CHAPTER 3
Regional Integration In Sub-Saharan Africa

This chapter provides information on the African Union (AU), and trade and investment information for the following nine major regional organizations in sub-Saharan Africa: the Economic Community of West African States (ECOWAS); the West African Economic and Monetary Union (WAEMU); the Common Market for Eastern and Southern Africa (COMESA); the Southern African Development Community (SADC); the Southern African Customs Union (SACU); the East African Community (EAC); the Inter-Governmental Authority on Development (IGAD); the Indian Ocean Commission (IOC); and the Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC). The data presented in this section were compiled from a number of sources including the U.S. Department of Commerce, the Economist Intelligence Unit, the World Bank, the International Monetary Fund, and the respective regional organization official Internet sites. The information and analysis generally focus on developments that occurred during 2002.

Regional Integration in 2002

In July 2002, the African Union (AU) was officially launched, as the successor to the Organization of African Unity (OAU), at a meeting of African heads of states in Durban, South Africa. The AU consists of 52 African member states, and is based in Addis Ababa, Ethiopia. The AU is modeled on the EU with plans for the establishment of a parliament, a central bank, a single currency, a court of justice and an investment bank. The AU also plans to have common defense, foreign and communication policies.

In 2002, regional trade groupings in sub-Saharan Africa, continued to focus on reducing tariffs among member countries. COMESA members concluded a free trade agreement in October 2000 with an agreement to phase in tariff reductions on goods of COMESA origin in order to achieve zero tariffs on intra-COMESA trade by 2004. The result has been an increase in recorded trade volumes mainly attributed to the transfer of unrecorded trade into the recorded or legal sector.

The current trend of lowering tariffs on goods of African origin is being driven primarily by regional trading blocs. This trend is likely to continue, and to result in increased total intra-African trade volumes, and an increase in the proportion of recorded trade. This is particularly true for regions of relative stability, where political and economic policies of neighboring states are similar. For example, trade between South Africa and Mozambique increased at a faster pace in 2002. A similar situation emerged in Kenya, Tanzania and Uganda where measures are being undertaken to further boost trade between these countries.

ECOWAS

Economic Community of West African States

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

Population: 242.9 million (2002)

GDP: $85.2 billion (2002)

Goals: Free Trade Area; full economic and monetary union.

Status and structure:

ECOWAS was established in 1975, to create a custom union among its 15 member states[1] to promote the free circulation of goods, services, labor, and capital within West Africa. The ECOWAS block includes all eight members of the WAEMU.

ECOWAS is based in Abuja, Nigeria and is headed by the former Ghanaian minister, Mohamed Chambas. The organization has a 120 member parliament, court of justice, and Council of Ministers. Heads of governments meet annually for decision-making.

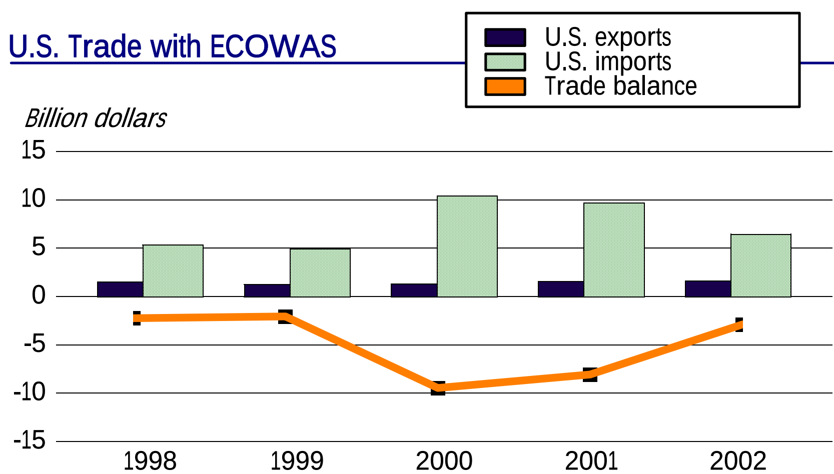
ECOWAS implemented a rules-of-origin regime for locally manufactured goods to receive preferential treatment - more than 300 industrial products have been approved for this regime. In order to receive a certificate of origin, domestic content must be at least 60 percent or, if less, domestic value-added must be at least 40 percent of the freight on board (f.o.b) price.

In early 2001, ECOWAS unveiled the West African Monetary Institute, a transitional institution, to pave the way for a West African central bank and the introduction of a common currency. The community has also taken the initiative to be proactive on regional security issues. In 1990, ECOWAS established a Cease-fire Monitoring Group (ECOMOG).

Trade:

In 2002, the U.S. trade deficit with ECOWAS declined by 40.7 percent to $4.9 billion. The U.S. had an $8.1 billion trade deficit with the region in 2001. The reason for the change is a 33 percent decrease in U.S. imports from ECOWAS to $6.5 billion, and a slight increase in U.S. exports to the ECOWAS region by 1.7 percent to $1.6 billion, in 2002. The major exported items include wheat, machinery parts, aircraft and spacecraft, and rice. Most of the imports into the U.S. consisted of petroleum oils, cocoa beans, aluminum ores, rubber latex, and diamonds.

U.S. Trade with ECOWAS



Key Traded Commodities

U.S. Exports

Wheat
Parts for boring & sinking machinery
Aircraft and spacecraft
Rice
Parts for airplanes or helicopters
Petroleum oils

U.S. Imports

Petroleum oils
Coca beans
Aluminum ores
Rubber latex
Diamonds
Natural gas

Economic Community of West African States

AGOA Trade:

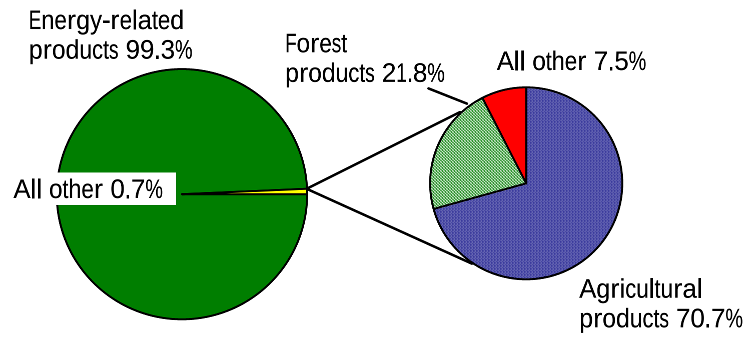
Twelve countries, Benin, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, and Sierra Leone, are AGOA-eligible countries. In 2002, AGOA imports from ECOWAS totaled $5.5 billion, a decline from $5.8 billion in 2001. Nigeria accounted for 98 percent of total AGOA imports from ECOWAS, in 2002. Energy-related products made up 99 percent of total AGOA imports from the region in 2002.

Recent developments:

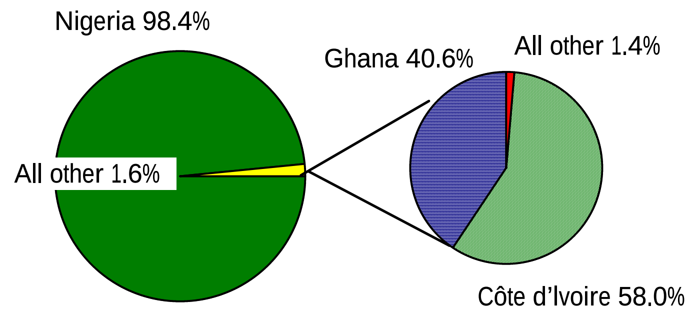
ECOWAS created the West African Monetary Institute in 2001, which then established a West African central bank in December 2002 and introduced a common monetary unit in 2003.

Eight of the 15 ECOWAS member countries– Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo– form the West African Economic and Monetary Union (WAEMU). Another five countries – Gambia, Ghana, Guinea, Nigeria and Sierra Leone – are due to launch their monetary zone, the West African Monetary Zone (WAMZ) this year. The WAMZ , which pegs the currencies of Gambia, Ghana, Guinea, Nigeria and Sierra Leone to the US dollar allowing a fluctuation of 15 percent, is intended to lead to a common currency for ECOWAS.[2] A monetary union of 13 ECOWAS countries is to be achieved in 2004 by merging WAEMU with WAMZ. WAMZ was a $50 million monetary zone, at the time of its establishment.

AGOA Trade in 2002

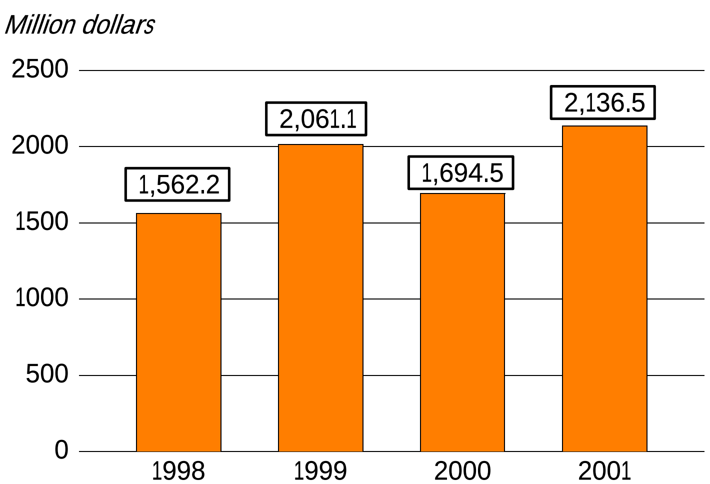


By Sector



By Country

ECOWAS Net Foreign Direct Investment, 1998-2002



WAEMU

West African Economic and Monetary Union

Members: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo
Population: 142.5 million (2002)
GDP: $27.4 billion (2002)
Goals: Customs union and coordinated monetary policy

Status and structure:

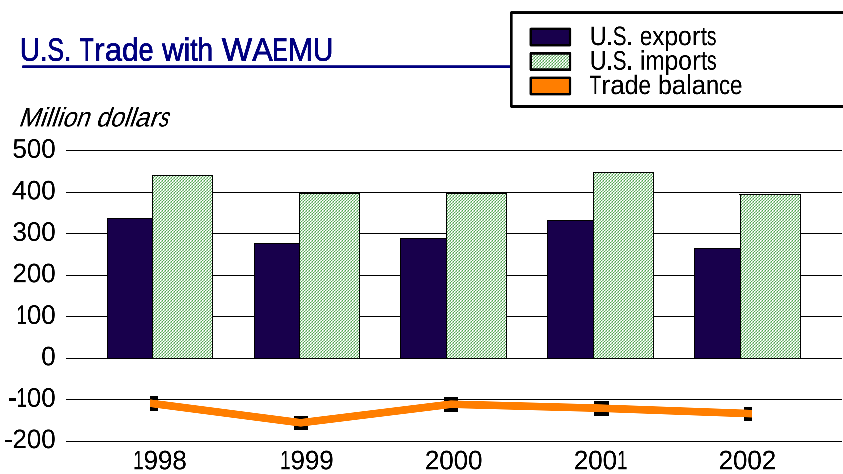
In January 1994, WAEMU was established to create a common market with free movement of goods, services, capital, and labor within the WAEMU region. Ultimately aiming for the convergence of fiscal policies, harmonization of tax legislation, and a common investment policy, the treaty provided for common sectoral policies as well as a customs union. All member countries participated in the Communauté Financière Africaine (CFA) franc zone based on the euro and maintained an operations account with the French Treasury to facilitate trade with France.

In December 1995, the member countries concluded a preferential trade agreement that instituted a transitional tariff regime pending establishment of the customs union. The agreement set out regime and customs procedures applicable to the movement of goods within the WAEMU area. A common external tariff became operative on January 1, 2000. Member states tariff revenues losses were to be offset by a transitional but temporary tax on imports from outside WAEMU.

Trade:

In 2002, the U.S. trade deficit with WAEMU rose by 11.4 percent to $130 million. The U.S. had a $116 million trade deficit with the region in 2001. The reason for the change is a 20 percent decrease in U.S. exports to WAEMU to $266 million, and a decrease in U.S. imports from the WAEMU region by 11.9 percent to $395 million, in 2002. The major exported items include machinery parts, worn clothing, fertilizers, and rice. U.S. imports consisted of cocoa beans, petroleum oils, and wood products.

U.S. Trade with WAEMU



Key Traded Commodities

U.S. Exports

Parts for boring or sinking machinery
Worn clothing
Fertilizers
Rice
Parts for machinery

U.S. Imports

Cocoa beans
Petroleum oils
Cocoa powder and paste
Tropical wood

West African Economic and Monetary Union

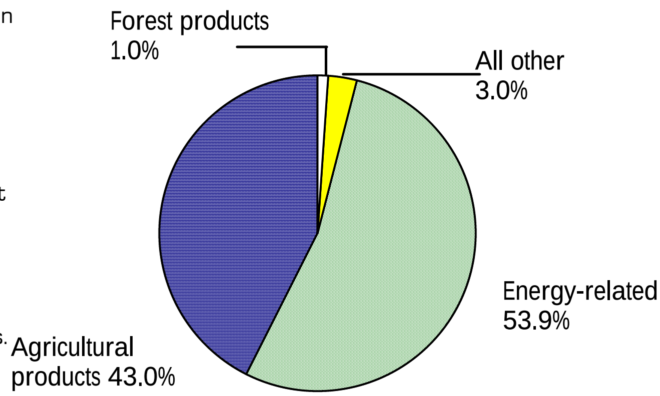
AGOA trade:

The six AGOA beneficiaries are Benin, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, and Senegal. In 2002, U.S. imports under AGOA rose significantly to $50.6 million from $14.4 million in 2001. AGOA imports consisted primarily of agricultural and energy-related products from Côte d'Ivoire in 2002.

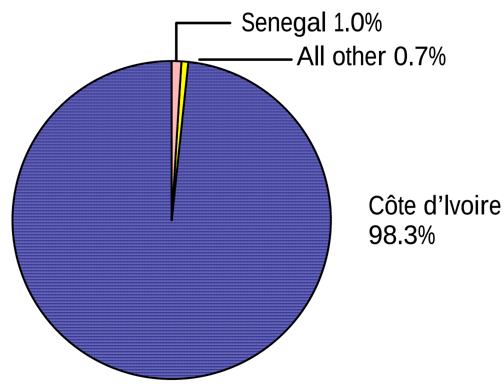
Recent developments:

WAEMU and ECOWAS have determined a number of measures which will help harmonize the two regional blocs. Both have agreed to adopt new common rules of origin to enhance the flow of trade and implement a universal customs declaration form. WAEMU members are working toward greater regional integration with unified external tariffs. The organizaiton's monetary convergence phase has been prolonged to be completed by 2005. In the 2002 WAEMU meeting, members raised concerns about the regional implications of Côte d'Ivoire's internal crisis.

AGOA Trade in 2002



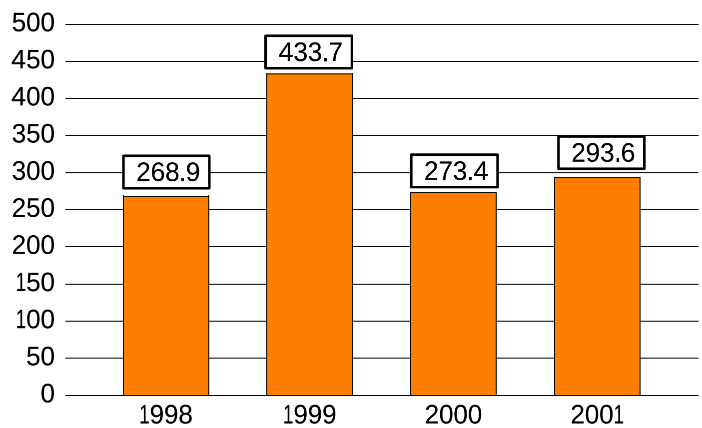
By Sector



By Country

WAEMU Net Foreign Direct Investment, 1998-2001

Million dollars



COMESA

Common Market for Eastern and Southern Africa

Members[4]: Angola, Burundi, Comoros, Democratic Republic of the Congo (DROC), Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe

Population: 385 million (2002)

GDP: $170.0 billion (2002)

Goals: To liberalize trade and encourage cooperation in industry, agriculture, transportation, and communication through the creation of a monetary union with a single currency and a common central bank.

Status and structure:

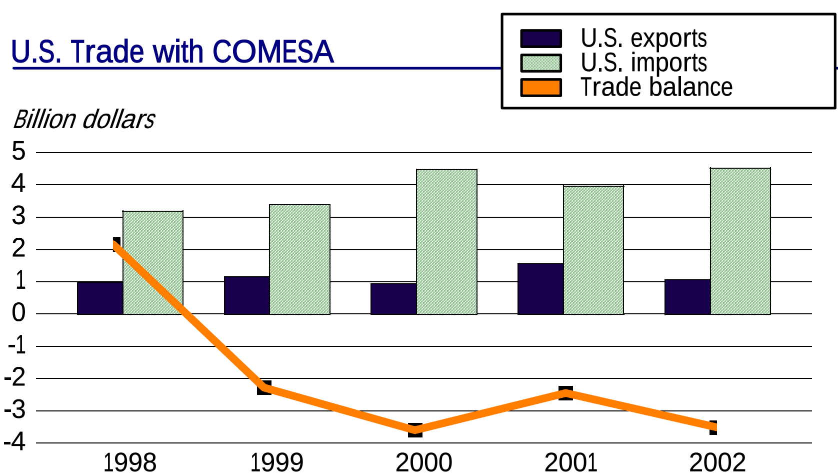
COMESA was founded in December 1994 to promote the free movement of services, capital, and labor; and cooperation in various policy areas, including money and finance, agriculture and industry, communication, energy, environment, health, tourism, and transport within the COMESA region. The COMESA FTA was officially launched in October, 2000.

Goods from countries not participating in the COMESA FTA are subject to the tariff rates that apply to nonmember countries, although lower tariffs between FTA members and nonmembers can be negotiated on a bilateral basis. Nontariff barriers on imports from member counties are to be eliminated, with possible exceptions based on safety, security, infant industry, or balance-of-payments difficulties. Emergency actions, such as safeguard, antidumping and countervailing measures, are allowed for a limited period.

Trade:

The U.S. trade deficit with COMESA increased by $1.1 billion, and reached $3.5 billion in 2002. U.S. exports decreased by $501 million, and totaled $1.1 billion in 2002. Major U.S. export items were agricultural products, machinery, and military equipment. The top four U.S. export commodities in 2002 were corn, wheat and meslin; aircraft and parts; parts of machinery; and tanks and armored vehicles. U.S. imports increased by $558 million to $4.5 billion in 2002. The top four import items from COMESA were petroleum oils, cotton apparel, vanilla beans, and tobacco. Reports indicate that between 2001-2002, intra-COMESA trade grew by 22 percent. Currently, Kenya exports to Egypt 10 times the value of its imports from Egypt [3]

U.S. Trade with COMESA



Key Traded Commodities

U.S. Exports

Corn, wheat and meslin
Aircraft and parts
Parts of machinery
Tanks and armored vehicles

U.S. Imports

Petroleum oils
Men's and Women's cotton shirts,
trousers, overalls and shorts
Sweaters, pullovers, and waistcoats
Vanilla beans
Tobacco

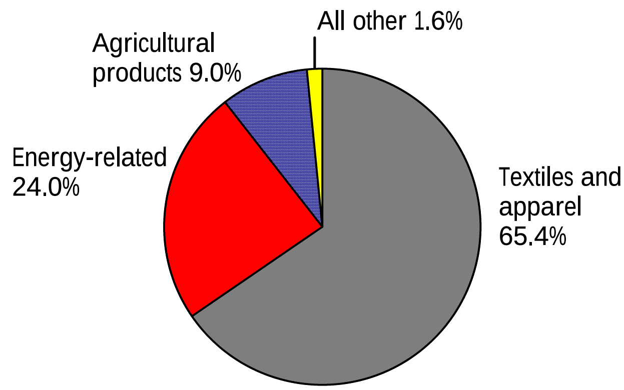
Common Market for Eastern and Southern Africa

AGOA trade:

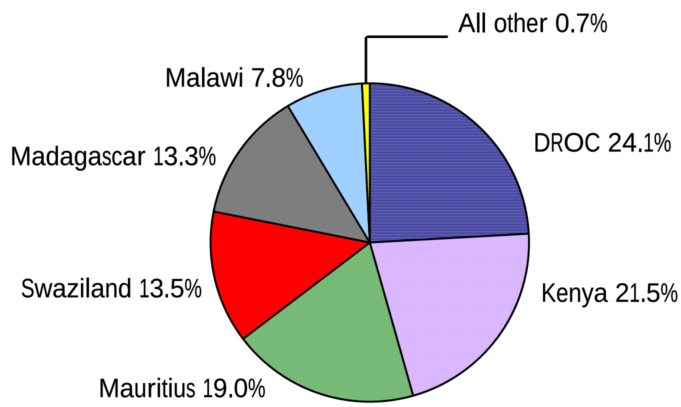
The thirteen AGOA beneficiaries are DROC[5] , Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Swaziland, Uganda and Zambia. In 2002, AGOA imports from COMESA more than doubled to $600 million.[6] Three countries, DROC, Kenya, and Mauritius, constituted 65 percent of total AGOA imports from COMESA. In 2002, six COMESA members-Djibouti, Eritrea, Ethiopia, Kenya, Mauritius, and Swaziland-increased their AGOA imports by more than 100 percent.

Textiles and apparel, energy-related products, and agricultural products accounted for 98 percent of AGOA imports from COMESA in 2002. While AGOA imports of agricultural products and energy related products remained relatively constant, textiles and apparel imports increased by 100 percent in 2002. Another commodity that showed an increase in imports was footwear products. AGOA imports of chemicals, electronics, forest, minerals and metals, miscellaneous manufactures, and machinery products fell in 2002.

AGOA Trade in 2002



By Sector



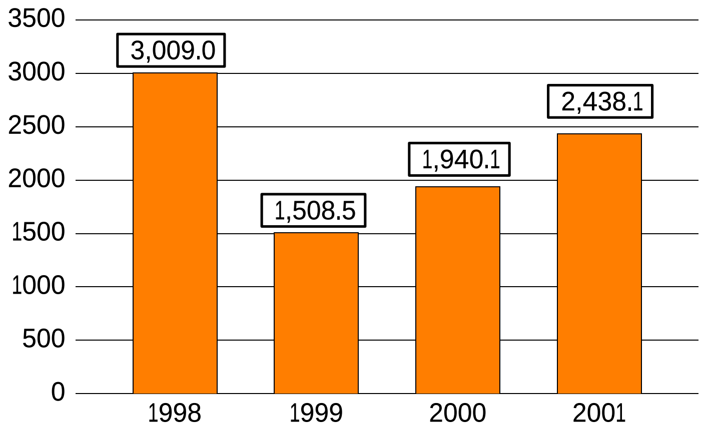
By Country

Recent developments:

In November 2002, the EU signed a regional strategy document with the IOC, EAC, IGAD and COMESA. This involves a 223 million euros program for the period 2002-2007. By early 2003, nine of the nineteen member countries had removed their intraregional trade barriers.[7] In order to attract more foreign investment to the region, COMESA with assistance of the World Bank plans to provide political risk cover for investors.

COMESA Net Foreign Direct Investment, 1998-2001

Millions dollars



SADC

Southern African Development Community

Members: Angola, Botswana, Democratic Republic of the Congo (DROC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Seychelles, Swaziland, Tanzania, Zambia, Zimbabwe

Population: 210.1 million (2002)

GDP: $156.6 billion (2002)

Goals: To eliminate the internal tariff by 85 and 100 percent by 2008 and 2012, respectively. To achieve intra-SADC co-operation in mining, remove landmines, and combat drug-trafficking.

Status and structure:

The SADC free trade area was launched on Sept. 1, 2000, to promote development and economic growth, alleviate poverty, and enhance the standard and quality of life for the people of southern Africa through regional integration. SADC seeks to establish a free trade area among its 14 members. It is organizing a rules-of-origin regime that requires goods to be wholly produced in member states, with specific provisions for mineral products that must be either extracted from the ground or the sea-bed of member states.

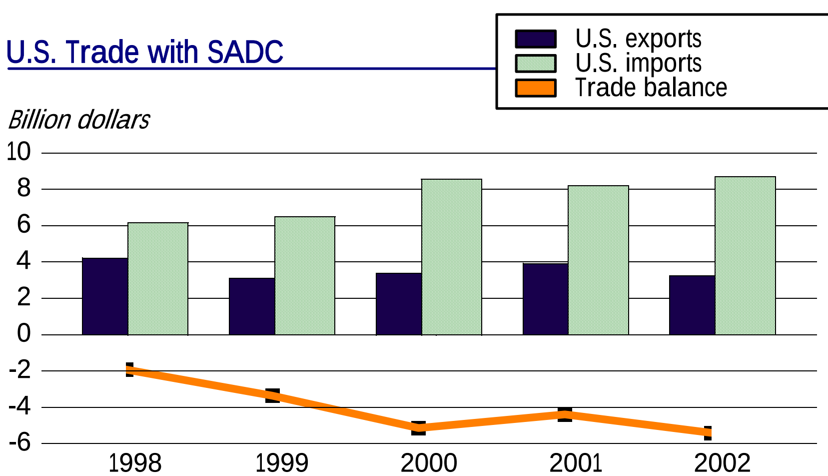
SADC develops policies to facilitate the free movement of goods, services, capital, and labor, and mobilizes support for national and regional projects. SADC is governed by a policymaking body (the Summit of Heads of State and Government), along with a Council of Ministers, and a secretariat based in Gaborone, Botswana. The SADC treaty provides for a protocol to exercise a trade tribunal to adjudicate disputes between members that arise from the treaty in a final and binding manner.

SADC promotes sectoral corporation within the region, such as in communications, energy, industry, mining, tourism, and transport, and operates projects partially financed by foreign investors. Certain specific sectoral tasks are apportioned to particular members. For example, South Africa coordinates SADC's finance and investment, Namibia coordinates projects in fisheries, and Botswana holds the seat of the SADC Secretariat.

Trade:

The U.S. trade deficit with the SADC increased by 28 percent to $5.5 billion, in 2002. Consequently, U.S. exports to the SADC declined by 18 percent to $3.2 billion, while imports from the region increased by 6 percent to $8.7 billion. Major U.S. export commodities, in 2002, were ship machinery, aircraft, spacecraft, corn, and motor cars whereas the main imports into the U.S. from SADC included petroleum oils, platinum, diamonds, and motor cars.

U.S. Trade with SADC



Key Traded Commodities

U.S. Exports

Parts for boring or sinking machinery
Aircraft and spacecraft
Motor cars
Corn

U.S. Imports

Petroleum oils
Platinum
Diamonds
Motor cars
Palladium
Sweaters, pullovers, sweatshirts, vests, and similar products

Southern African Development Community

AGOA trade:

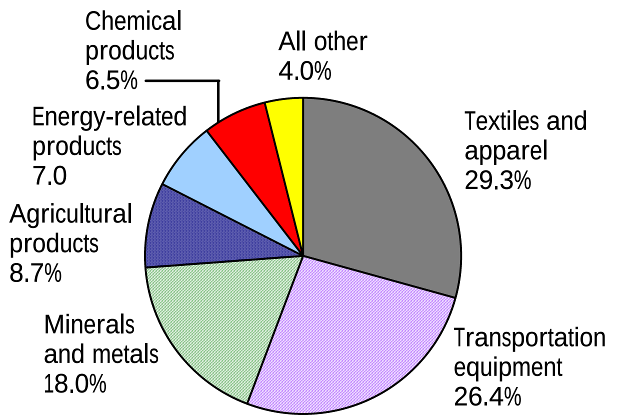
The twelve beneficiaries of AGOA are Botswana, DROC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Seychelles, Swaziland, Tanzania and Zambia. Total AGOA imports from the region doubled to $2.1 billion in 2002. The top three suppliers of AGOA imports were South Africa (65 percent), Lesotho (15 percent), and DROC (7 percent). In 2002, 29 percent of total AGOA imports from SADC consisted of textiles and apparel products.

Recent developments:

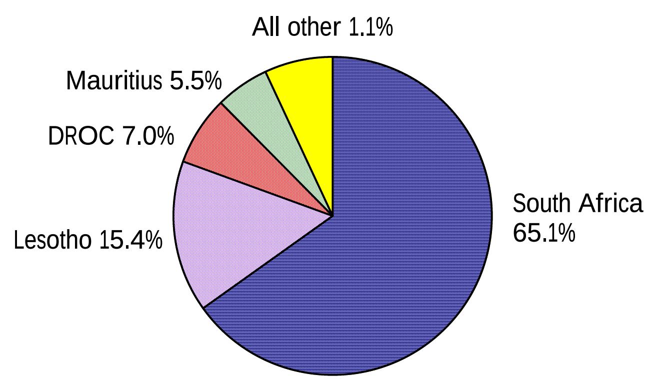
In order to create an economic integration mechanism, SADC established a directorate for trade, industry, finance, and investment in August 2001. In addition, a directorate for infrastructure, food, agriculture, and natural resources was established in January 2002.

As FTAs are signed worldwide, SADC members' decisions to enter into bilateral agreements with other countries individually or collectively may undermine the effectiveness of the SADC FTA. For example, the free trade agreement between South Africa and the European Union reportedly has created some concern among SADC members that their markets may be flooded with cheap imports from Europe.

AGOA Trade in 2002



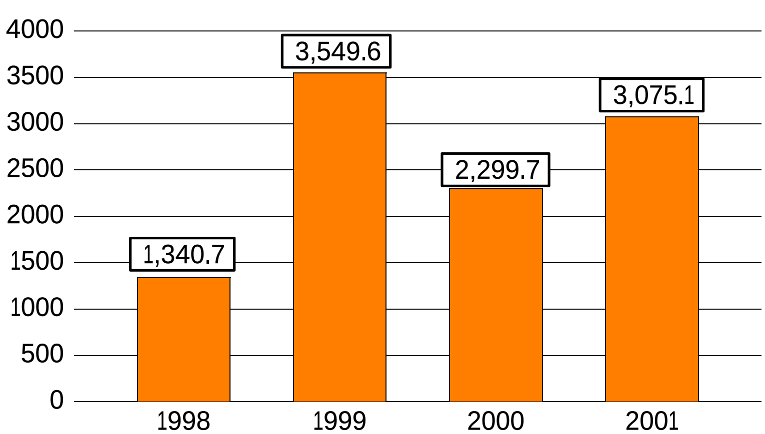
By Sector



By Country

SADC Net Foreign Direct Investment, 1998-2001

Million dollars



SACU

Southern African Customs Union

Members: Botswana, Lesotho, Namibia, South Africa, and Swaziland
Population: 51.8 million (2002)
GDP: $115.5 billion (2002)
Goals: To economically integrate the region.

Status and structure:

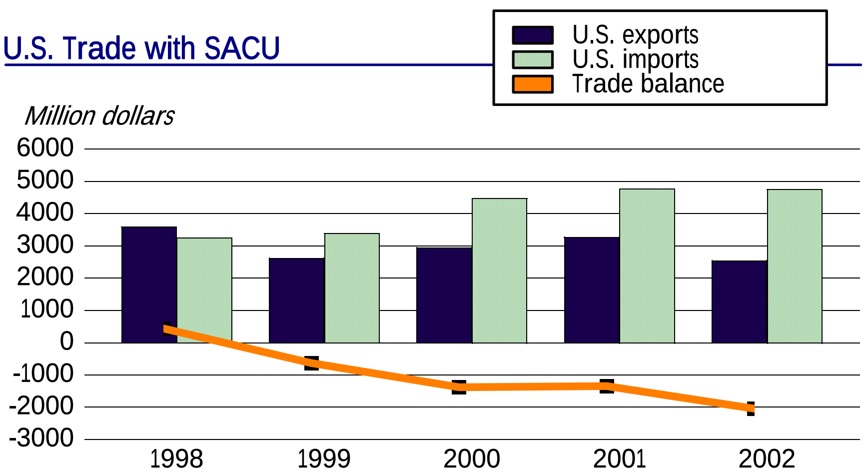
SACU is the oldest regional economic grouping in southern Africa, dating back to 1910. Historically, the customs union was administered by South Africa. The customs union garnered excise duties on local production and custom duties on member countries' imports from outside the SACU area and the resulting revenue was paid to the member states in quarterly instalments using a revenue-sharing formula.

In 1994, negotiations began to reform the SACU agreement, and a new agreement was signed in 2001. The new agreement was ratified by the SACU heads of states and will become operational in 2003/2004. The new revenue-sharing formula aims to ensure that revenue flows to each member country are stable and do not fall below current levels. This is important for countries like Lesotho and Swaziland, for which customs revenue makes up at least half of government income.

Trade:

The U.S. trade deficit with the SACU region increased by 48 percent to $2.2 billion in 2002. U.S. exports to SACU decreased by 22 percent to $2.6 billion, and U.S. imports fell by 1 percent to $4.8 billion in 2002. The major U.S. export items, in 2002, were aircraft and spacecraft, motor cars, petroleum coke, and parts of aircraft and helicopters. U.S. imports from SACU included platinum, diamonds, motor cars, and palladium.

U.S. Trade with SACU



Key Traded Commodities

U.S. Exports

Aircraft and spacecraft
Motor cars
Petroleum coke products
Parts of aircraft or helicopters

U.S. Imports

Platinum
Diamonds
Motor cars
Palladium
Sweaters, pullovers, sweatshirts, vests
Ash and residues

Southern African Customs Union

AGOA trade:

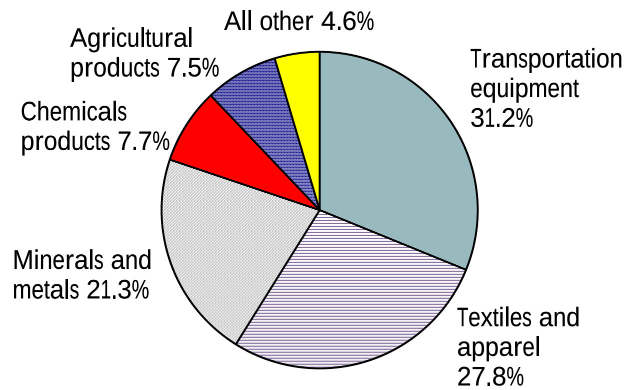
All five SACU members are AGOA beneficiary countries. In 2002, AGOA imports from SACU increased by 64 percent to $1.8 billion. South African imports accounted for 77 percent of total imports from SACU under AGOA. Textiles and apparel, and transportation equipment dominated AGOA imports from SACU, accounting for 28 and 31 percent of the total, respectively.

Recent developments:

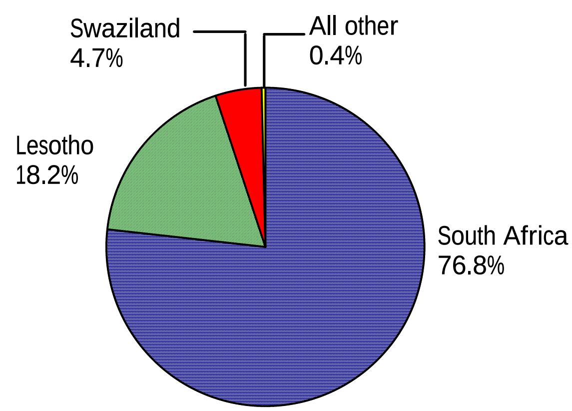
South Africa's tariffs have been reduced, as the country reforms its trade policy in accordance with its free-trade agreement with the EU and to meet WTO guidelines. However, Botswana, Namibia, Lesotho and Swaziland, commonly called the BNLS states, remain dependent on South Africa for most of their imports and on privileged access to the South Africa market.

In early June 2003, the United States began formal discussions on a free trade pact with the SACU, the first trade agreement initiative between the United States and countries in the sub-Saharan Africa region.

AGOA Trade in 2002

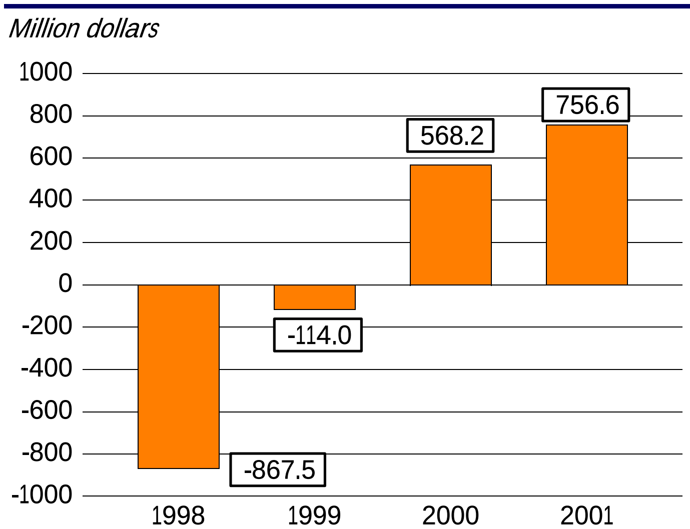


By Sector



By Country

SACU Net Foreign Direct Investment, 1998-2001



EAC

East African Community

Members: Kenya, Tanzania, Uganda[8]

Population: 91.5 million (2002)

GDP: $26.6 billion (2002)

Goals: To create a common market, promote regional trade and investment, create convertibility among members' currencies, progressively reduce tariffs, implement regional infrastructure projects, co-operate in research, and advance in human resources and technology. Long-term goals include creating a monetary and customs union, establishing a common travel document to allow free movement of people, and ultimately form a political federation.

Status and structure:

After the original EAC dissolved in 1977, Kenya, Uganda, and Tanzania signed a second East African Community Treaty, which laid the administrative foundation for future negotiations on regional integration. The EAC was formally launched on January 15, 2001. Priority areas of cooperation and coordination include fiscal and financial policies; immigration controls; tariffs, customs procedures and other trade issues; standards; air, road, rail, and water transport; and postal services and telecommunications.

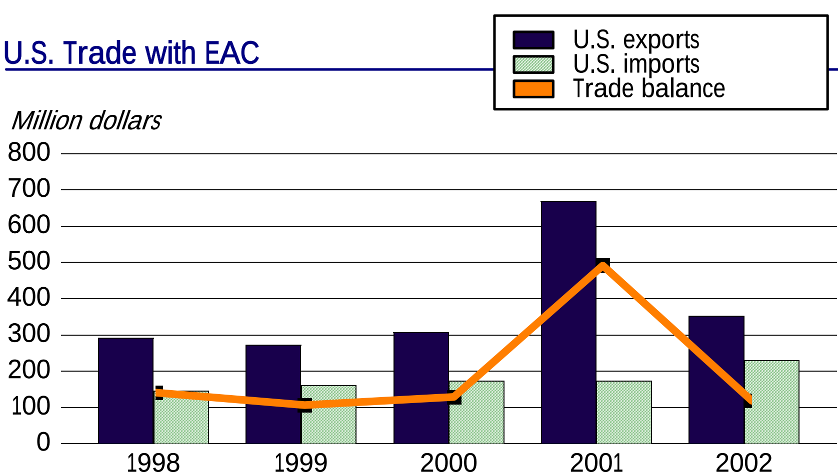
The EAC plans to eventually evolve into an organization that resembles the Common Market for Eastern and Southern Africa (COMESA). Kenya and Uganda are current members of COMESA, whereas Tanzania is a former member of COMESA. EAC goals include the establishment of a free trade area with zero tariff rates among EAC members. To protect revenue and infant industries, a 10 percent surcharge will be permitted on certain products.

The EAC's administrative provisions establish a biannual council of ministers and cooperation committee, as well as a court of justice and a legislative assembly responsible for budgeting and auditing. Kenya has the strongest economy in the organization. To compensate for the economic disparities between the member countries, reports indicate Kenya will reduce its tariffs by 90 percent, while Tanzania and Uganda will reduce their tariff rates by 80 percent.

Trade:

The U.S. trade surplus with the EAC declined by 75 percent to $122 million, in 2002. U.S. exports decreased by 47 percent to $352 million, while U.S. imports increased by 32 percent to $230 million. The top three U.S. export items to the EAC were aircraft and spacecraft, worn clothing, and fertilizers. U.S. major import articles included suits, coffee, and tea.

U.S. Trade with EAC



Key Traded Commodities

U.S. Exports

Aircraft and spacecraft
Worn clothing
Parts of aircraft
Fertilizers
Turbojets
Wheat

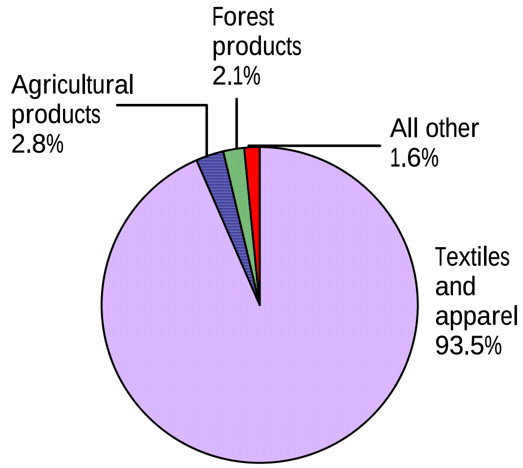
U.S. Imports

Women's or girls' suits
Men's or boys' suits
Coffee
Tea
Vegetable saps and extracts

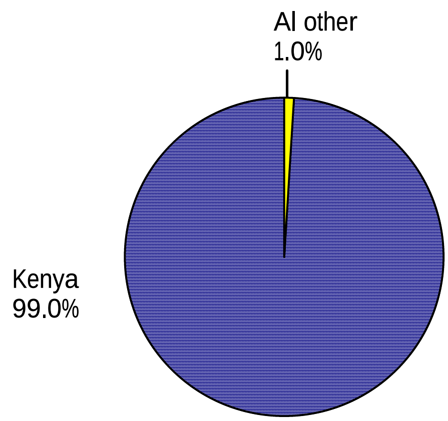
AGOA trade:

All three EAC members are AGOA beneficiary countries. U.S. imports from the EAC under AGOA rose from $51.6 million in 2001 to $130.5 million in 2002. However, 99 percent of total AGOA imports from the EAC in 2002 came from Kenya. The major import, in 2002, through AGOA, was textiles and apparel.

AGOA Trade in 2002



By Sector



By Country

Recent developments:

The EAC plans to harmonize member's fiscal and monetary policies, take measures to avoid double taxation, and prevent tax evasion through its Monetary Affairs Committee. Additionally, the Committee has established an independent East African trade regime to harmonize trade standards for 207 regionally produced goods. Out of the 207 regional trade standards, 91 have been adopted and notified to the World Trade Organization.[9]

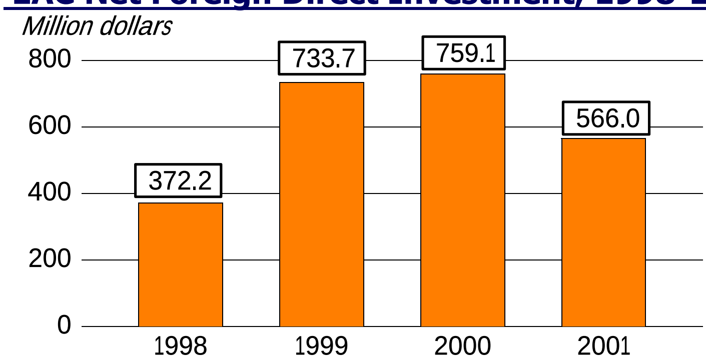
Budgetary calendars have been synchronized between member countries. The East African Securities Regulatory Authority was established and lawyers from Kenya, Tanzania, and Uganda formed the East African Law Society.

The EAC established an East Africa Business Council to promote trade and investment in the region. In order to attain a 7 percent annual GDP growth rate, the EAC facilitated a forum for the private sector to revive the regional economy. In November 2002, approximately 100 CEOs met and formed the East African Investment Company (EAIC) which will head a super investment company. The initial pledge for the Company, $580,000, came from Kenya, Uganda, Tanzania, Rwanda, and Burundi.[10]

EAC members are attempting to integrate their infrastructure. The EAC plans to extend Mombasa's oil pipeline and railways to Uganda. A digital telecommunications transmission system with an estimated cost of $69 million is underway. This investment was funded by the telecommunication authorities of the EAC countries, the European Investment Bank, and the East African Development Bank.

In November 2002, the EU signed a regional strategy document with the IOC, EAC, IGAD and COMESA. This involves a 223 million euros program for the period 2002-2007.

EAC Net Foreign Direct Investment, 1998-2001



IGAD

Intergovernmental Authority on Development

Members: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Uganda

Population: 191.7 million (2002)

GDP: $24.5 billion (2002)

Goals: To resolve regional conflicts.

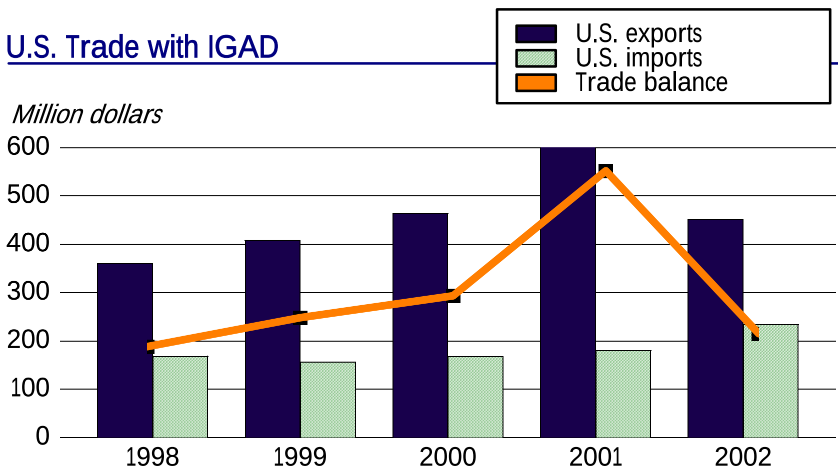
Status and structure:

The current focus of IGAD is on transportation and communications infrastructure cooperation. Members are favoring rail-line rehabilitation to improve transportation. IGAD is applying most of the integration instruments already adopted within the COMESA. Djibouti, Eritrea, Ethiopia, Kenya, and Uganda are also members of COMESA.

Trade:

In 2002, the U.S. trade surplus to IGAD decreased by 61 percent to $218 million. U.S. total exports to IGAD decreased by 39 percent to $452 million in 2002. However, U.S. total imports from IGAD increased by 30 percent to $233 million in 2002. Major U.S. exports to IGAD were airplane and helicopter parts and vessels, durum wheat, and soybean extracts. The major imported items included vanilla beans, suits, men's cotton shirts, and other garments.

U.S. Trade with IGAD



Key Traded Commodities

U.S. Exports

Parts of airplanes or helicopters
Vessels
Durum wheat
Soybean oil and its extracts
Parts of accounting machinery
Cellulose acetates

U.S. Imports

Vanilla beans
Men's or boys' suits
Women's or girls' suits
Men's or boys' shirts of cotton
Sweaters, pullovers, sweatshirts, vests and similar products
T-shirts, singlets, tank tops and similar garments

AGOA trade:

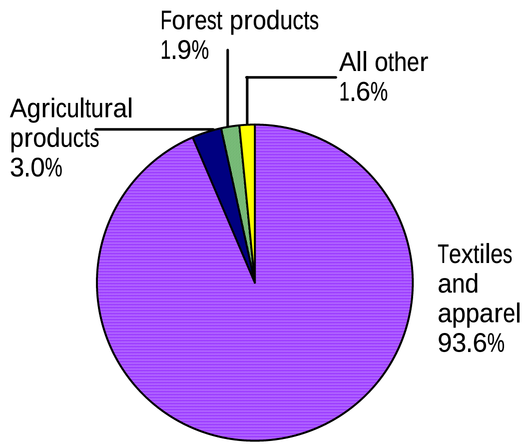
Five countries, Djibouti, Eritrea, Ethiopia, Kenya, and Uganda, are eligible for AGOA benefits. In 2002, all five countries increased their AGOA trade. Specifically, AGOA imports from IGAD increased by 120 percent to $131.6 million, in 2002. The major import items under AGOA were textiles and apparel, agricultural, and forest products. Kenya accounted for 98 percent of total AGOA imports from IGAD. Textiles and apparel imports accounted for 94 percent of total imports under AGOA.

Recent developments:

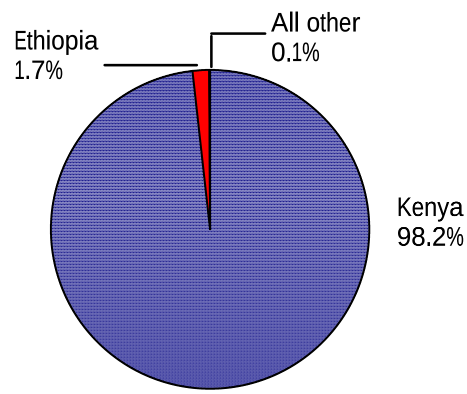
IGAD attempted to resolve the conflict in Somalia and achieved a temporary cease-fire in October 2002. IGAD prepared a memorandum of understanding (MOU) signed by the Sudan People's Liberation Movement (SPLM) and the Sudanese government. The MOU established that the Sudanese government will offer the South Sudan a referendum on independence or unity after a six year period. During the interim period, the government of Sudan, SPLM, and IGAD with other members of the international community will monitor and facilitate the peace process.

In November 2002, the EU signed a regional strategy document with the IOC, EAC, IGAD and COMESA. This involves a 223 million euros program for the period 2002-2007.

AGOA Trade in 2002

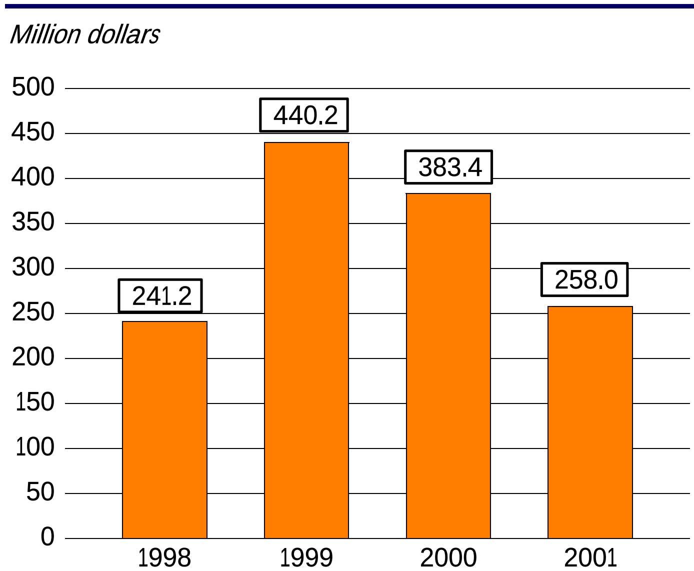


By Sector



By Country

IGAD Net Foreign Direct Investment, 1998-2001



IOC

Indian Ocean Commission

Members: Comoros, France (representing the French Overseas Department of Reunion), Madagascar, Mauritius, Seychelles

Population: 18.2 million (2002)

GDP: $10.2 billion (2002)

Goals: To promote trade within the IOC, develop a plan on tuna fishing, and cooperate in environmental issues. The IOC also aims to work together to attract tourists, and to establish a contingency plan on preventive, and legal measures on oil spills.

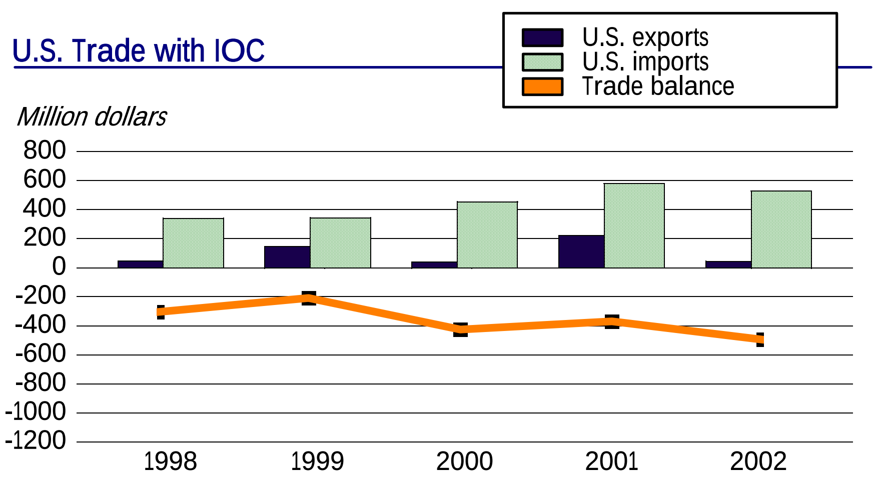
Status and structure:

In 1982, the Indian Ocean Commission was established to promote cooperation between the islands of the Indian Ocean in economic, social, cultural, agricultural, and scientific policies. Regarding trade, the IOC aims to carry out the "Programme Regional Integré des Dévelopment des Echanges" (PRIDE) which concerns trade in goods and services among the IOC member states. The program seeks to promote interregional trade by removing trade barriers and facilitating import payments, and to contribute toward the integration of the markets of the IOC member states. IOC is applying most of the integration instruments already adopted within COMESA. Comoros, Madagascar, Mauritius, and Seychelles are also members of COMESA.

Trade:

The U.S. trade deficit with the IOC region worsened by 35.2 percent to $485 million, in 2002. U.S. exports to the IOC decreased by 78 percent to $45 million. In 2002, the U.S. exported airplane and helicopter parts, vessels, durum wheat, and soybean oil to the IOC region. U.S. imports from the IOC region declined by 9 percent to $530 million. Most of the imports from the IOC consisted of vanilla beans, and apparel items.

U.S. Trade with IOC



Key Traded Commodities

U.S. Exports

Parts of airplanes or helicopters
Vessels
Durum wheat
Soybean oil
Parts for accounting machinery

U.S. Imports

Vanilla beans
Men's or boys' suits
Women's or girls' suits
Men's or boys' shirts
Sweaters, pullovers, sweatshirts, vests, and similar products

Indian Ocean Commission

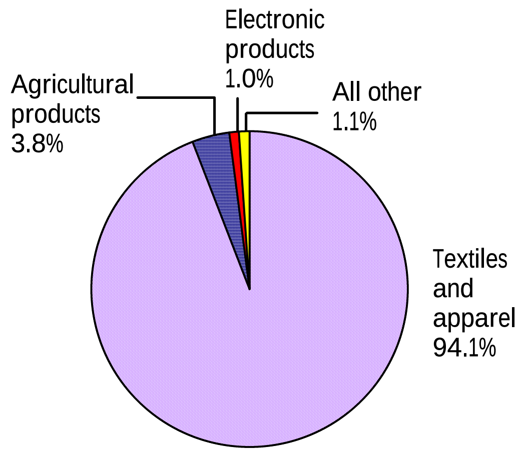
AGOA trade:

AGOA beneficiaries are Madagascar, Mauritius, and Seychelles. In 2002, the U.S. imported $194 million worth of mainly textiles and apparel (94 percent), agricultural (4 percent), and electronic products (1 percent) through AGOA. U.S. AGOA imports from the IOC totaled $155.3 million in 2001. In 2002, Mauritius and Madagascar dominated U.S. imports under AGOA at 59 and 41 percent, respectively.

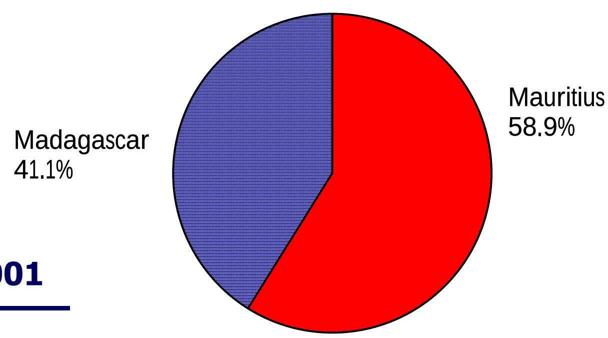
Recent developments:

The IOC continued to implement projects aimed at promoting industry development in member countries. In November 2002, the EU signed a regional strategy document with the IOC, EAC, IGAD and COMESA. This involves a 223 million euros program for the period 2002-2007.

AGOA Trade in 2002

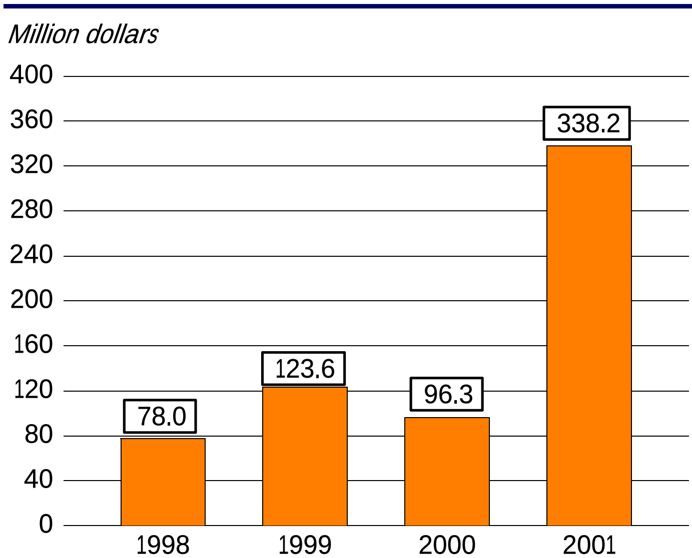


By Sector



By Country

IOC Net Foreign Direct Investment, 1998-2001



CEMAC

Communauté Economique et Monétaire de l'Afrique Centrale

Members: Cameroon, Central African Republic, Chad, Republic of the Congo (ROC), Equatorial Guinea, and Gabon.

Population: 32.0 million (2002)

GDP: $21.7 billion (2002)

Goals: To achieve regional economic and monetary integration through trade liberalization, common external tariff rates, harmonization of taxation, facilitating movements of persons and inputs to production, enhancing multilateral surveillance, and implementing sectoral reforms.

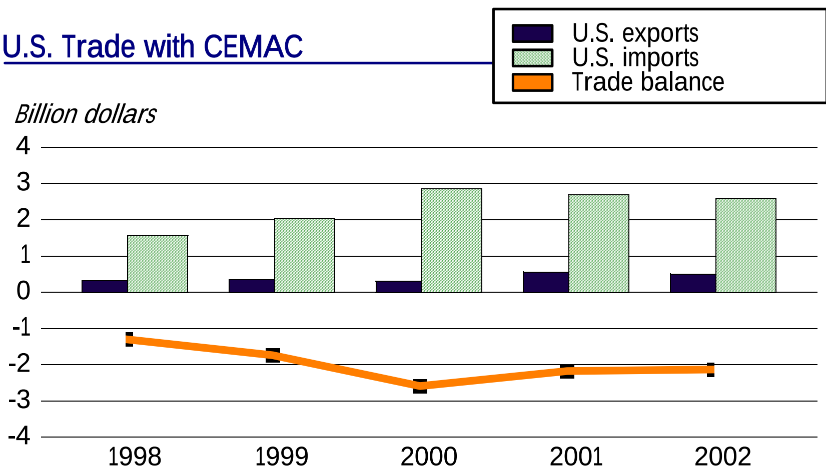
Status and structure:

CEMAC was founded in March 1994 to promote an economic and monetary union. CEMAC members use the CFA franc as a common regional currency. Reportedly, CEMAC has accomplished a monetary customs union and made progress in the free movement of people in the region.[11]

Trade:

The U.S. trade deficit against CEMAC declined by 2 percent to $2 billion, in 2002. U.S. exports, which were mainly machinery parts, airplane and spacecraft, and pumps and pipes for oil and gas, decreased by10 percent to $513 million in 2002. U.S. imports from CEMAC, which were dominated by petroleum oils, methanol, butanes, and petroleum gases, decreased by 4 percent to $2.6 billion in 2002.

U.S. Trade with CEMAC



Key Traded Commodities

U.S. Exports

Parts of Machinery
Airplane and spacecraft
Parts for lifting & handling machinery
Pumps for liquids
Line pipe for oil and gas
Extracting & earth moving equipment
Machines & mechanical appliances

U.S. Imports

Petroleum oils
Methanol (Methyl alcohol)
Butanes
Petroleum gases
Manganese ore
Aromatic hydrocarbons
Diamonds
Cocoa paste

Communauté Economique et Monétaire de l'Afrique Centrale

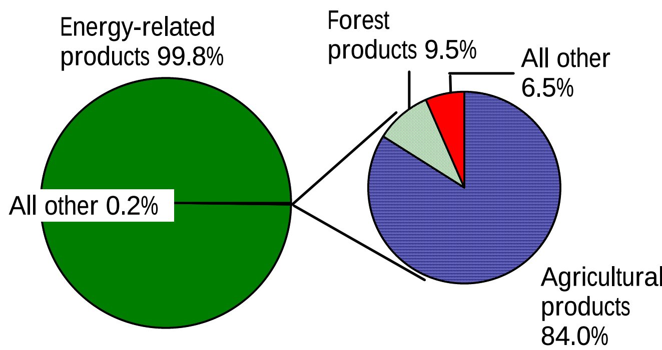
AGOA trade:

Five countries, Cameroon, Central African Republic, Chad, Gabon, and Republic of the Congo are eligible for AGOA benefits. U.S. imports under AGOA from CEMAC totaled $1.4 billion in 2002, up from $1.1 billion in 2001. All five countries increased their AGOA imports in 2002. The largest supplier from CEMAC was Gabon, accounting for 84 percent of total AGOA regional imports. Almost all (99.8 percent) AGOA imports from the CEMAC region, in 2002, constituted energy-related products.

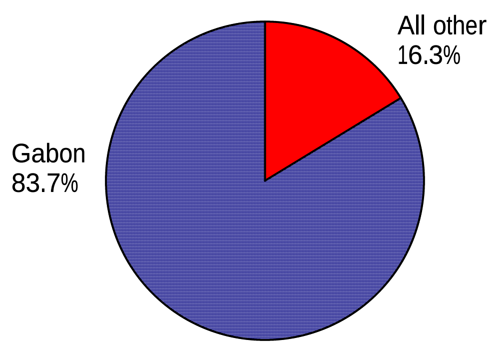
Recent developments:

In April 2002, CEMAC created a regional coordination and administration committee mandated to conclude an economic partnership agreement with the EU.

AGOA Trade in 2002



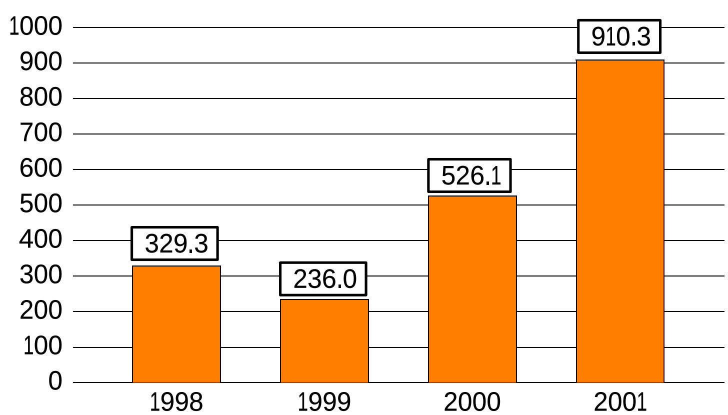
By Sector



By Country

CEMAC Net Foreign Direct Investment, 1998-2001

Million dollars



ENDNOTES

[1] Cape Verde joined in 1977, and Mauritania withdrew from ECOWAS in early 2000.

[2] According to the Economic Intelligence Unit, Liberia was initially considered a potential participant in the common currency, but recent ECOWAS communiques suggest that it no longer is.

[3] Former members include Mozambique, Lesotho, and Tanzania. In 2003, Namibia withdrew from COMESA, to concentrate its efforts on the Southern African Development Community (SADC), and Southern African Customs Union (SACU).

[4] Comtex News Network, "COMESA/ Struggling to Survive," June 3, 2003.

[5] AGOA trade preferences to take effect when determined by the USTR.

[6] AGOA's effect in increasing Africa's exports to the United States is discussed in chapter 2.

[7] The nine countries are Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia, and Zimbabwe.

[8] There is a prospect that Rwanda, Burundi, Ethiopia, and Democratic Republic of the Congo may join the EAC.

[9] The Economist Intelligence Unit.

[10] BBC Monitoring, "East African CEOs Resolve to Create "Super Investment" Company to Boost Economy," Nov. 8, 2003.

[11] UNECA, "Annual Report on Integration in Africa (ARIA-2002)," found at the Internet address *http://www.uneca.org/eca_resources/Speeches/2002_speeches/Aria2002/ARIA_2002.PDF*, retrieved on Aug. 18, 2003.