR led the U.S. delegation of senior officials from the Commerce, Treasury, Agriculture, and State departments. Trade, finance, and economic ministers from the 38 AGOA eligible countries also participated, along with representatives from African regional organizations. The second AGOA Forum focused on trade, investment, and socio-economic development issues, including measures that the United States and SSA countries can jointly take to stimulate trade and investment flows, to enhance democracy and good governance, and to combat HIV/AIDS.

⁴ U.S. Department of Commerce, "Results of the AGOA Country Review for 2003 Eligibility", found at Internet address <http://www.agoa.gov>, retrieved Nov. 14, 2003.

⁵ For more information about the inaugural AGOA Forum, see USITC, *U.S. Trade and Investment with Sub-Saharan Africa*, Third Annual Report, USITC pub. 3552, Chapter 2, pp. 22-23.

Ambassador Zoellick opened the government segment of the Forum by emphasizing U.S. commitment to African prosperity through export-led growth. The USTR noted the success of increased trade under the AGOA program (see AGOA imports section below), and called for a new Africa-America partnership to harness the economic forces of globalization.⁶ Prior to the AGOA Forum in Mauritius, Ambassador Zoellick stopped in South Africa to announce the beginning of talks to establish a Free Trade Agreement with the Southern African Customs Union (SACU), the first such U.S. regional trade agreement with SSA. For more information on SACU, see the SACU profile in chapter 3.

President Bush addressed the AGOA Forum, in a broadcast message, in which he stated that trade and markets are key for Africa's prosperity, and announced that he will ask the Congress to extend AGOA beyond September 1, 2008, in order to boost business confidence for investments in sub-Saharan Africa. President Bush also noted the new African Millennium Challenge Account, directed to nations that encourage economic freedom, root out corruption, and respect the rights of their people. The Fund will support the construction of roads, bridges, canals, and other basic infrastructure in order to promote economic growth.⁷

The government segment of the Forum was complemented by a private sector session. One thousand firms, including 200 firms from the United States, discussed potential deals at the AGOA Forum in Mauritius. A third segment consisted of the gathering of civil society nongovernmental organizations to discuss the social costs of globalization. About 150 representatives from the United States, Mauritius, and other SSA countries participated in this session.⁸

U.S. Imports under AGOA

U.S. imports under AGOA (including its GSP provisions) totaled almost \$9.0 billion in 2002, an increase of 9.9 percent from \$8.2 billion in 2001. Table 2-2 shows the major SSA suppliers of AGOA (including GSP) imports in 2002. In 2002, Nigeria (\$5.4 billion or 60.2 percent), South Africa (\$1.3 billion or 14.9 percent), and Gabon (\$1.1 billion or 12.7 percent) accounted for about 88.0 percent of total AGOA imports. Other major SSA suppliers included Lesotho (\$318.0 million), Kenya (\$129.2 million), Cameroon (\$115.8 million), Mauritius (\$114.3 million), and the Republic of the Congo

⁶ U.S. Department of State, "Zoellick Sees Trade, Supportive Aid Policies Key to African Growth," found at Internet address <http://usinfo.state.gov/regional/af/trade/a3011505.htm>, retrieved July 30, 2003.

⁷ U.S. Department of Commerce, Trade Compliance Center, "Trade and Markets Key to Africa Prosperity, President Bush Says," found at Internet address <http://www.tcc.mac.doc.gov/cgi-bin/doi.cgi?204:468440457:494>, retrieved July 30, 2003.

⁸ U.S. Department of State, "U.S. Trade Official Sounds the Call For Partnership at AGOA Forum," found at Internet address <http://usinfo.state.gov/regional/af/trade/a3011503.htm>, retrieved July 30, 2003.

Table 2-2

U.S. imports under AGOA,¹ by sources, 2001, 2002, Jan.-June 2002, and Jan.-June 2003*(1,000 dollars)*

Source	2001		2002		Jan.-June 2002		Jan.-June 2003	
	AGOA	GSP	AGOA	GSP	AGOA	GSP	AGOA	GSP
Benin	178	178	0	0	0	0	0	0
Botswana	1,221	1,221	4,578	871	1,881	440	2,209	0
Cameroon	37,174	443	115,804	262	22,799	142	33,862	78
Cape Verde	152	152	51	51	0	0	869	13
Cen Africa Rep	0	0	192	192	0	0	0	0
Chad	0	0	0	0	0	0	36	36
Congo (ROC)	130,235	1,489	106,633	2,825	45,430	2,817	163,090	2,881
Côte d'Ivoire	13,321	13,321	49,733	22,468	15,729	8,896	25,585	20,012
Djibouti	0	0	23	23	0	0	9	9
Eritrea	0	0	11	11	0	0	0	0
Ethiopia	822	607	2,320	1,001	1,349	705	1,448	642
Gabon	938,760	65	1,145,627	149	608,356	121	499,642	8
Gambia	1	1	24	24	3	3	7	7
Ghana	42,889	9,797	34,830	11,829	22,904	5,856	25,718	5,095
Guinea	191	191	68	68	28	28	99	99
Guinea-Bissau	0	0	0	0	0	0	0	0
Kenya	58,873	3,783	129,210	4,873	48,875	2,242	89,661	2,124
Lesotho	129,592	69	318,029	226	142,208	169	166,497	77
Madagascar	97,105	4,959	79,728	3,890	61,070	3,200	60,870	753
Malawi	35,362	23,305	46,904	5,584	21,757	1,425	19,232	4,624
Mali	293	293	342	341	90	89	112	112
Mauritania	0	0	35	35	15	15	0	0
Mauritius	53,975	15,076	114,292	7,764	55,236	2,452	64,238	1,886
Mozambique	5,278	5,278	5,916	5,729	17	4	1,707	14
Namibia	93	93	1,717	174	136	133	9,203	56
Niger	42	42	22	21	6	6	60	60
Nigeria	5,688,461	359	5,409,660	483	2,340,602	75	4,634,726	1,603
Rwanda	318	53	10	10	10	10	0	0
São Tomé & Prin	0	0	0	0	0	0	0	0
Senegal	567	567	499	499	222	221	472	465
Seychelles	4,230	4,230	0	0	0	0	3	3
Sierra Leone	387	387	217	217	43	43	0	0
South Africa	923,243	505,987	1,342,594	553,042	556,955	233,082	744,904	296,345

See footnote at end of table.

Table 2-2—Continued

U.S. imports under AGOA,¹ by sources, 2001, 2002, Jan.-June 2002, and Jan.-June 2003

(1,000 dollars)

Source	2001		2002		Jan.-June 2002		Jan.-June 2003	
	AGOA	GSP	AGOA	GSP	AGOA	GSP	AGOA	GSP
Swaziland	14,770	6,456	81,252	6,939	28,986	48	53,914	140
Tanzania	899	883	1,293	654	572	286	769	157
Uganda	141	141	32	19	15	6	487	25
Zambia	775	765	83	31	42	18	104	104
Total	8,179,346	600,189	8,991,729	630,307	3,975,336	262,533	6,599,535	336,428

¹ Includes GSP.

Source: Compiled from official statistics of the U.S. Department of Commerce.

(\$106.6 million). In 2001, AGOA imports from Nigeria, South Africa, and Gabon accounted for more than 92.0 percent of total AGOA imports. During the first half of 2003, combined imports from Nigeria, South Africa, and Gabon accounted for 89.1 percent of the total as countries including Lesotho (\$166.5 million), the Republic of the Congo (\$163.1 million), Kenya (\$89.7 million), Mauritius (\$64.2 million), Madagascar (\$60.9 million), Swaziland (\$53.9 million), Cameroon (\$33.9 million), Ghana (\$25.7 million), Côte d'Ivoire (\$25.6 million), and Malawi (\$19.2 million) continued to increase their imports under the AGOA program.

AGOA (including GSP) imports continued to be dominated by U.S. purchases of energy-related products (\$6.8 billion), which represented 75.9 percent of the total in 2002, compared to 83.5 percent in 2001. However, significant increases of imports under AGOA (including GSP) were recorded for textiles and apparel, transportation equipment, agricultural products, and minerals and metals (table 2-3). The second largest import commodity under AGOA (including GSP) was textiles and apparel (\$803.3 million), which accounted for an 8.9 percent share of the total in 2002, compared with a 4.4 percent share in 2001. Transportation equipment (\$544.7 million) represented 6.1 percent of total AGOA imports in 2002, up from 3.7 percent in 2001; minerals and metals (\$373.0 million) accounted for 4.1 percent in 2002, compared to 3.9 percent in 2001; while the share of agricultural products rose to 2.4 percent in 2002 from 1.9 percent in 2001. The remaining AGOA (including GSP) imports comprised smaller quantities of chemicals, miscellaneous manufactures, forest products, and machinery equipment.

During the first half of 2003, U.S. imports under AGOA (including GSP) increased by \$2.6 billion or by 65.0 percent to \$6.6 billion from \$4.0 billion during the first half of 2002, primarily due to a significant increase in energy-related imports from Nigeria. During the first half of 2003, AGOA imports of energy-related products totaled \$5.4 billion, or 82.0 percent of the total, compared to \$3.0 billion, or 76.4 percent during the first half of 2002. Significant increases were also recorded for AGOA imports of textiles and apparel (up by \$148.4 million, or by 40.7 percent), transportation equipment (up by \$81.3 million, or by 33.2 percent), minerals and metals (up by \$47.3 million, or by 34.1 percent), and chemical products (up by \$25.4 million, or by 38.7 percent) during this period. Chapter 5 provides additional details on production, trade, and investment for six sectors: agriculture, fisheries, and forest products; chemicals; petroleum and energy-related products; minerals and metals; textiles and apparel; and certain transportation equipment. Table 2-4 shows the major commodity items imported under AGOA (including its GSP provisions) at the HTS six-digit level.

Table 2-3

Major U.S. imports under AGOA¹, by major commodity sectors, 2001, 2002, Jan.-June 2002, and Jan.-June 2003

Sector	2001		2002		Jan.-June 2002		Jan.-June 2003	
	AGOA	GSP	AGOA	GSP	AGOA	GSP	AGOA	GSP
<i>Value (1,000 dollars)</i>								
Energy-related products	6,827,424	2	6,824,776	0	3,037,847	0	5,353,764	10
Textiles and apparel . . .	359,469	3,564	803,333	3,639	364,699	1,681	513,121	2,082
Transportation equipment	300,539	59,339	544,711	61,358	245,080	28,581	326,412	40,350
Minerals and metals . . .	319,134	227,927	372,961	234,429	138,596	95,598	185,884	118,869
Agricultural products . . .	153,515	94,525	212,436	103,523	79,920	31,643	80,712	40,792
Chemicals and related products	128,083	124,271	136,164	131,459	65,640	62,218	91,062	87,085
Miscellaneous manufactures	33,049	32,749	40,595	39,715	18,006	17,619	21,411	20,687
Forest products	21,728	21,662	29,792	29,536	11,935	11,751	15,955	15,765
Machinery	22,988	22,976	17,828	17,820	8,867	8,862	6,003	6,003
Electronic products	13,174	13,174	8,832	8,828	4,583	4,581	4,790	4,786
Footwear	242	0	300	0	136	0	419	0
Total, all sectors	8,179,346	600,189	8,991,729	630,307	3,975,336	262,533	6,599,535	336,428
<i>AGOA imports as a percent of total sector imports from SSA</i>								
Energy-related products	61.87	0.00	58.27	0	57.87	0.00	63.82	0.00
Textiles and apparel . . .	36.59	0.36	70.7	0.32	71.00	0.33	74.33	0.30
Transportation equipment	75.16	14.84	87.71	9.88	86.64	10.10	87.88	10.86
Minerals and metals . . .	10.57	7.55	13.79	8.67	11.41	7.87	13.42	8.58
Agricultural products . . .	19.44	11.97	23.30	11.36	17.02	6.74	13.72	6.93
Chemicals and related products	22.23	21.56	30.39	29.34	34.29	32.51	28.96	27.70
Miscellaneous manufactures	37.36	37.02	34.53	33.78	32.14	31.44	38.05	36.76
Forest products	18.85	18.79	24.67	24.46	22.72	22.37	25.41	25.11
Machinery	8.74	8.74	7.71	7.70	7.16	7.16	7.04	7.04
Electronic products	25.45	25.45	17.77	17.76	20.92	20.92	14.68	14.67
Footwear	17.60	0.00	21.80	0	26.65	0.00	68.20	0.00
Total, all sectors	46.54	3.42	49.38	3.46	48.18	3.18	54.76	2.79

¹ Includes GSP.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2-4

Leading U.S. imports under AGOA¹, by HTS descriptions, 2001, 2002, Jan.-June 2002, and Jan.-June 2003*(1,000 dollars)*

HTS6	Description	2001		2002		Jan.-June 2002		Jan.-June 2003	
		AGOA	GSP	AGOA	GSP	AGOA	GSP	AGOA	GSP
2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	6,548,533	0	6,453,099	0	2,874,622	0	5,050,476	0
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 1,500 cc but not over 3,000 cc	4	0	338,959	0	78,230	0	281,040	0
2710.19	Petroleum oils & oils (not light) from bituminous minerals or preps nesoi 70%+ by weight from petroleum	0	0	316,497	0	147,418	0	220,755	0
6203.42	Men's or boys' trousers, bib and brace overalls, breeches and shorts not knitted or crocheted, of cotton	82,362	0	161,721	0	81,768	0	98,755	0
6110.20	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of cotton	61,964	0	160,695	0	68,694	0	86,319	0
6204.62	Women's or girls' trousers, bibs and brace overalls, breeches and shorts of cotton, not knitted or crocheted	98,519	0	153,938	0	72,733	0	122,320	0
8703.24	Passenger motor vehicles with spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 3,000 cc	232,277	0	132,784	0	132,784	0	0	0
7606.12	Aluminum alloy rectangular (including square) plates, sheets and strip, over 0.2 mm thick	55,478	55,478	70,519	70,519	32,836	32,836	35,693	35,693
2710.11	Light oils and preparations from petroleum oils & oils from bituminous min. or preps 70%+ by wt. from petro. oils or bitum. min.	45,834	0	55,180	0	15,834	0	82,524	0
7202.30	Ferrosilicon manganese	37,388	37,388	50,749	50,749	23,878	23,878	16,526	16,526
1701.11	Cane sugar, raw, in solid form, not containing added flavoring or coloring matter	27,561	27,561	43,774	43,774	6,337	6,337	3,293	3,293
7202.11	Ferromanganese, containing by weight more than 2 percent of carbon	28,058	0	43,305	0	17,243	0	16,552	0
6110.30	Sweaters, pullovers, sweatshirts, vests and similar articles of manmade fibers, knitted or crocheted	8,252	0	39,547	0	12,538	0	14,941	0

See footnote at end of table.

Table 2-4—Continued

Leading U.S. imports under AGOA¹, by HTS descriptions, 2001, 2002, Jan.-June 2002, and Jan.-June 2003

(1,000 dollars)

HTS6	Description	2001		2002		Jan.-June 2002		Jan.-June 2003	
		AGOA	GSP	AGOA	GSP	AGOA	GSP	AGOA	GSP
7202.41	Ferrochromium, containing by weight more than 4 percent of carbon	42,853	42,853	36,531	36,531	7,524	7,524	30,947	30,947
2401.20	Tobacco, partly or wholly stemmed/ stripped	23,968	15,769	31,193	1,729	16,344	1,415	7,976	4,624
7113.19	Articles of jewelry and parts thereof, of precious metal (excluding silver)	23,833	23,833	30,612	30,612	13,098	13,098	15,038	15,038
6109.10	T-shirts, singlets, tank tops and similar garments of cotton, knitted or crocheted	4,920	0	30,350	0	20,020	0	30,160	0
6205.20	Men's or boys' shirts of cotton, not knitted or crocheted	13,823	0	29,657	0	12,531	0	18,667	0
6104.62	Women's or girls' trousers, bibs and brace overalls, breeches and shorts of cotton, knitted or crocheted	7,459	0	25,209	0	11,597	0	18,988	0
6106.10	Women's or girls' blouses and shirts of cotton, knitted or crocheted	5,694	0	24,483	0	11,991	0	13,555	0
6105.10	Men's or boys' shirts of cotton, knitted or crocheted	9,058	0	24,146	0	13,431	0	12,825	0
2804.69	Silicon, containing by weight less than 99.99 percent of silicon	24,692	24,692	22,753	22,753	10,504	10,504	16,926	16,926
7210.49	Flat-rolled iron or nonalloy steel, not corrugated, 600 mm or more wide, plated or coated with zinc other than electrolytically	10,881	0	21,775	0	3,610	0	7,721	0
7202.19	Ferromanganese, containing by weight 2 percent or less of carbon	23,351	23,351	18,789	18,789	6,366	6,366	10,388	10,388
8708.70	Road wheels and parts and accessories thereof, for motor vehicles	21,374	21,374	18,423	18,423	8,727	8,727	14,571	14,571
	Subtotal	7,392,302	272,299	8,334,691	293,880	3,700,659	110,685	6,226,956	148,007
	All other	787,044	327,890	657,038	336,426	274,677	151,848	372,579	188,421
	Total	8,179,346	600,189	8,991,729	630,307	3,975,336	262,533	6,599,535	336,428

¹ Includes GSP.

Note.—Because of rounding, figures may not add to totals shown. The abbreviation “nesoi” stands for “not elsewhere specified or included.”

Source: Compiled from official statistics of the U.S. Department of Commerce.

AGOA-Related Investment

This section discusses AGOA-related investment in SSA and the complementary effects of improved investment climate and policy reform, and increased regional cooperation and integration. As government officials, companies, and international firms become more familiar with the advantages of AGOA, sub-Saharan Africa continues to witness investment driven by country access to AGOA benefits. AGOA-related investment highlights the breadth of the AGOA program. In addition to tariff and quota reductions, the program provides for various facilitating services. For example, trade capacity-building initiatives facilitate SSA exports to the United States by reducing information barriers, and the AGOA Forum provides networking opportunities by bringing SSA suppliers and U.S. purchasers together. Consequently, in addition to tariff and quota preferences, AGOA-related investment may be driven by other AGOA-program, trade-facilitating features.

Although the textile and apparel sector has received substantial levels of investment, other sectors such as motor vehicles (South Africa) and information technology (Uganda) are beginning to benefit from AGOA-related investment and, in some cases, associated export diversification. Although investment decisions generally are driven by a multitude of factors, local and foreign investors in SSA, as well as local government officials and observers, attribute duty- and quota-free access to the U.S. market, as well as other AGOA-program, trade-facilitating features, as factors in investment activity. Although direct investment figures may not be available for a variety of reasons, such as business confidentiality, associated increases in employment and output can be attributed to the indirect effects of increased investment. Table 2-5 lists selected examples of AGOA-related investment, employment increases, and industry output expansion for July 2002 to June 2003.

In addition to spurring investment, AGOA has begun to influence other activities that could be beneficial to SSA's long-term economic growth, including the improvement in business climate (for example, investing in infrastructure or implementing reforms, such as reduction of bureaucracy) and the encouragement of regional cooperation and integration to take advantage of the benefits offered by AGOA. These benefits have been cited by observers within SSA, as well as international policy-makers. For example, Wycliffe Muga writes, "the expansion of textile and garment manufacturing in a developing country is one of the surest recipes for the creation of jobs,"⁹ and Paul Ryberg of the African Coalition for Trade notes, "While good governance is a condition of eligibility under the Agoa regime, in an even more important sense the

⁹ Wycliffe Muga, "Nepad Lies On Its Deathbed, Long Live Agoa," *The Nation (Nairobi)*, Nov. 2, 2002 found at Internet address <http://allafrica.com/stories/printable/200211010624.html>, retrieved Mar. 27, 2003.

Table 2-5
Selected examples of AGOA-related investment, employment increases, and industry expansion, July 2002-June 2003

Country	Example
Ghana	<p>Woolworths has opened two branches in Ghana's capital city of Accra. The franchise announced plans to invest about \$10 million in Ghana over the next 5 years. The Country Director of Woolworths commented that, "By establishing here,... Ghanaian manufacturers and consumers would have the opportunity to experience international quality standards which would make it possible to meet AGOA and other export requirements." A distributor of clothes, food and beverages, household wear, and toiletries, the franchise plans to manufacture using local inputs.¹</p>
Kenya	<p>"In Kenya, the Export Processing Zones have been one of the few growth industries in an economy [and this] growth is attributed to AGOA...." Kenya's Export Processing Zones Authority reported that the subsector grew an average 30 percent per year over the last 5 years, and up to \$139 million has been invested in the zone, creating approximately 25,000 jobs in 2001, doubling the 13,000 jobs the zones had created in 2000.²</p> <p>Sri Lankan firms reportedly will invest over \$2.4 million in the export processing zones in 2003 in up to 10 additional apparel plants. These plants are expected to generate 14,000 jobs.³</p> <p>The government reported that plans were underway to construct a Sh300 million (approximately \$4 million) cotton-processing plant in Nyanza province. The AGOA Association in Kenya "said investors from the United States had shown interest in financing the project...." The project is expected to create jobs to offset jobs being lost in the fishing, sugar, and tobacco industries.⁴</p> <p>Regular job advertisements for employment in garment factories are an example of the positive impact of AGOA-related investment.⁵</p> <p>According to government officials, Kenya is expected to start exporting coffee to the United States under AGOA. As a result of the agreement signed between Kenya and the United States, "plans were underway to give the Kenya Planters Cooperative Union the capacity to roast, grade and pack coffee for export" in order to get the higher returns associated with processed coffee.⁶</p> <p>"The apparel sector... has blossomed under AGOA. In 2000, there were 10 factories producing US\$ 30 million in garment exports and employing 10,000. By 2001 that number had increased to 24 factories producing \$70 million in exports and employing 17,000. It is projected that this year the numbers will increase to 25,000 jobs in 36 factories producing \$200 million worth of apparel. The companies are in Kenya to take advantage of AGOA provisions. AGOA benefits to 'downstream' processors, such as those producing silk screening, embroidery or packaging are just coming on line."⁷</p> <p>In 2002, AGOA-related textile and apparel businesses employed about 200,000 people, and earned about \$650 million.⁸</p>
Lesotho	<p>According to the Minister of Industry, Trade and Marketing, investment is planned for a fine fabric mill. Given AGOA-related investment and expansion plans in Lesotho, the minister estimated that, by 2005, the textile industry would employ over 75,000 workers.⁹</p> <p>According to the Minister of Industry, Trade and Marketing for Lesotho, "Since the certification of Lesotho under AGOA in April 2001, we have witnessed a magnificent increase of about 25,000 new jobs to a high figure of 45,000 jobs in 2002 as a direct result of AGOA. Further, a number of companies already operating in Lesotho have expanded their scale of operation and new ones have chosen Lesotho as their investment destination."¹⁰</p>

See footnotes at end of table.

Table 2-5—Continued
Selected examples of AGOA-related investment, employment increases, and industry expansion, July 2002-June 2003

Country	Example
Lesotho(cont.)	<p>Before Lesotho became eligible for AGOA benefits, Nien Hsing International had two apparel factories employing 1,800 people. After AGOA was initiated, the company decided to invest in a mill and another factory, and increased employment to 6,000 people.¹¹</p> <p>As a result of AGOA, in 2001 and 2002, 17 companies invested over 130 million Loti (approximately \$15 million) in textile and apparel firms exporting to the U.S. market.¹²</p> <p>In 2001, Lesotho's economy grew at 3.5 percent, but is expected to increase to 4 to 5 percent. The Governor of the Central Bank of Lesotho attributed the economic growth to expansion of the textile and apparel industry, which exports clothing mainly to the United States under the AGOA program.¹³</p>
Madagascar	<p>Driven by access to AGOA trade benefits, investors from the Dubai, Saudi Arabia, UAE, and Pakistan have increased investment into Madagascar. In general, this investment has targeted large apparel factories, each employing over 1,000 people.¹⁴</p>
Mauritius	<p>AGOA has prompted six projects currently under development, of which, four are Chinese and Indian investments in spinning mills.¹⁵</p> <p>A direct benefit of AGOA has been that at the end of 2003 there will be five spinning mills operating in Mauritius, producing 40,000 tons of cotton yarn for local and regional markets.¹⁶</p> <p>AGOA has prompted investment in spinning mills, and, consequently, the vertical integration of the textile industry in sub-Saharan Africa.¹⁷</p> <p>AGOA has encouraged increased foreign investment into Mauritius, such as the construction of a Chinese-owned mill, Tianli Spinning.¹⁸</p>
Mozambique	<p>Umar Textiles (Pakistan) began operations in November 2002, and has been exporting exclusively to the United States under the AGOA program.¹⁹</p>
Namibia	<p>Because of increased investment in the textile industry by four companies, including Ramatex, the government estimated that, by 2005, 20,000 jobs would be created in Namibia.²⁰</p>
South Africa	<p>In 2002, BMW SA invested 200 million rand (approximately \$23 million) to upgrade a plant, and has exported approximately 22,000 units to the United States under the AGOA program. "Through Agoa, BMW not only can export vehicles with duty-free provisions, but is also by far the biggest local beneficiary under the act."²¹</p> <p>DaimlerChrysler SA plans to invest in the ability to assemble left-hand-drive cars at its East London plant. "Large scale assembly of the C-Class... would attract several billion rands' worth of investment." An attractive aspect of the proposal is duty-free access into the United States under AGOA. If the group's South Africa arm wins the contract, foreign direct investment to South Africa could total 2 billion rand (approximately \$230 million) for retooling requirements at the East London Plant, with additional investment of up to 6 billion rand (approximately \$695 million) for supplier operations.²²</p> <p>"Nissan SA hopes to begin exporting locally assembled bakkies [a one ton hardbodied commercial vehicle] to the global market." An attractive feature of investing in South Africa for the Japanese parent is that South Africa has preferential access to the United States market under the AGOA program.²³</p> <p>Seardel Investment Corporation (clothing and textile company) announced plans to spend about 125 million rand (approximately \$15 million) to replace and upgrade existing plants because of growth in domestic sales and exports, some of which have benefitted from the AGOA program.²⁴</p>

See footnotes at end of table.

Table 2-5—Continued
Selected examples of AGOA-related investment, employment increases, and industry expansion, July 2002-June 2003

Country	Example
South Africa (cont.)	<p>According to company officials, the Levi Strauss factory in Cape Town began producing jeans for export to the United States under the AGOA program.²⁵</p> <p>“Within clothing and textile companies, those that have mentioned plans to export to the US using the Agoa advantages include Adonis, the knitwear company; Pals Clothing, which manufactures men’s clothing; Seardel, the clothing and textiles giant; clothing manufacturer Rex Trueform which was formerly a serious exporter to the UK; LA Group, in a joint venture for its corporate clothing division; and Ninian & Lester. Agricultural business Afgri (formerly OTK) has geared up its cotton production activities to service demand from textile manufacturers.”²⁶</p>
Swaziland	<p>Enterprise and Employment Minister Lutfo Dlamini announced this week that by year’s end, at Matsapha alone, 1,400 manufacturing jobs would be created by AGOA. The Swaziland Industrial Promotion Authority has optimistically projected tens of thousands of new jobs next year – which would significantly cut the current 40 percent unemployment rate. Most of these jobs would come from new or expanding Taiwanese-owned garment factories eager to take advantage of the benefits of AGOA.²⁷</p>
Tanzania	<p>Tanzania officials announced plans to launch an export processing zone in Dar es Salaam in order to spur expansion of the textile and apparel industry. The EPZ’s first textile factory, NIDA Textile Mills Limited, plans to produce grey cotton for bed linen for export. It also plans to produce yarn and cloth to supply fabric for the AGOA market. NIDA has invested about \$10 million in the project.²⁸</p> <p>Tanzania’s first modern light-industrial export-processing zone (EPZ) plans to begin operations in June 2003. Investors from Sri Lanka, the United States, Britain, India, Kenya, Uganda, South Africa, Singapore, Taiwan, Canada, South Korea, and China have expressed interest in the project. “Various Sri Lankan garment manufacturing firms have shown interest to establish at the EPZ and take advantage of the opportunity of the AGOA initiative.”²⁹</p>
Uganda	<p>John Sporidis, a U.S.-based garment dealer, announced plans to invest over \$40 million in Uganda’s textile industry to access benefits under the AGOA program. The investment is aimed at revamping production to meet requirements of U.S. purchasers.³⁰</p> <p>Sigma Knitting Industries Limited plans to export products to the United States under the AGOA program. The managing director noted that, “Following the overwhelming orders from the US, we have ordered for better computerized machines to meet the targets and quality won’t be a problem to us.” Although the company employs 65 workers, company officials estimated that the labor force could increase to 400 workers in order to fulfill AGOA-related export orders.³¹</p> <p>“An expert from Atlantic Gums Corporation in the US... is in Uganda to assess the viability of investing in the product [and] to get samples that will be taken to the US for tests.” According to Anthony Nwachukwu, “Once this test is passed, then companies like Coca Cola will be interested in supporting the project.” This project, which could further diversify Uganda’s export profile, represents Uganda’s first attempt to produce gum arabic for trade, and has resulted from Uganda’s participation in the AGOA program.³² (Gum arabic is an acacia plant product which is used in the food industry to give body and texture to products).</p> <p>Jinja Southern Range Nyanza Textiles Ltd. announced plans to construct a spinning facility aimed at locally producing inputs for apparel exported to the United States under the AGOA program. “The first installation phase of the \$2.4m (Shs 4.4 billion) plant is due next month. This phase will see Nyanza able to produce 8,000 to 9,000 bales of textiles. However, final work on the textile [facility] will see annual production of 30,000 [bales].”³³</p>

See footnotes at end of table.

Table 2-5—Continued
Selected examples of AGOA-related investment, employment increases, and industry expansion, July 2002-June 2003

Country	Example
Uganda (cont.)	<p>Lira Spinning Mill company officials announced plans to produce cotton yarn, 80 percent of which is for export to the U.S. market under the AGOA program. The company plans to invest over \$10 million in the factory, and has so far spent \$3.7 million.³⁴</p> <p>Rocky Mountain Technology Group (U.S.) announced plans to establish a Cyber City in Kampala, Uganda. In addition to developing infrastructure, training people, and processing data, the company plans to export software. Ms. Muhwezi, the President's secretary in charge of AGOA, highlighted the project in her brief on the benefits of the AGOA program.³⁵</p> <p>According to government officials, demands for locally produced inputs to satisfy AGOA rules-of-origin requirements have spurred investment in the cotton industry.³⁶</p> <p>Uganda Investment Authority (UIA) announced that it exceeded its target value of investments by \$115 million for fiscal year 2002. UIA executive director stated that, "Our planned investment book value for this financial year was \$225m, but by the end of May we had already recorded a total book value of over \$340m.... We are optimistic Uganda will continue to attract more and bigger investors with huge investment capital in millions of dollars." The representative added that, under the AGOA program, the UIA has been focusing investment initiatives on the textile; manufacturing; coffee- and tea-processing; and e-commerce, information, and communications technology sectors.³⁷</p>
Sub-Saharan Africa	<p>"Countries which have done particularly well out of AGOA include South Africa, where automobile exports have increased 16 times over the last two years; Lesotho, where 11 new factories have opened and 15,000 new jobs have been created; and Kenya, where textile exports rose from 45 million dollars in 2000 to 71 million dollars in 2001 to 100 million in the first nine months of 2002."³⁸</p>

See footnotes at end of table.

Table 2-5—Continued
Selected examples of AGOA-related investment, employment increases, and industry expansion, July 2002-June 2003

- ¹ Haruna Mohammed, "Woolworths Comes to Accra," *Accra Mail (Accra)*, Nov. 20, 2002, found at Internet address <http://allafrica.com/stories/printable/200211220186.html>, retrieved Mar. 27, 2003.
- ² "Agoa-Type Pacts 'No Good' for Africa in the Long Run," *Africa News Services*, Mar. 20, 2003, found at Internet address <http://itc.newsedge-web.com/NewsEdge/ViewReviewStory/030320/0/1/2/17?username=nchrist>, retrieved Mar. 20, 2003.
- ³ Representative of Embassy of Kenya, USITC staff interview, Washington, DC, Jan. 2003.
- ⁴ Elisha Otieno, "Sh300m Project Planned," *The Nation (Nairobi)*, Mar. 11, 2003, found at Internet address <http://allafrica.com/stories/printable/200303110348.html>, retrieved Mar. 27, 2003.
- ⁵ Wycliffe Muga, "Nepad Lies On Its Deathbed, Long Live Agoa," *The Nation (Nairobi)*, Nov. 2, 2002, found at Internet address <http://allafrica.com/stories/printable/200211010624.html>, retrieved Mar. 27, 2003.
- ⁶ Silas Nthiga, "Country Signs Coffee Deal with US," *The Nation (Nairobi)*, June 10, 2003, found at Internet address <http://allafrica.com/stories/printable/200206100157.html>, retrieved June 18, 2003.
- ⁷ U.S. Department of State telegram, "Without assistance to local textile producers, Kenyan garment exporters will lose comparative advantage," message reference No. NAIROB 04307, prepared by U.S. Embassy, Nairobi, June, 2002.
- ⁸ Ibrahim Kyaruzi, "Manufacturers Say Sector in Doldrums," *Business Times (Dar es Salaam)*, Jan. 31, 2003, found at Internet address <http://allafrica.com/stories/printable/200301310507.html>, retrieved Mar. 27, 2003.
- ⁹ Lawrence Keketso, "75,000 Jobs to Be Created in Two Years," *The Survivor (Maseru)*, Jan. 22, 2003, found at Internet address <http://allafrica.com/stories/printable/200301271088.html>, retrieved Mar. 27, 2003.
- ¹⁰ U.S. Department of State telegram, "Lesotho's Trade Minister writes to USTR Zoellick requesting extension of AGOA duty-free preferences for textiles and apparel containing third-country fabric," message reference No. MASERU 0108, prepared by U.S. Embassy, Maseru, Feb. 2003.
- ¹¹ Representative of Nien Hsing International, USITC staff interview, Lesotho, Mar. 7, 2003..
- ¹² Lesotho National Development Corporation, table of investment provided to U.S. Embassy, June 2003.
- ¹³ Thabo Thakalekoala, "Economy to Grow by 4% in 2002," *The Survivor (Maseru)*, July 31, 2002, found at Internet address <http://allafrica.com/stories/printable/200208020626.html>, retrieved Mar. 27, 2003.
- ¹⁴ Niki Tait, "Prospects for the Textile and Clothing Industry in Madagascar," *Textile Outlook International*, Mar.-Apr. 2002, No. 98, p. 141.
- ¹⁵ Representative of Mauritius Board of Investment, USITC staff interview, Mauritius, Feb. 24, 2003.
- ¹⁶ Representative of Mauritius Chamber of Commerce and Industry, USITC staff interview, Mauritius, Feb. 24, 2003.
- ¹⁷ Representative of American Chamber of Commerce, USITC staff interview, Mauritius, Feb. 24, 2003.
- ¹⁸ Niki Tait, "Prospects for the Textile and Clothing Industry in Mauritius," *Textile Outlook International*, May-June 2002, No. 99, p. 150.
- ¹⁹ "Despite Agoa, Clothing Industry Still in Crisis," *Agencia de Informacao de Mocambique (Maputo)*, May 2, 2003, found at Internet address <http://allafrica.com/stories/printable/200305020478.html>, retrieved June 18, 2003.
- ²⁰ Hugh Ellis, "Textile Rush Set to Create 20,000 Jobs in Three Years," *The Namibian (Windhoek)*, Jan. 13, 2003, found at Internet address <http://allafrica.com/stories/printable/200301130754.html>, retrieved Mar. 27, 2003.
- ²¹ Larry Claasen, "Vehicle Industry Has Uphill Drive to Join World Best," *Business Day (Johannesburg)*, Feb. 4, 2003, found at Internet address <http://allafrica.com/stories/printable/200302040253.html>, retrieved Mar. 27, 2003.
- ²² Carli Lourens, "SA Vies for a Bigger Slice of Daimlerchrysler Pie," *Business Day (Johannesburg)*, May 26, 2003, found at Internet address <http://allafrica.com/stories/printable/200305260321.html>, retrieved June 18, 2003.
- ²³ John Fraser, "Nissan SA Eyes Global Market," *Business Day (Johannesburg)*, Feb. 6, 2003, found at Internet address <http://allafrica.com/stories/printable/200302020416.html>, retrieved Mar. 27, 2003.
- ²⁴ Charlotte Mathews, "Seardel to Spend R125m to Upgrade Its Plants," *Business Day (Johannesburg)*, Mar. 4, 2003, found at Internet address <http://allafrica.com/stories/printable/200303040468.html>, retrieved Mar. 27, 2003.
- ²⁵ Charlotte Mathews, "Levi Strauss Unit to Export to US," *Business Day (Johannesburg)*, May 21, 2003, found at Internet address <http://allafrica.com/stories/printable/200305210562.html>, retrieved June 18, 2003.
- ²⁶ Charlotte Mathews, "AGOA's Eased Access to US May Spark Export Bonanza," *Business Day (Johannesburg)*, Aug. 30, 2002, found at Internet address <http://allafrica.com/stories/printable/200208300558.html>, retrieved Mar. 27, 2003.

Table 2-5—Continued
Selected examples of AGOA-related investment, employment increases, and industry expansion, July 2002-June 2003

²⁷ UN Integrated Regional Information Networks, "Fighting to Save Agoa," Oct. 7, 2002, found at Internet address <http://allafrica.com/stories/printable/200210070682.html>, retrieved Mar. 27, 2003.

²⁸ Bakari Machumu, "Textile Industry Future Rosy," *Business Times (Dar es Salaam)*, May 23, 2003, found at Internet address <http://allafrica.com/stories/printable/200305240233.html>, retrieved June 18, 2003.

²⁹ Mike Mande, "Dar Set to Open Maiden Export Zone," *The Nation (Nairobi)*, Apr. 22, 2003, found at Internet address <http://allafrica.com/stories/printable/200304210676.html>, retrieved June 18, 2003.

³⁰ "American Plans \$40m for Organic Cotton," *New Vision (Kampala)*, June 5, 2003, found at Internet address <http://allafrica.com/stories/printable/200306050501.html>, retrieved June 18, 2003.

³¹ Abubaker Mukose, "Jinja Group Wins Agoa Deal," *New Vision (Kampala)*, Jan. 16, 2003, found at Internet address <http://allafrica.com/stories/printable/200301160147.html>, retrieved Mar. 27, 2003.

³² Stephen Ilungole, "Gum Arabic Expert Here," *New Vision (Kampala)*, Oct. 23, 2002, found at Internet address <http://allafrica.com/stories/printable/200210230506.html>, retrieved Mar. 27, 2003.

³³ Badru Mulumba, "Nyanza Textiles for New Spinner," *The Monitor (Kampala)*, Oct. 10, 2002, found at Internet address <http://allafrica.com/stories/printable/200210100799.html>, retrieved Mar. 27, 2003.

³⁴ Denis Ocwich, "Lira Spinning Mill in Yarn Expansion Plan," *New Vision (Kampala)*, Aug. 1, 2002, found at Internet address <http://allafrica.com/stories/printable/200208010417.html>, retrieved Mar. 27, 2003.

³⁵ Stephen Ilungole, "US Firm in Grand Cyber Initiative," *New Vision (Kampala)*, Mar. 15, 2003, found at Internet address <http://allafrica.com/stories/printable/200303170698.html>, retrieved Mar. 27, 2003.

³⁶ Joseph Olanyo, "The Rise, Fall and the Rise of the Cotton Sector," *The Monitor (Kampala)*, Jan. 21, 2003, found at Internet address <http://allafrica.com/stories/printable/200301210402.html>, retrieved Mar. 27, 2003.

³⁷ James Odong, "UIA Hits Above Target," *New Vision (Kampala)*, Aug. 7, 2002, found at Internet address <http://allafrica.com/stories/printable/200208070253.html>, retrieved Mar. 27, 2003.

³⁸ "The African Growth and Opportunity Act/the facts," *Agence France Presse*, Jan. 16, 2003, found at Internet address <http://itc.newsedge-web.com/NewsEdge/ViewReviewStory/030116/0/1/2/5?Username=nchrist>, retrieved Jan. 29, 2003.

Sources: As cited.

real world of the marketplace requires good governance as a precondition of doing business."¹⁰ It is expected that as countries continue to move up the learning curve with respect to AGOA, the benefits from investment, reform, and regional cooperation will continue to encourage economic development and integration into the global trading regime. Table 2-6 lists examples of AGOA-related facilitation of investment and reform, and table 2-7 provides examples of increased regional cooperation and integration encouraged by AGOA.

¹⁰ Paul Ryberg, "Agoa Successes and Challenges: A Look Back at the First Two Years," *Africa Coalition for Trade (Washington, DC)*, Jan. 10, 2003, found at Internet address <http://allafrica.com/stories/printable/200301140520.html>, retrieved Mar. 27, 2003.

Table 2-6
**Selected examples of AGOA-related facilitation of investment and reform, July 2002-
June 2003**

Country	Example
Côte d'Ivoire	In order to encourage investment driven by access to AGOA benefits in the Côte d'Ivoire textile and agro-industrial sectors, the government was urged to push through reforms in the agriculture and telecommunications sectors, to support regional security, and to combat child labor. For example, the government amended a 2001 decree that required the shipment of cocoa beans in 60 to 65 kilogram bags rather than in bulk. ¹
Ethiopia	The Ethiopian Government has earmarked 1.5 billion birr (approximately \$175 million) for loans, including interest rate concessions, for qualifying AGOA-related export-oriented projects. Because access to land with adequate utilities has emerged as an investment constraint in the textile and apparel industry, the Ministry of Trade and Industry has acquired land with 2.5 megawatt power in order to allocate it to potential investors. ²
Kenya	In order to encourage manufacturing sector expansion, the government signed the AGOA trade agreement, and introduced trade facilitating measures (such as the removal of duties on capital equipment and certain raw materials) in the budget for fiscal year 2002/03. ³
Swaziland	Various stakeholders and government officials are working on maintaining AGOA benefits by addressing concerns regarding labor and human rights issues. In addition, in order to attract investment, the Matsapha Industrial Estate is being wired with electricity in order to serve AGOA-related business. ⁴
Uganda	After manufacturers cited problems with the bureaucracy in commercial banks that hampered AGOA-related investment, such as difficulty in opening a letter of credit, the government "rescued the [AGOA] designated textile and apparel exporting factories from bureaucratic red tape in the central and commercial banks." ⁵ Companies attempting to access AGOA-related benefits have highlighted the need for improved transportation of goods. As a result, President Museveni launched the \$2 million Inland Container Depot (ICD), belonging to the Kenfreight Group of companies, which reportedly will facilitate the transport of imports and exports. ⁶
Sub-Saharan Africa	AGOA "serves as a catalyst for economic development by underpinning free exportation of goods, and promoting world marketing of goods, and services from Africa. ... Generally, AGOA encourages and increases trade through reduction of tariffs, expansion of trade promotion, private sector growth, and creating new avenues for trade and opportunities, which would liberalize the economy for poverty reduction, and political stability." ⁷

¹ EIU Viewswire, "Côte d'Ivoire: Economy: News analysis: Côte d'Ivoire qualifies for AGOA," Sept. 5, 2002, found at Internet address http://www.viewswire.com/index.asp?layout=display_article&search_text=AGOA&doc_id=207315, retrieved on Mar. 27, 2003.

² Eskinder Michael, "Over 1 Bln Birr Earmarked for Textile Sector," *The Daily Monitor* (Addis Ababa), Jan. 30, 2003, found at Internet address <http://allafrica.com/stories/printable/200301300679.html>, retrieved Mar. 27, 2003.

³ EIU Viewswire, "Kenya: Business: Industry overview: Manufacturing," Dec. 31, 2002, found at internet address http://www.viewswire.com/index.asp?layout=display_article&search_text=AGOA, retrieved Mar. 27, 2003.

⁴ UN Integrated Regional Information Networks, "Fighting to Save Agoa," Oct. 7, 2002, found at Internet address <http://allafrica.com/stories/printable/200210070682.html>, retrieved Mar. 27, 2003.

⁵ Alfred Wasike, "Museveni Scraps Red Tape on Agoa," *New Vision* (Kampala), Mar. 5, 2003, found at Internet address <http://allafrica.com/stories/printable/200303050175.html>, retrieved Mar. 27, 2003.

⁶ Steven Odeu, "ICD to Boost AGOA," *New Vision* (Kampala), July 29, 2002, found at Internet address <http://allafrica.com/stories/printable/200207290365.html>, retrieved Mar. 27, 2003.

⁷ "Agoa Stimulates Economic Liberalization," *The Independent* (Banjul), Feb. 14, 2003, found at Internet address <http://allafrica.com/stories/printable/200302140184.html>, retrieved Mar. 27, 2003.

Sources: As cited.

Table 2-7
Examples of AGOA-related regional integration and cooperation, Jan. 2002-June 2003

Countries	Example
Mauritius and sub-Saharan Africa	<p>"A joint trade committee aimed at strengthening trade relations between Kenya and Mauritius will be launched next month." Mauritius has invested heavily in sugar industries in numerous Southern African countries. Also, Mauritius' support for Kenya's sugar and textile industries will reportedly help develop these two sectors.¹</p> <p>"Mauritian textile and apparel manufacturers are themselves investing abroad - especially in countries which have been granted lesser developed beneficiary Sub-Saharan African country (LDBC) status by the United States, [as] LDBC countries are especially attractive as investment locations because they enjoy special concessions under AGOA. ... Recipients of investment from Mauritius include Madagascar, Mozambique, Botswana and Lesotho."²</p>
Mauritius and Senegal	Factors which make Mauritius' increased economic relations with Senegal appealing include a largely stable political environment and Senegal's access to the U.S. market under the AGOA program. ³
Mauritius and South Africa	To facilitate textile and apparel trade, especially the fulfillment of rules-of-origin requirements associated with the AGOA program, Mauritius and South Africa signed an agreement providing for the progressive removal of import tariffs. Duties will be "lowered to 15% this year, before being reduced to 10% in 2003 and 4% in 2004. Duty-free entry will be effective January 2005." ⁴
Sub-Saharan Africa	The AGOA has established a framework that encourages cooperation among sub-Saharan African countries, Mauritius, and the United States by providing incentives for regional investment in order to establish vertically integrated industries in the region. ⁵
Uganda and sub-Saharan Africa	The AGOA provision allowing reduced duties on textiles made from locally sourced fabrics has driven cotton sector expansion aimed at supplying regional garment manufacturers. ⁶
Zambia, South Africa, and Mauritius	Swarp Spinning Mills (Zambia) began exporting yarn to South Africa and Mauritius for use as locally sourced input as required for reduced-duty benefits under the AGOA program. ⁷

¹ Vitalis Omondi, "Trade body ready to start work next month," *The East African (Nairobi)*, Feb. 17, 2003, found at Internet address <http://allafrica.com/stories/printable/200302190814.html>, retrieved Mar. 27, 2003.

² Niki Tait, "Prospects for the Textile and Clothing Industry in Mauritius," *Textile Outlook International*, May-June 2002, No. 99, p. 151.

³ EIU Viewswire, "Mauritius: Economy: Outlook: Country outlook," Oct. 21, 2002, found at Internet address http://www.viewswire.com/index.asp?layout=display_article&search_text=AGOA&doc_id=215400, retrieved Mar. 27, 2003.

⁴ Emerging Textiles.com, "Mauritius tries boosting textile investment," Sept. 11, 2002, found at Internet address <http://www.emergingtextiles.com/print/?q=art&s=020911-coun&r=search&n=1>, retrieved Sept. 12, 2002.

⁵ Representative of Joint Economic Council, USITC staff interview, Mauritius, Feb. 24, 2003.

⁶ Joseph Olanyo, "The Rise, Fall And the Rise of the Cotton Sector," *The Monitor (Kampala)*, Jan. 21, 2003, <http://allafrica.com/stories/printable/200301210402.html>, retrieved Mar. 27, 2003.

⁷ EIU Viewswire, "Region bans imports from Zimbabwe," Aug. 9, 2002, found at Internet address http://www.viewswire.com/index.asp?layout=display_article&search_text=AGOA&doc_id=203034, retrieved Mar. 27, 2003.

Sources: As cited.

Box 2-1: AGOA – Moving Beyond Textiles and Apparel

Several SSA countries are beginning to witness the expansion of AGOA benefits beyond the textile and apparel sector. South Africa, with its broadly diverse industrial base, is leading this expansion. Other countries that are actively seeking opportunities in nontraditional products, however, are also making inroads into the U.S. market and diversifying their export industries. The most significant effect, however, may not be in these countries, but in their neighbors who now have tangible evidence of the expanding investment and export opportunities initiated by access to the AGOA program, and supported by government and business confidence coupled with good governance.

- **Fruits, Vegetables, and Processed Food:** A significant comparative advantage for many SSA countries is in the agricultural sector. In addition to fresh fruits and vegetables, SSA firms accessing AGOA benefits are able to compete internationally in the global market for processed food products. This industry provides increased opportunities for firms to expand production of higher value-added products and reap the associated better prices.
 - South African exports have witnessed substantial benefits from the AGOA program. Edible fruits and nuts, especially oranges, mandarins, canned pears, canned citrus, and macadamia nuts are increasingly headed for the U.S. market under the AGOA program.¹
 - Kenya announced that it will be exporting coffee to an American firm under AGOA. Unlike most coffee exports from SSA, Kenyan exports under this agreement will involve the export of fully processed coffee. Exporters of this value-added product are expected to receive higher prices than is the case with raw coffee.²
 - In South Africa, an entrepreneur teamed up with Sunsweet Growers Inc., located in Yuba City, California, to produce sugar-free fruit bars. The U.S. firm is selling South African products in the United States and the United Kingdom. The South African company is planning to purchase a U.S.-produced packaging machine, which will more than triple the company's capacity. The increased capacity will help the company increase exports to other international markets.³
 - A specialty firm in South Africa that produces ice cream in coconut shells and other fruit cases landed a contract with a large U.S. retail firm. AGOA eliminated a 20 percent duty on the company's products, and the owner noted that the contract would not have happened without AGOA.⁴
 - A major international wine and grape concentrate producer based in the Western Cape of South Africa became increasingly competitive in the

¹ U.S. Department of State telegram, "Scenesetter for USTR Zoellick: AGOA is working for South Africa," message reference No. PRETORIA 702, prepared by U.S. Embassy, Pretoria, Feb. 2002.

² Silas Nthiga, "Country Signs Coffee Deal with US," *The Nation (Nairobi)*, June 10, 2003, found at Internet address <http://allafrica.com/stories/printable/200306100157.html>, retrieved June 18, 2003.

³ U.S. Department of State telegram, "Scenesetter for USTR Zoellick: AGOA is working for South Africa," message reference No. PRETORIA 702, prepared by U.S. Embassy, Pretoria, Feb. 2002.

⁴ Ibid.

United States as a result of access to the AGOA program. The company is expanding its exports and experiencing new-found success in the U.S. wine market.⁵

- **Vehicles and Vehicle Parts:** The South African vehicles and vehicle parts industry has witnessed increased output and investment driven by exporters' access to the AGOA program. Companies such as BMW and Volkswagen are involved in significant plant expansions spurred by increased export demand, while others such as Nissan and DaimlerChrysler are pitching AGOA benefits to parent companies to solicit investment in South African affiliates. Increasing investment and output is helping make the South African vehicle and vehicle parts industry an increasingly important player in the global market.
 - Nissan SA hopes to begin exporting one-ton hard-bodied commercial vehicles, locally known as 'bakkies,' to the global market. In addition to South Africa, potential Nissan investment sites include South America, Spain, the United Kingdom, and Thailand. In order to secure the investment, the subsidiary would have to convince its parent company in Japan of the attractiveness of South Africa. In addition to the relative labor costs and productivity levels, a central component in its argument for selecting South Africa as the investment destination is preferential access to the U.S. market under the AGOA program.⁶
 - BMW has been one of the biggest beneficiaries of the AGOA program. BMW in South Africa recently completed a significant plant upgrade program and exported 22,000 units to the United States under the AGOA program in 2002.⁷ Part of BMW's expansion plans includes shipping two engine types to the United States. Company executives noted that the company would not be able to benefit from AGOA if it was not already competitive in terms of quality; however, AGOA provides tax savings which can amount to \$600 per car. BMW's workforce of 3,000, with downstream employment of 20,000, benefit from the program.⁸
 - DaimlerChrysler in South Africa announced that it would invest R10 billion (approximately \$1.2 billion) in South Africa if the affiliate won the contract to manufacture the new C-Class Mercedes-Benz.⁹ The investment would allow it to produce left-hand vehicles for export to the United States. The associated capital injection would be of significant benefit to the domestic economy, especially by increasing employment opportunities. If the subsidiary secures the investment, domestic

⁵ Ibid.

⁶ John Fraser, "Nissan SA Eyes Global Market," *Business Day (Johannesburg)*, Feb. 6, 2003, found at Internet address <http://allafrica.com/stories/printable/200302060416.html>, retrieved Mar. 27, 2003.

⁷ Larry Claasen, "Vehicle Industry Has Uphill Drive to Join World Best," *Business Day (Johannesburg)*, Feb. 4, 2003, found at Internet address <http://allafrica.com/stories/printable/200302040253.html>, retrieved Mar. 27, 2003.

⁸ John Fraser, "Multinational BMW to Benefit From Agoa Scheme," *Business Day (Johannesburg)*, Nov. 8, 2003, found at Internet address <http://allafrica.com/stories/printable/200211080101.html>, retrieved Mar. 27, 2003.

⁹ Larry Claasen, "Vehicle Industry Has Uphill Drive...", *Business Day (Johannesburg)*, Feb. 4, 2003.

production could double to 8,000 to 9,000 units per year. In addition to the U.S. market, the ability to produce left-hand vehicles would open other overseas markets for exports from South Africa. Investment in South Africa is particularly attractive to the German-based parent because of access to the AGOA program.¹⁰

- **Other Products:** Initial AGOA trade and investment benefits stem from established industries that are already familiar with the U.S. market and distribution channels; however, the increased competitiveness afforded by the AGOA program is encouraging nontraditional export industries to take root, and U.S. companies to investigate possible sourcing opportunities in SSA.
 - The AGOA program has increased exposure in the United States of investment opportunities in the SSA region. Rocky Mountain Technology Group, a U.S.-based information technology firm plans to create a 'cyber city' in Kampala, Uganda, to develop infrastructure, train people, process data, and export software. Government officials expressed hope that this investment would lead to the development of a regional information technology hub in Uganda, and increase investment opportunities for other firms. Ms. Muhwezi, the President's secretary in charge of AGOA, highlighted the project in her brief on the benefits of the AGOA program.¹¹
 - In October 2002, an expert from a U.S. firm, the world's largest importer of gum-arabic, visited Uganda to collect samples for testing in the United States. This testing is the first step in assessing the viability of investing in procuring gum-arabic from Uganda.¹² In June 2003, government officials announced that samples were "found to have the characteristics required by U.S. importers;" and the United States had ordered all the high-grade gum arabic that Uganda could supply. Major multinational companies such as Coca Cola have expressed interest in sourcing gum arabic from Uganda. Prompted by access to the U.S. market under the AGOA program, Ugandan farmers will be able to cultivate a product that has not been exploited for trade in over a decade.¹³

¹⁰ Carli Lourens, "SA Vies for a Bigger Slice of Daimlerchrysler Pie," *Business Day (Johannesburg)*, May 26, 2003, found at Internet address <http://allafrica.com/stories/printable/200305260321.html>, retrieved June 18, 2003.

¹¹ Stephen Ilungole, "US Firm in Grand Cyber Initiative," *New Vision (Kampala)*, Mar. 15, 2003, found at Internet address <http://allafrica.com/stories/printable/200303170698.html>, retrieved Mar. 27, 2003.

¹² Stephen Ilungole, "Gum Arabic Expert Here," *New Vision (Kampala)*, Oct. 23, 2002, found at Internet address <http://allafrica.com/stories/printable/200210230506.html>, retrieved Mar. 27, 2003.

¹³ Patrick Onyango, "Country to Export Gum Arabic to US," *The Monitor (Kampala)*, June 16, 2003, found at Internet address <http://allafrica.com/stories/printable/200306160543.html>, retrieved June 18, 2003.

- A major South African appliance manufacturer and distributor announced the expansion of its manufacturing facility in Cape Town in order to keep up with the export demand of a U.S. based appliance brand. The managing director attributed the increased exports in part to the introduction of AGOA and the export opportunities the program has opened.¹⁴
- South African exporters have begun to export several new products since the AGOA program, including pimentos, artichokes, fishing rods, and ice cream products.¹⁵

¹⁴ U.S. Department of State telegram, "Scenesetter for USTR Zoellick: AGOA is working for South Africa," message reference No. PRETORIA 702, prepared by U.S. Embassy, Pretoria, Feb. 2002.

¹⁵ *Ibid.*