



**2004 Comprehensive Report
on U.S. Trade and Investment Policy
Toward Sub-Saharan Africa and
Implementation of the African
Growth and Opportunity Act**

Prepared by the Office of the United States Trade Representative

THE FOURTH OF EIGHT ANNUAL REPORTS

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The Fourth of Eight Annual Reports
May 2004**

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Foreword

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

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

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

- AGOA continues to bolster U.S.-sub-Saharan trade and investment relations. Total trade between the United States and sub-Saharan Africa was just under \$33 billion in 2003, with U.S. exports of almost \$7 billion and U.S. imports of \$25.6 billion. U.S. imports under AGOA were valued at just over \$14 billion in 2003, a 55 percent increase from 2002. The U.S. direct investment position in sub-Saharan Africa increased 12 percent at year-end 2002, to \$8.9 billion.
- At the third U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, the President reiterated his commitment to work with the Congress to extend AGOA past 2008. In November 2003 and April 2004, legislation was introduced in the Senate and House of Representatives that would extend AGOA's authorization and its special third-country fabric provision, enhance AGOA-related technical assistance, and amend some technical provisions of the Act. Hearings were held on the proposed legislation in spring 2004.
- Negotiations began in June 2003 on a free trade agreement (FTA) between the United States and the five members of the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, South Africa, and Swaziland. The target completion date for the FTA is December 2004.
- Thirty-seven of the 48 sub-Saharan African countries are now eligible for AGOA. On December 31, 2003, Angola was added to the list of eligible countries, and two countries – the Central African Republic and Eritrea – were removed from the list for failing to meet the eligibility criteria.
- As of April 2004, 24 countries were eligible to receive AGOA's apparel benefits. Eight countries have qualified for AGOA's special handloomed and handmade provisions.
- The third annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum ("the AGOA Forum") was held in Washington in December 2003. Senior officials from over 30 AGOA-eligible countries participated. President Bush met with the African ministers and told them of his continuing commitment to AGOA and to strong U.S.-African trade and economic relations. Senior Administration officials and several Members of Congress also participated in the Forum.
- The United States devoted \$133 million to trade capacity building activities in sub-Saharan Africa in FY2003, up 26 percent from FY2002. More than a dozen U.S. agencies implement these activities, including USAID, the Department of Commerce, the Department of Agriculture, and the U.S. Trade and Development Agency.
- The HIV/AIDS pandemic could seriously affect efforts to strengthen the U.S.-sub-Saharan African trade and investment relationship. President Bush has pledged \$15 billion towards the fight against HIV/AIDS over the next five years.

II. Executive Summary

Many important milestones were achieved during the past year in the implementation of AGOA and the strengthening of the U.S. trade and economic relationship with the countries of sub-Saharan Africa. These include: a significant increase in African exports under AGOA, including notable increases in non-fuel goods; the launch of negotiations for a U.S. free trade agreement with the Southern African Customs Union (SACU), the first-ever such U.S. agreement with sub-Saharan African countries; the addition of one new AGOA-eligible beneficiary country, and the removal of two countries from AGOA beneficiary status, bringing the total of beneficiary countries to 37; the holding of the third annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum in Washington; and the introduction of legislation in the House and Senate that would extend AGOA's authorization, and enhance many of its provisions.

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

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

The United States is sub-Saharan Africa's largest single-country export market, accounting for 20 percent of the region's total exports in 2002. As a result of AGOA, substantially all imports from sub-Saharan Africa are eligible to enter the United States duty-free. In 2003, over 95 percent of U.S. imports from AGOA-eligible countries entered duty-free. U.S. imports of AGOA products are growing, with especially notable increases in imports of non-fuel goods. The United States imported more than \$14 billion in merchandise duty-free under AGOA in 2003, a 55 percent increase from 2002, largely due to an increase in oil imports.

As sub-Saharan African countries develop opportunities under AGOA, they are seeking U.S. inputs, expertise, and joint-venture partnerships. U.S. merchandise exports to sub-

Saharan Africa were \$6.7 billion in 2003, up 15 percent from 2002, with notable gains in agricultural goods, machinery, and transportation equipment. U.S. exports to sub-Saharan Africa were 42 percent greater than those to the former Soviet republics, and more than twice those to Eastern Europe. U.S. exports to South Africa alone were larger than our sales to Russia, whose population is more than three and a half times as large. The United States was a leading provider of foreign direct investment to Africa in the period 1997-2001, with \$8.9 billion of cumulative flows. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships.

AGOA also facilitates U.S.-African cooperation in the World Trade Organization (WTO), supporting efforts to extend and expand trade liberalization across the globe. The 38 sub-Saharan African members of the WTO constitute the largest regional bloc in that body. African governments are playing a key role in the WTO's Doha Development Agenda global trade negotiations. While some African countries took unhelpful negotiating positions at the September 2003 WTO Ministerial Conference in Cancun, many of these same countries supported efforts by the United States and others in early 2004 to reinvigorate the Doha Development Agenda negotiations. Working together in the WTO, the United States and sub-Saharan African countries are increasingly recognizing the commonality of our interests in crucial areas such as agriculture, market access for consumer and industrial products, and trade in services.

The Administration views trade capacity building and technical assistance programs as essential components of its trade and investment policy. Sub-Saharan African countries need technical assistance to maximize gains from both AGOA and participation in the WTO. The United States provided \$133 million in trade capacity building assistance to sub-Saharan Africa in FY2003, up 26 percent from FY2002. U.S. agencies involved in trade capacity building in Africa include USAID, USTR, the Bureau of Customs and Border Protection, and the Departments of Commerce, Treasury, State, and Agriculture.

The Administration remains committed to helping sub-Saharan Africa address the challenges of debt relief, poverty reduction, infrastructure development, and HIV/AIDS and other infectious diseases. The President's Millennium Challenge Account Initiative (MCA), for which Congress appropriated \$1 billion for FY2004, will invest in areas such as agricultural development, education, private sector development, governance, health, and trade capacity building. While the MCA is a global initiative, it is anticipated that a significant amount of its funding will go to sub-Saharan African countries.

In addition to implementing AGOA, and actively working with sub-Saharan African countries in the WTO, the U.S. has embarked on negotiations for a free trade agreement (FTA) with the Southern African Customs Union. The U.S.-SACU FTA will complement the Administration's continued efforts to advance its trade policy in the region through Trade and Investment Framework Agreements and targeted technical assistance and capacity building programs throughout sub-Saharan Africa. The negotiations began in June 2003 and are targeted for conclusion by the end of 2004.

III. The African Growth and Opportunity Act

A. AGOA Summary, Eligibility, and Implementation

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

AGOA Summary

AGOA authorized a new U.S. trade and investment policy toward sub-Saharan Africa. It transformed U.S.-sub-Saharan Africa trade relations, promoting increased trade and economic cooperation. In the last four years, AGOA has generated increased trade, cooperation, and investment flows between the United States and eligible countries in sub-Saharan Africa.

AGOA:

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

AGOA Apparel and Textile Benefits

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

- Apparel made of U.S. yarns and fabrics;
- Apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a cap;
- Apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap;

- Apparel made of yarns and fabrics not produced in commercial quantities in the United States;
- Certain cashmere and merino wool sweaters; and
- Eligible handloomed, handmade, or folklore articles.

Other Textile and Apparel Provisions

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

- Determination of the annual cap on imports of apparel that is assembled in beneficiary countries from fabric formed in beneficiary countries from yarn originating either in the United States or in beneficiary countries. Through September 30, 2004, the statute permits lesser-developed beneficiary countries to obtain preferential treatment for apparel assembled in beneficiary countries regardless of the origin of the fabric;
- Determination that yarn or fabric cannot be supplied by the U.S. industry in commercial quantities in a timely manner, and to extend preferential treatment to eligible apparel from such yarn or fabric (commercial availability);
- Determination of eligible handloomed, handmade, or folklore articles; such products may be imported quota-free and duty-free;
- A "tariff snapback" in the event that a surge in imports of eligible articles causes serious damage or threat thereof to domestic industry;
- Determination of whether U.S. manufacturers produce interlinings in the United States in commercial quantities, thereby rendering articles containing foreign interlinings ineligible for benefits under the Act; and
- Determination of whether exporters have engaged in illegal transshipment and to deny benefits to such exporters for a period of five years.

Regional Cap

AGOA limits imports of apparel made with regional or third country fabric to a fixed percentage of the aggregate square meter equivalents (SME) of all apparel articles imported into the United States. The Trade Act of 2002 increased the quantitative limitation for apparel made with regional fabric but provided that this increase would not apply to apparel imported under the Special Rule for lesser-developed countries. For the year beginning October 1, 2003, the aggregate quantity of imports eligible for preferential treatment under these provisions is an amount not to exceed 4.7931 percent of all apparel articles imported into the United States in the preceding 12-month period for which data are available, which equals 956,568,715 SME. Of this overall amount, apparel imported under the Special Rule for lesser-developed countries is limited to an amount not to exceed 2.3571 percent of apparel imported into the United States in the preceding 12-month period, which equals 470,411,241 SME. The regional fabric quantities are recalculated for each subsequent year and the percentage figure increases incrementally in equal annual increases to a level of seven percent in the final year (i.e., the year beginning October 1, 2007). Apparel articles entered in excess of these quantities will be

subject to otherwise applicable tariffs. The duty-free cap is not allocated among countries. It is filled on a “first-come, first-served” basis.

For the most current data on aggregate imports under the cap, please visit <http://otexa.ita.doc.gov> and click on “AGOA”.

Commercial Availability

Under the Act, the President is authorized to proclaim duty-free and quota-free benefits for apparel that is both cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary countries from fabric or yarns not formed in the United States or a beneficiary country, if the President has determined that such yarns or fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner and has extended such treatment. In Executive Order 13191, the President delegated to the Committee for the Implementation of Textile Agreements (CITA) authority to determine whether yarn or fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner and to extend preferential treatment to apparel articles from such yarn or fabric.

As of April 2004, seven commercial availability petitions had been approved, five denied, and two were under consideration. For details on products that receive duty-free treatment under the AGOA, please visit <http://otexa.ita.doc.gov> and click on “Commercial Availability”.

Handloom/Handmade/Folklore Articles

AGOA provides duty- and quota-free benefits for handloomed, handmade, or folklore articles made in beneficiary sub-Saharan African countries. This provision is known as “Category 9”. In Executive Order 13191, the President authorized CITA, after consultation with the Commissioner of Customs, to consult with beneficiary sub-Saharan African countries and to determine which, if any, particular textile and apparel goods shall be treated as being handloomed, handmade, or folklore articles.

As of March 2004, Botswana, Ghana, Kenya, Lesotho, Malawi, Namibia, Swaziland, and Zambia had been approved for the handloomed and the “handmade of handloomed” provisions. Ghana is the only country to have benefits for folklore articles. CITA is currently reviewing proposals submitted by Tanzania and Mozambique.

The private sector session of the Third AGOA Forum, held in Washington, DC in December 2003, highlighted Category 9 as an untapped opportunity for African weaving cooperatives. Participants in the session included the Smithsonian’s National Museum of African Art, the Corporate Council on Africa, African producers of handloomed and handmade articles, and U.S. importers.

Implementation

U.S. Trade Representative Zoellick and other senior Administration officials are actively advancing the implementation of AGOA by engaging Congress, African governments,

the U.S. private sector, and non-governmental organizations in a dialogue on U.S.-sub-Saharan Africa trade policy issues. Since its enactment in 2000, AGOA has had a significant impact on growth and economic development in several beneficiary countries. AGOA-related trade and investment has created over 190,000 African jobs and over \$340 million in investments. In 2003, AGOA imports exceeded \$14 billion, up 55 percent over 2002, largely due to an increase in oil imports. In 2003, over 95 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free, under AGOA, its GSP provisions, or zero-duty MFN rates. While most U.S. imports from the region continue to be in the energy sector, AGOA has begun to diversify U.S.-Africa trade. For example, in 2003 non-fuel AGOA imports were almost \$3.0 billion, with apparel imports totalling \$1.2 billion, a 50 percent increase over 2002. AGOA transportation equipment imports were up 34 percent, to \$732 million, and AGOA agricultural imports increased 13 percent, to \$241 million. AGOA successes are also creating new commercial opportunities for U.S. exporters, as African exporters explore new input sources in the United States. U.S. exports to the region increased 15 percent in 2003, with notable gains in agricultural goods, machinery, and transportation equipment.

Under AGOA, the President is given the authority to designate eligible sub-Saharan countries on the basis of specific criteria. AGOA also authorizes the President to designate additional products that AGOA beneficiary countries may export duty-free to the United States under the GSP program. Additional information on country eligibility and product eligibility is provided below.

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

Country Eligibility

AGOA requires the President to determine annually whether sub-Saharan African countries are, or remain, eligible for benefits based on their progress in meeting criteria set out in the Act. These criteria include establishment of a market-based economy, the rule of law, the elimination of barriers to U.S. trade and investment, implementation of economic policies to reduce poverty, the protection of internationally recognized worker rights, and establishment of a system to combat corruption. Additionally, countries cannot engage in: i) violations of internationally recognized human rights, ii) support for acts of international terrorism, or iii) activities that undermine U.S. national security or foreign policy interests. (The full list of eligibility criteria can be found in Annex B.)

An interagency AGOA Implementation TPSC Subcommittee, chaired by USTR, conducts the annual eligibility review, drawing on information from the public, NGOs, the private sector, and prospective beneficiary governments. Following the last eligibility review in December 2003, and based on the recommendation of the U.S. Trade Representative, the President signed a Proclamation on December 30, 2003 stating that 37 sub-Saharan African countries met AGOA's requirements for eligibility in 2004. Angola was designated as a new AGOA beneficiary, while the Central African Republic and Eritrea, previously AGOA-eligible, had their AGOA beneficiary status terminated for failing to meet the eligibility criteria (see Country Reports in Chapter IX of this report for

specific information on AGOA beneficiary status and the reforms undertaken by individual governments).

AGOA requires that designated beneficiary countries meet certain customs-related requirements, such as the establishment of an effective visa system, in order to receive the apparel benefits in the Act. As of April 2004, 24 AGOA-eligible countries had instituted acceptable customs measures to prevent illegal transshipment and, accordingly, had been certified for AGOA's textile and apparel benefits. The United States is actively engaged with at least one other country that is in the process of meeting the requirements for AGOA apparel benefits. Annex A contains a list of eligible countries for AGOA and of those that had met requirements for textiles and apparel benefits as of April 2004. This information can be found at <http://www.agoa.gov>.

Product Eligibility

Almost all products of AGOA beneficiary countries may enter the United States duty-free, either under AGOA, its GSP provisions, or under a category for which the United States maintains a zero normal-trade-relations rate of duty. In 2003, over 95 percent of U.S. imports from AGOA beneficiary countries entered duty-free. Products are eligible for preferential access to the U.S. market under AGOA in three ways:

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

As a result of these provisions, very few products of beneficiary countries are not eligible for duty-free treatment under AGOA. The full list of products that may enter the U.S. duty-free under AGOA may be found at the following website:

<http://www.ustr.gov/regions/africa/annex2a.pdf>

B. Proposed AGOA Enhancement Legislation

At the Third U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, the President reiterated his commitment to work with the Congress to extend AGOA past 2008. In November 2003 and April 2004, legislation was introduced in the Senate and House of Representatives that would extend AGOA's authorization and its special third-country fabric provision, enhance AGOA-related technical assistance, and amend some technical provisions of the Act. A Senate Foreign Relations Committee hearing on the Senate bill was held March 25, 2004. It is expected that hearings on the House bill will be held in the second quarter of 2004.

C. Outreach

The Administration recognizes that outreach to the private sector, civil society, and African governments is critical to the success of AGOA. USTR and other U.S. agencies have made outreach on both sides of the Atlantic a priority in their efforts to implement AGOA. In sub-Saharan Africa, outreach efforts have included seminars, speaker programs, media programs, and information dissemination. In the United States, outreach has included meetings with the African diplomatic corps, the private sector, and leading nongovernmental organizations. Regional organizations, U.S. and African governments, private sector organizations, and civil society organizations have actively supported outreach efforts.

In speeches and press conferences, Ambassador Zoellick has highlighted AGOA-related opportunities for both sub-Saharan Africa and the United States. In meetings with heads of state, trade ministers, and other government and private sector officials, Ambassador Zoellick has discussed AGOA implementation and ways in which countries can maximize AGOA benefits. Other administration officials have participated in numerous seminars, conferences and other events in the United States related to AGOA. USTR and Commerce Department officials have also met with Industry Sector Advisory Committees and companies interested in AGOA, and have traveled to several cities in the United States to address conferences on AGOA.

U.S. agencies continue to make outreach materials broadly available, including the comprehensive AGOA Implementation Guide and via the official AGOA website (www.agoa.gov), which is maintained by the Department of Commerce. Information about AGOA is also available at the official USTR and State Department websites.

The Commerce Department's Trade Information Center (TIC) provides information to U.S. companies on federal government export assistance programs including country-specific counseling for sub-Saharan Africa. The TIC participates in trade-related events pertaining to AGOA to encourage broader participation of U.S. companies that are interested in doing business with sub-Saharan Africa. The TIC responds to inquiries on AGOA from U.S. and African companies, commercial attachés from African countries, and trade associations. TIC callers are also referred to appropriate federal agencies for further assistance. The TIC maintains a comprehensive, regularly updated database on how to do business in each African country. TIC staff have made presentations on

available U.S. government resources that show how U.S. companies can take advantage of AGOA. TIC specialists provide advice on export documentation and regulations; sources of market research, trade leads, and export financing; trade promotion events; state and local assistance; and foreign opportunities, regulations, business practices and tariffs. To contact the TIC and the USA Trade Center, call 1-800-USA-TRAD(E), email TIC@ita.doc.gov, or visit <http://export.gov/tic>.

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

The State Department's AGOA professional intern program, which concluded in 2003, brought 58 African business and public sector leaders from 35 countries to the United States to learn about U.S. markets, business practices, and trade associations through study tours focused on apparel and agriculture. These study tours were followed by a series of AGOA-focused workshops in 16 African countries that allowed returned business leaders and U.S. technical experts to explain the benefits of AGOA to the almost 1500 African companies as well as government leaders who attended. The program helped these entrepreneurs better understand the U.S. market and generated over a dozen deals between U.S. and African businesses.

In addition to extensive outreach efforts by Washington officials, almost all U.S. embassies in AGOA beneficiary countries have conducted outreach campaigns. The following are examples of outreach efforts undertaken at U.S. embassies in 2003:

- In Angola, the U.S. Embassy offered a technical seminar on how to export eligible duty-free goods to the United States under AGOA.
- In Cameroon, the U.S. Embassy worked with the Cameroon Chamber of Commerce to organize AGOA seminars in six of the ten provinces of Cameroon and visited 21 companies in the textile, food processing, and art sectors to highlight AGOA export opportunities.
- In Côte d'Ivoire, the U.S. Embassy sponsored a seminar on AGOA's role in U.S. foreign policy toward Africa.
- The U.S. Embassy in Guinea hosted a two-day seminar on "Doing Business with the United States" for over 200 Guinean businessmen and women.
- In Mozambique, the U.S. Embassy began a series of digital videoconferences (DVCs) on expanding exports under AGOA in key sectors.

- The U.S. Embassy in Niger sponsored an AGOA resource center at the Niger Ministry of Commerce in August. The center provides information to the general public on AGOA-eligible products and general information on requirements for export to the United States.
- The U.S Embassy in Sierra Leone hosted an AGOA resource center and globalization workshop in partnership with the Sierra Leone Chamber of Commerce.
- The U.S. Embassy in Zambia sponsored an AGOA workshop for the Small Enterprise Development Board and the Women Entrepreneurs Development Association of Zambia.
- The U.S. Commercial Service office in South Africa organized a presentation on “International Trade Opportunities by Women for Women,” where AGOA was discussed by the State Trade Representatives of Florida, Illinois, and California, as well as by a representative of the Gauteng Economic Development Agency.

IV. Economic and Trade Overview

A. Economic Growth

Many sub-Saharan African economies are continuing to make impressive economic gains after decades of sluggish growth. Twelve countries are expected to have attained growth of four percent or better in 2003, and average per capita income rose for a fourth successive year – the longest sustained increase in more than 20 years. Despite civil strife in some countries, drought in the horn of Africa, and the negative effects of the HIV/AIDS pandemic, the region's performance remained strong considering these challenges and ultimately held steady. West Africa has become an energy hot spot, with numerous offshore exploration and development projects underway from traditional locations spanning from Angola to the Gulf of Guinea, and extending to nontraditional energy producers such as Mauritania and São Tomé and Príncipe.

Sub-Saharan Africa's economic growth remained steady in 2003 at 2.8 percent, with no change from 2002.¹ The growth rate was below the 4.0 percent registered by developing countries in 2003, but more than the 2.0 percent registered by the world. In addition, 2003 marked the third consecutive year that sub-Saharan Africa surpassed average global growth rates and the second consecutive year that it lagged behind the pace of developing countries as a group.

The marginal increase in world economic activity has been insufficient to encourage growth in sub-Saharan Africa. Africa's disappointing growth rate in 2003 is a direct reflection of the region's dependence on European markets. The Euro Area experienced a slowdown in 2003 with the economy contracting by 0.7 percent, after a 0.8 percent contraction in 2002. The region's growth was also affected by a slowdown in tourism related to security concerns from a terrorist attack in Kenya in November 2002, and weak income growth in Europe. On the bright side, South Africa was the world's fastest growing tourist destination in 2002, with the momentum continuing in 2003, though with a slight slow down because of the stronger rand.

Other factors that affected Africa's growth rates include the severe drought in Ethiopia, Eritrea and parts of Sudan, and the conflict and civil strife in Zimbabwe, Côte d'Ivoire, the Central African Republic, and the Democratic Republic of Congo. Furthermore, the HIV/AIDS crisis continues to take its toll on sub-Saharan Africa with unfortunate macroeconomic consequences on these economies.

Nigeria and South Africa continue to have a major effect on sub-Saharan Africa's performance due to their dominant economies. These countries account for half of the region's total trade of goods and services and more than half of its GDP. South Africa's economic performance slowed from 2002 into 2003, reflecting earlier monetary tightening, while Nigeria's picked up due to rising oil production.

¹ World Bank Global Economic Prospects and the Developing Countries, 2004.

B. Africa's Global Trade

Sub-Saharan Africa's total merchandise imports increased over six percent in 2002 (the latest full year for which data is available) to \$92.7 billion. South Africa and Nigeria accounted for more than 42 percent of sub-Saharan Africa's total imports. In 2002, South African imports increased more than three percent to \$26.7 billion. Nigeria's imports were \$12.5 billion, an eight percent increase from a year earlier, and a 40 percent increase in two years, spurred by higher revenues from crude oil exports.

Sub-Saharan Africa's total merchandise exports were \$89.9 billion in 2002, a 3.6 percent increase from 2001. Increases in imports, however, outpaced increases in exports causing the region's trade deficit to increase.

Sub-Saharan Africa's 3.6 percent increase in exports was in line with a 4.6 percent increase in total world exports in 2002, although somewhat lower than the 7.8 percent increase in developing country exports. Sub-Saharan Africa, however, accounted for only 1.4 percent of world trade in 2002, virtually unchanged from 2001.

Share of Africa's Import and Export Markets

Sub-Saharan Africa accounts for less than one percent of U.S. merchandise exports, and less than two percent of U.S. merchandise imports. Proportions are only a fraction of a percent higher for the EU. The United States is Africa's largest single country market, purchasing almost 21 percent of the region's exports in 2002. The United Kingdom was second at nine percent, and France and Germany were third at 6.7 percent each. The EU purchased 43.3 percent of sub-Saharan Africa's exports, down from 44.8 percent in 2001.

- The U.S. market share in sub-Saharan Africa decreased in 2002 to 6.5 percent, from eight percent in 2001, as markets for aircraft, motor vehicle parts, and computer and telecommunications equipment tightened.
- Germany and Japan were the only major industrial countries to gain market share in sub-Saharan Africa in 2002. Italy's share held steady, while France's, the United States', and the United Kingdom's declined.
- The EU market share was 36.3 percent, down only marginally from 2001.
- Non-traditional trading partners also maintained their share of the African market. South Africa continued to export more than Italy or Japan to sub-Saharan Africa, with exports to the region of \$4.1 billion.
- China also continued to be a major supplier to sub-Saharan Africa, with exports of \$5.1 billion in 2002. China experienced a 14 percent increase in shipments from 2001, spurred by increases in electrical machinery, woven fabrics, low-end footwear, and motorcycles.

<i>Sub-Saharan Africa's Principal Industrial Country Trading Partners</i> (<i>\$ Billions and Market Share</i>)				
	<u>2001</u>	<u>% Share</u>	<u>2002</u>	<u>% Share</u>
<u>Sub-Saharan Africa's Imports</u>				
<i>France</i>	8.3	9.6%	8.2	8.8%
<i>Germany</i>	6.6	7.5%	7.3	7.9%
<i>United States</i>	6.9	8.0%	6.0	6.5%
<i>United Kingdom</i>	5.1	5.8%	5.3	5.7%
<i>Japan</i>	3.3	3.8%	3.6	3.9%
<i>Italy</i>	2.9	3.3%	3.1	3.3%
<i>Total EU</i>	32.2	36.9%	33.6	36.3%
<u>Sub-Saharan Africa's Exports</u>				
<i>United States</i>	22.3	25.7%	18.8	20.9%
<i>United Kingdom</i>	8.2	9.4%	8.1	9.0%
<i>Germany</i>	5.6	6.5%	6.0	6.7%
<i>France</i>	6.3	7.3%	6.0	6.7%
<i>Japan</i>	4.1	4.7%	5.2	5.8%
<i>Italy</i>	4.0	4.6%	4.3	4.7%
<i>Total EU</i>	38.9	44.8%	39.0	43.3%
<i>Source: Derived from IMF <u>Directions of Trade Yearbook</u>, 2003</i>				

<i>U.S. Trade with Sub-Saharan Africa</i> (<i>\$ Millions</i>)				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<i>U.S. Exports</i>	5,933.9	6,941.8	6,026.1	6,893.6
<i>U.S. Imports</i>	23,487.5	21,286.8	17,891.4	25,644.3
<i>Source: U.S. Dept. of Commerce, Bureau of Census</i>				

C. Trade with the United States

Two-way trade between the United States and sub-Saharan Africa rose in 2003, as both exports and imports increased. Two-way trade was just under \$33 billion, up 36 percent from a year earlier. U.S. exports rose 15 percent to almost \$7 billion, due to increased sales of aircraft, vehicles, and computer and telecommunications equipment.

U.S. imports rose 43 percent from 2002 to \$25.6 billion, due to increased demand for crude oil, platinum, and diamonds. Trade between the United States and sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

- U.S. exports to Namibia, Chad, Guinea, Cameroon, and Kenya continued to decrease; however, large increases in exports to Ethiopia, Equatorial Guinea, and Eritrea more than offset any declines.
- U.S. imports from Botswana fell by 53 percent, imports from Seychelles decreased by 51 percent, and imports from Zimbabwe fell by 45 percent. However, large increases in imports from a majority of sub-Saharan countries, including imports from Nigeria, Angola, and South Africa, more than offset these country-specific declines.
- Most of the 2003 gains in U.S. imports from the region were from AGOA-eligible countries. AGOA imports increased by 55 percent, to just over \$14 billion. This figure includes duty-free imports from AGOA-eligible countries under both the pre-existing U.S. Generalized System of Preferences (GSP) and the expanded AGOA GSP, plus textile and apparel imported duty-free and quota-free under AGOA provisions.
- AGOA accounted for 55 percent of total imports from the region. Eighty percent of AGOA imports were petroleum products. With these fuel products excluded, AGOA imports were slightly less than \$3 billion. AGOA textile and apparel imports increased by 50 percent, to \$1.2 billion. Transportation equipment accounted for \$732 million, 34 percent more than in 2002, and agricultural products grew 13 percent, to \$241 million.
- The U.S. merchandise trade deficit with sub-Saharan Africa widened in 2003 to \$18.8 billion, from \$11.9 billion in 2002. Nigeria, Angola, Gabon, and South Africa accounted for 90 percent of the U.S. trade deficit with sub-Saharan Africa in 2003. The first three were major oil suppliers, while South Africa provided diamonds, platinum, and motor vehicles.

D. Investment and Debt

Foreign direct investment (FDI) consistently flows to those markets that provide the most competitive and investor-friendly environments. Foreign businesses and investors search for dependable and open regulatory regimes, adequate infrastructure, productive human capital, and political and economic stability when making investment decisions. Generally, AGOA eligible countries are continuously striving to establish these conditions.

Investment

Foreign FDI flows into sub-Saharan Africa are estimated to have remained flat at \$7 billion in 2003.² At year-end 2002, the U.S. investment position in sub-Saharan Africa stood at \$8.9 billion, representing a 12 percent increase over the previous year.³ The FDI position in South Africa increased to \$3.4 billion in 2002 from \$3.1 billion in 2001, while the figure for Nigeria stood at \$1.8 billion in 2002.⁴ The U.S. position in South Africa is largely in manufacturing, while the rest is dominated by investment in the petroleum sector. Sub-Saharan Africa accounts for less than one percent of the U.S. FDI position worldwide.

AGOA is continuing to encourage substantial new investments, job creation, and trade in sub-Saharan Africa. AGOA is also stimulating intra-Africa investments, as Africans work together to access AGOA trade preferences through regional production. For example, Mauritian investors have invested in apparel production facilities in Senegal and Madagascar, while South African apparel producers have invested in Lesotho and Swaziland.

The following are some examples of recent AGOA-related investments:

Namibia	<ul style="list-style-type: none">• A subsidiary of a Malaysian textile producer has invested over \$200 million since April 2001, created 5,000 new jobs, and exported over \$22 million in apparel products to the United States since initiating operations in June 2002.• Two more apparel companies are in the process of beginning production. These firms will add another \$115 million in investment and over 6,000 additional jobs.• Once fully operational, these three companies will have brought over \$300 million in investment, 11,000 jobs, and new exports of approximately \$120 million per year to the United States.
Lesotho	<ul style="list-style-type: none">• A Taiwanese investor is building a \$100 million denim rolling mill to supply local manufacturers. That plant will employ 5,000 new workers when operational in 2004. The same investor has plans to invest an additional \$50 million in a new yarn spinning plant.• Other Taiwanese investors will contribute an additional \$10 million to build a separate weaving and dyeing factory. These facilities will be able to supply most of the denim and knit fabric needed by Lesotho's garment industry.

² World Bank, *Global Development Finance*, 2003.

³ U.S. Department of Commerce, *Survey of Current Business*, September 2003.

⁴ The U.S. direct investment position is the next book value (i.e., the historical value) of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates. A foreign affiliate is a foreign business enterprise in which a single U.S. investor owns at least 10% of the voting securities, or the equivalent.

Mali	<ul style="list-style-type: none"> • In Mali a \$12.5 million cotton-thread factory opened in February of 2004. The modern facility is one of the few sub-Saharan Africa plants outside South Africa capable of producing quality thread for use in manufacturing apparel for export under AGOA. Mauritians who plan to use the thread for apparel production in Mauritius were among the investors. The factory, the first of its kind in Mali, created 200 new jobs.
Madagascar	<ul style="list-style-type: none"> • Four international investors and the IFC will establish a \$10 million apparel manufacturer in 2003, specializing in knit casual wear, sleep wear, active wear and intimate apparel.
Cameroon	<ul style="list-style-type: none"> • The Chad-Cameroon Pipeline, the largest U.S- commercial investment in sub-Saharan Africa, totaling approximately \$350 million, began operation in 2003.

HIPC

To date, twenty-three sub-Saharan African countries (Benin, Burkina Faso, Cameroon, Chad, Democratic Republic of the Congo, Ethiopia, The Gambia, Ghana, Guinea, Guinea Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé & Príncipe, Senegal, Sierra Leone, Tanzania, Uganda and Zambia) have reached their HIPC Decision Points, enabling them to benefit from relief on debt payments coming due. Seven of these countries (Benin, Burkina Faso, Mali, Mauritania, Mozambique, Tanzania, and Uganda) have reached their HIPC Completion Points, and have qualified for reduction in their stock of debt. Niger and Ethiopia are expected to reach their completion points in April of 2004.

Overall debt relief for these countries, including from traditional mechanisms and additional bilateral relief provided by some creditors, will reduce their debts by about two-thirds. The United States has agreed to provide 100 percent bilateral debt reduction (on debt contracted before the June 1999 Cologne Summit) for qualifying HIPC countries. In addition, the United States has contributed a total of \$600 million to the HIPC Trust Fund, the multilateral component of the enhanced HIPC initiative. The Trust Fund helps regional development banks and other multilateral institutions (but not the World Bank/IDA or IMF) meet the costs of providing HIPC debt reduction. Following up on the President's commitment at the 2002 G-8 Economic Summit, the United States has pledged an additional \$150 million to help meet the financing shortfall in the HIPC Trust Fund. In FY 2004 Congress appropriated \$74.6 million to meet a portion of the U.S. pledge of \$150 million.

E. Economic Reforms

Overall, 2003 has been a relatively positive year for sub-Saharan Africa, demonstrated by resilient GDP growth, progress on economic reforms, and increased political stability. Many sub-Saharan African economies have harnessed the benefits of AGOA and successfully implemented economic reforms with the assistance of the IMF and World Bank. Most exchange rates in Africa depreciated against the U.S. dollar on a nominal basis during the first half of 2003. A notable exception was the South African rand, which appreciated 14.7 percent, and the currencies of the CFA zone, which are pegged to the euro. The general depreciation, along with a five percent rise in non-oil commodity prices, led to a reduction of the continent's current account deficit.

The good news was widespread. Efforts to boost growth by improving the composition of public spending, privatizing public sector enterprises, and creating an environment more conducive to private-sector led growth continued to make progress in traditionally good performers such as Senegal, Mali, Uganda, Mozambique, Cape Verde, Ghana, Tanzania, and Botswana. Mauritania received multilateral debt relief under the HIPC initiative after several years of consistent policy implementation. Peace processes gained ground in Sudan and the DROC, laying the foundation for an economic recovery and future growth. Economic reforms and anti-corruption measures in Kenya progressed in the wake of a political transition at the end of 2002. Benin made headway in public expenditure management and fiscal transparency, while continuing an aggressive privatization program. Lesotho, which has benefited greatly from AGOA, took meaningful steps to combat corruption, demonstrated by the adoption of an Anti-Corruption Unit and the prosecution of the former head of the Lesotho Highland Water Authority.

On the other hand, Zimbabwe (which is not eligible for AGOA) slipped further into chaos and Malawi's macroeconomic stability program is in danger of collapsing due to insufficient policy commitment. Despite mounting humanitarian needs and a ballooning budget deficit, the monarchy of Swaziland reduced the proportion of public expenditure devoted to poverty reduction. The Gambia discovered significant misreporting at the Central Bank and several high-ranking officials, including the Governor, were removed and criminal charges filed.

Economic and Political Reforms

- In the aftermath of the 2002 political crisis, Madagascar, a significant beneficiary of AGOA preferences, adopted an ambitious economic recovery plan based on market reforms and private sector-led growth.
- Benin continued efforts to privatize more than 50 parastatals, including cotton ginning plants.
- In the context of reform policy implementation, the Democratic Republic of the Congo established an Anti-Corruption Commission, floated its exchange rate, enhanced macroeconomic stability, and adopted a new investment code.

- South Africa embarked on a privatization program, which included divestiture of Telkom and Aventura Resorts, while enhancing the Central Bank's independence and anti-inflation credibility.
- Cameroon opened a stock exchange, providing an alternative source of private sector financing, and continued the privatization of the banking and non-governmental public sectors.
- Cape Verde implemented a new VAT and custom duties, while concurrently reducing income and corporate tax rates.
- Mauritius moved to protect Polo Ralph Lauren trademarks by preventing the sale of counterfeit products and allowing the local manufacturer's legally questionable production permit to expire.
- The Government of Kenya has made progress on combating corruption, including the enactment of two key anti-corruption bills in April 2003 that led to reengagement by the IMF and World Bank after a nearly three-year hiatus.
- A new sense of economic reform took root in Nigeria. Oil deregulation is underway, and prosecutions against some leading politicians for corruption have begun. The stock exchange is at an all-time high.
- Ghana implemented new revenue measures and pushed forward the liberalization of fuel prices.

Worker's Rights, Elimination of Child Labor, and Human Rights

- In order to combat child trafficking, the Beninese Port of Cotonou has set up a unit to combat trafficking on sea routes.
- Benin and Nigeria worked together to repatriate Beninese children working illegally in Nigeria.
- Cameroon institutionalized the teaching of respect for Human Rights in its law enforcement training agencies.
- Cape Verde criminalized child trafficking, prostitution, and pornography.
- In South Africa, an interagency working group led by the Department of Labor (together with the ILO) worked throughout 2003 to develop and draft a comprehensive action plan on child labor.

F. Regional Economic Integration

The United States continues to encourage and support regional economic integration efforts in sub-Saharan Africa as a means of stimulating economic growth by improving economies of scale and reducing transaction costs for the region as well as for international businesses.

At a meeting of African heads of states in Durban, South Africa in July 2002, the African Union (AU) was officially launched as the successor organization to the Organization of African Unity. The AU consists of 52 African member countries, 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.

Regional trade organizations in sub-Saharan Africa continue to focus on reducing tariffs among member countries. The result has been an increase in recorded trade volumes mainly attributed to the transfer of unrecorded trade into the recorded or formal sector. The trend of lowering tariffs on goods of African origin 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.

In order to encourage regional economic integration and to strengthen trade and investment relations with the region, USTR has entered into Trade and Investment Framework Agreements (TIFAs) with COMESA and UEMOA. A U.S.-COMESA TIFA meeting was held in June 2003, and a U.S.-UEMOA TIFA meeting was held in December 2003. Both meetings focused on bilateral trade and AGOA implementation, infrastructure, trade capacity building, and ongoing WTO negotiations. The United States also began negotiations for a Free Trade Agreement (FTA) with SACU in June 2003. An FTA with SACU would deepen U.S. economic and political ties to sub-Saharan Africa and lend momentum to development efforts in the region. (See Chapter VIII for more information on the U.S.-SACU FTA.)

AGOA also promotes regional economic cooperation and trade among the countries of sub-Saharan Africa by allowing cumulation among AGOA beneficiary countries – that is, AGOA beneficiaries may include inputs from other AGOA beneficiaries in meeting the GSP's 35 percent value-added rule of origin requirement. Beneficiary countries may also use regional yarn and fabric in apparel that qualifies to enter the United States duty-free and quota-free.

The nine major regional trade organizations in sub-Saharan Africa are: (i) the Economic Community of West African States (ECOWAS), with 15 members; (ii) the West African Economic and Monetary Union (known by its French acronym, UEMOA) with eight members, all also members of ECOWAS; (iii) the Common Market for Eastern and Southern Africa (COMESA), with 19 members; (iv) the Southern African Development Community (SADC), with 14 members; (v) the Southern African Customs Union (SACU), with five members, all also members of SADC; (vi) the East African Community (EAC), with three members; (vii) the Inter-Governmental Authority on Development (IGAD), with six members in eastern Africa; (viii) the Indian Ocean Commission (IOC), with five members; and (ix) the Central African Economic and Monetary Community (CEMAC), with six members.

CEMAC: CEMAC has established a monetary union, a regional parliament and a court of justice. A single passport has been implemented for travel throughout the region. CEMAC members are discussing a possible free trade area but have not yet decided on a timeline. The key challenges to CEMAC's integration continue to be political instability and rivalry among member country leaders.

COMESA: 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-regional trade by 2004. As of early 2004, eleven of the nineteen member countries had joined the COMESA free trade area. COMESA has also taken steps to implement tariff reductions, eliminate nontariff barriers, apply remedial and safeguard measures, and define rules of origin. Preparatory work continues for a regional competition policy, the COMESA business community forum, the COMESA Common Investment Area, and the Regional Customs Bond Guarantee program. COMESA has adopted a four-phase monetary harmonization program aimed at achieving full monetary union by 2025.

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

EAC: In March 2004, the Presidents of member countries Kenya, Tanzania, and Uganda signed the EAC Customs Union Protocol. The EAC plans to harmonize members' fiscal and monetary policies, take measures to avoid double taxation, and prevent tax evasion through its Monetary Affairs Committee. In addition, the EAC established an independent East African trade regime to harmonize trade standards for 207 regionally produced goods. Of the 207 regional trade standards, 91 have been adopted and notified to the WTO. The EAC also established the East Africa Business Council to promote trade and investment in the region.

ECOWAS: ECOWAS is proceeding towards a monetary union by committing to reduce central bank financing of budget deficits and creating a Convergence Council to help coordinate macroeconomic policies. Five countries – The Gambia, Ghana, Guinea, Nigeria and Sierra Leone – plan to create a monetary zone, the West African Monetary Zone (WAMZ). The WAMZ, which would peg the currencies of these countries to the U.S. dollar, allowing a fluctuation of 15 percent, is intended to lead to a common currency for ECOWAS. There are plans to form a monetary union of 13 ECOWAS countries by merging UEMOA and WAMZ.

The United States has supported integration in ECOWAS through a number of means, including technical assistance to the West African Power Pool and the West African Gas Pipeline Project (see Chapter VI. Section B – USAID Technical Assistance). The United States has also provided assistance to the ECOWAS fund, for example, by sponsoring seminars on public-private partnerships and the WTO. In support of ECOWAS' regional integration efforts, USAID's West Africa Regional Program (WARP) has sponsored programs focused primarily on harmonizing customs and trade regulations within West Africa and removing barriers to intra-regional trade. WARP is also supporting the adoption of a Common External Tariff throughout West Africa. The Commercial Law Development Program of the Department of Commerce is working with ECOWAS on a variety of legal matters including the integration of investment laws in collaboration with the African Development Bank and other African institutions.

SACU: In 1994, negotiations began to reform the SACU agreement, and SACU heads of states signed a new agreement in 2001. The new agreement 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 smaller countries like Lesotho and Swaziland, for which customs revenue makes up at least half of government income. 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, remain dependent on South Africa for most of their imports and on privileged access to the South Africa market.

In June 2003, the United States began negotiations on a free trade agreement (FTA) with SACU, the first FTA initiative between the United States and countries in the sub-Saharan Africa region (see Chapter VIII for additional information on the U.S.-SACU FTA). SACU is also in FTA negotiations with the EFTA countries and Mercosur. There are also preliminary discussions about possible future FTAs with India and China. The FTA with Mercosur is expected to be limited to specific areas like agriculture, manufacturing and textiles, and will not include labor and environmental issues.

SADC: The institutional framework for the SADC Free Trade Area continues to evolve. A Mid-Term Review of the implementation of the SADC Trade Protocol is scheduled to commence in 2004. This review is aimed at evaluating how each SADC member state has implemented the trade protocol and what needs to be done in order to accelerate its implementation. USAID is providing substantial assistance in this review.

SADC is preparing for negotiations with the EU for a European Partnership Agreement (EPA) under the ACP-EU framework, as a follow-up to the Cotonou Agreement. The EPA will cover seven SADC member states: Angola, Botswana, Lesotho, Mozambique, Namibia, Tanzania and Swaziland. The countries have adopted negotiating guidelines and are still negotiating on mandates. The EPA is to be WTO-compatible. The negotiations are scheduled to be formally launched in May in Namibia and to be finalized by December 2007.

UEMOA: UEMOA members are working toward greater regional integration with unified external tariffs. The organization's monetary convergence phase was extended for completion by 2005. UEMOA has established a common accounting system, periodic reviews of member countries' macroeconomic policies based on convergence criteria, a regional stock exchange, and the legal and regulatory framework for a regional banking system. In addition, UEMOA and ECOWAS have determined a number of measures that will help harmonize the two regional blocs. Both have agreed to adopt new common rules of origin to enhance the flow of trade and implement a universal customs declaration form.

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

G. Africa and the WTO

Supporting Africa's integration into the global economy is one of the key elements of the Administration's Africa trade policy. Increased and more effective participation of sub-Saharan African countries in multilateral trade discussions is an important step toward this end. Accordingly, the United States has increased its engagement with sub-Saharan African Members of the World Trade Organization (WTO) and is providing technical assistance to help facilitate African participation in the WTO. Thirty-eight sub-Saharan African countries are WTO members, representing 26 percent of all WTO membership. Seven other sub-Saharan African countries have observer status.

African countries made relatively few commitments during the Uruguay Round compared to countries from other regions. As a result, African countries in general have higher tariffs and fewer market access commitments, especially in the services sector, than most other countries. This has impeded African countries' ability to attract investment and to increase trade, competitiveness, and economic growth.

The launch of the WTO's Doha Development Agenda (DDA) negotiations in 2001 marked an important turning point. Sub-Saharan African Members of the WTO played a key role in the success of the Doha Ministerial and have continued to play an influential role as the DDA negotiations move forward. The United States has ambitious objectives for the DDA and considers close consultations with sub-Saharan African countries essential to the round's success.

In the run-up to the September 2003 WTO Ministerial in Cancun, Ambassador Zoellick and other senior U.S. trade officials met on numerous occasions with their African counterparts in an effort to lay the groundwork for progress on the DDA. For example, during the Corporate Council on Africa's June 2003 U.S.-Africa Business Summit in Washington, DC, Ambassador Zoellick met with trade and/or foreign affairs ministers of more than 20 African countries to discuss WTO issues. In the weeks prior to the Cancun

Ministerial, the Assistant USTR for Africa traveled to Africa twice for meetings with regional trade ministers on issues related to the Cancun meeting. Significantly, U.S. and African officials also worked together successfully, prior to Cancun, to devise a solution to the TRIPS and Public Health issue identified in the Doha Declaration, thereby allowing African countries and others to utilize flexibilities in the TRIPS Agreement to access essential pharmaceuticals. The resolution of this complex issue removed what was perceived to be a major obstacle to progress on the DDA at Cancun.

Despite these efforts, the Cancun Ministerial ended without a consensus on a framework for moving the multilateral trade negotiations forward. African Members were active in the discussions in Cancun, especially via collectives such as the Africa/Caribbean/Pacific (ACP) and Less Developed Country groupings. African countries took strong and often inflexible positions on issues related to the agriculture negotiations and on the handling of the so-called Singapore Issues. African countries also sought special attention for cotton as an issue separate and apart from the agriculture negotiations, although cotton was not a specific agenda point on the Doha Development Agenda. Two sub-Saharan African countries – South Africa and Nigeria – joined with China, India, Brazil and several other countries immediately prior to Cancun to form a coalition known as the G20. This group strongly opposed a U.S.-EU proposed framework on agriculture.

Although the impasse at Cancun was a lost opportunity to move ahead on the DDA, by the end of 2003 many WTO Members, including several African countries, expressed a desire to find a way to put the negotiations back on track. The WTO completed its work for 2003 with an important report by its Chairman on the key issues that need to be addressed to move the DDA negotiations forward. In January 2004, Ambassador Zoellick wrote a letter to his WTO Member counterparts laying out some ideas for moving the talks forward and urging that all Members work together to ensure that 2004 is not “a lost year” for the DDA. He followed up the letter with a February trip around the world during which he consulted with senior trade officials of over 40 countries. He stopped in Cape Town for consultations with the South African Trade Minister and in Mombasa, Kenya, where he met with ministers and senior representatives of 13 African countries. As efforts continue in 2004 to restore momentum to the DDA, U.S. officials will continue to work closely with sub-Saharan African representatives to find a common way forward.

Although the United States and many sub-Saharan African countries differ on some important issues in the DDA, they also share many common interests. For example, the U.S. agriculture proposal in the WTO calls for the elimination of agricultural export subsidies – a position which most African countries support, as well as substantial reductions in trade-distorting domestic support, and substantial reductions in agricultural tariffs. The Administration’s non-agricultural market access proposal in the WTO would result in a “Tariff-free World” by 2015. Many African industrial and consumer good exports face high tariffs, especially in other developing countries. Global tariff reduction will help African countries to expand their exports and reach markets now effectively closed to them. The United States has also presented a WTO proposal to liberalize worldwide trade in services and broaden opportunities for growth and development of the

services sector. Services liberalization in Africa would open up new avenues for trade, benefiting both the United States and its African trading partners.

AGOA helps to promote sub-Saharan Africa's integration into the multilateral trading system by strengthening Africa's trade and investment linkages with the United States and the world and underscoring the importance of trade liberalization for African growth and development. The annual AGOA Forum (see Section VII) also provides an opportunity for senior U.S. officials to discuss WTO and other trade issues with their African counterparts. For example, Ambassador Zoellick met with several African trade ministers on WTO issues during the December 2003 AGOA Forum in Washington and co-hosted a WTO Roundtable for Trade Ministers at the January 2003 Forum in Mauritius.

USTR, USAID, and the Departments of State, Treasury, and Agriculture, as well as other agencies, have provided technical assistance to African governments to increase their capacity to deal with issues related to the WTO. (See Chapter V for more information on U.S. training and trade capacity building programs that support WTO agreements and activities.)

V. Trade Capacity Building

A. Overview

The United States is the largest single-country donor of trade-related technical assistance in the world, reflecting its commitment to helping developing countries participate fully in the global trading system. The President's Trade Policy Agenda for 2003 stated that the "United States is committed to expanding the circle of nations that benefit from global trade...[and] to help[ing] developing economies build the capacity to take part in trade negotiations, implement the rules, and seize opportunities."

U.S. trade capacity building (TCB) efforts stem from the basic belief that trade is critical to the growth of developing countries, and that providing funds to these countries to enhance their participation in global trade is a highly leveraged form of development assistance. By having increased capacity to take part in trade negotiations, implement the rules, and seize opportunities, developing countries can achieve win-win results for themselves and their trading partners. A key component of TCB assistance is that it is demand driven and in support of trade strategies designed by the recipients themselves.

The United States devoted \$133 million to TCB activities in sub-Saharan Africa in FY2003, up 26 percent from FY2002. These activities are implemented by about a dozen agencies, including USAID, the Department of Commerce, the Department of Agriculture, and the U.S. Trade and Development Agency. USTR works closely with all of these agencies to ensure that U.S.-sponsored TCB assistance is comprehensive and responsive to both African needs and U.S. trade policy objectives. Helping AGOA beneficiary countries to access benefits under AGOA has been a major focus of U.S. TCB programs. The United States is also the largest single-country contributor to the World Bank and other multilateral development banks, which provide an increasingly broad range of TCB assistance to sub-Saharan African countries and to other developing countries worldwide.

The United States directly supports WTO programs on trade-related technical assistance (TRTA). For example, at the September 2003 WTO Ministerial in Cancun, the United States pledged an additional \$1.2 million for WTO TRTA. This contribution augmented \$1 million given earlier in 2003, bringing total U.S. support for WTO TRTA to more than \$3 million since the launch of Doha negotiations in November 2001. This money was in direct support of programs like the annual WTO Technical Assistance Plan. Sub-Saharan African Members of the WTO are among the leading beneficiaries of WTO TRTA. The United States also provided bilateral assistance to Cape Verde in support of its efforts to accede to the WTO.

As part of its response to the WTO Doha Development Agenda, the United States, through USAID, is providing a wide range of support for the Integrated Framework (IF) initiative, a multi-agency, multi-donor program that helps least developed countries to expand their participation in the global economy and to enhance their economic growth

and poverty reduction strategies. Thirteen sub-Saharan African countries have benefited from the IF or are targeted for assistance under it: Benin, Chad, Guinea, Burundi, Lesotho, Senegal, Madagascar, Djibouti, Malawi, Eritrea, Mali, Ethiopia, and Mauritania. The United States has contributed funds for the past three years to the Integrated Framework Trust Fund to finance Diagnostic Trade Integration Studies. This includes \$200,000 of the Cancun pledge. The United States is committed to helping partner countries follow up on TCB priorities identified in IF diagnostic exercises and has already contributed funds for immediate follow-up projects in Senegal, Madagascar, and Mozambique. In 2003, U.S. trade capacity building assistance to the 13 sub-Saharan African countries participating in the IF exceeded \$28 million, more than three times the 2002 level for these countries.

B. USTR Activities

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

USTR leads U.S. participation in the Cooperative Group on Trade Capacity Building established to support the U.S.-SACU FTA. (See Section VIII for more on the FTA.) The objective of the Cooperative Group is to help identify and address the needs of the SACU countries in preparing for the negotiations, implementing the eventual agreement, and making the transition to free trade. The Cooperative Group is not a negotiating group but meets at each negotiating round to discuss means to address TCB needs as they arise. As an illustration of its commitment to make TCB a fundamental element of the negotiations, the United States has pledged an initial \$2 million dollars in TCB assistance to SACU in relation to the FTA. As of early 2004, SACU was in the process of developing an integrated strategy to help ensure that the provision of FTA-related technical assistance is coordinated. In addition to providing training, the United States has provided the trade ministries of Botswana, Lesotho, Namibia and Swaziland with computers to enhance intra-SACU policy coordination and a TCB “facilitator” who will be responsible for coordinating technical assistance activities.

The cooperative group intends to work actively with the private sector and foundations to bring additional resources and creativity to US-SACU FTA-related technical assistance. For example, future cooperative group meetings will bring together public and private donors to identify the best possible programs to meet the needs identified in SACU’s integrated strategy.

In FY2003, the U.S. Government provided \$6.6 million in trade-related technical assistance to SACU, up from \$5.6 million the year before. SACU members also had access to part of the \$18.6 million assistance provided to the Southern African Development Community.

C. USAID Initiatives

USAID's field offices and regional centers in sub-Saharan Africa have integrated AGOA and trade capacity building into their programs and are dedicating specific resources to assist countries in the region to develop AGOA strategies and to strengthen their capacities to respond to trade opportunities. In FY2003 USAID provided \$82.1 million in trade capacity building funds for sub-Saharan Africa.

In 2002, USAID began implementation of the Trade for African Development and Enterprise (TRADE) initiative with the opening of three regional Hubs for Global Competitiveness. TRADE is a multi-year program designed to promote African commercial competitiveness; reduce poverty; improve trade-related public services, policy formulation and implementation; strengthen the business environment; and promote U.S.-African business linkages. The Hubs are located in Botswana, Kenya and Ghana. Each Hub serves as a technical assistance platform for a cadre of technical experts in support of trade and development. Further information about the Hubs can be found on the Web at www.satradehub.org (for Southern Africa), www.watradehub.com (for West Africa), and www.ecatradehub.com (for Eastern and Central Africa).

At the AGOA Forum in January 2003, President Bush announced that each Hub will support a technical expert from the U.S. Animal and Plant Health Inspection Service (APHIS) to help sub-Saharan African countries address challenges related to meeting sanitary and phytosanitary requirements for the U.S. market. The first technical expert reached Botswana in Spring 2003 and oversaw the development of Pest Risk Assessments (PRAs) in Zambia, South Africa, and Namibia. Three PRAs have now entered the review phase, a legal prerequisite to import certification. APHIS experts will arrive at the Regional Hubs in Kenya and Ghana in 2004.

On July 10, 2003, President Bush and Botswana President Mogae toured the Southern African Global Competitiveness Hub's exhibits at the Gaborone International Convention Center. Sixteen African exhibitors from eight southern African countries displayed AGOA-eligible products at the event. Many of the exhibitors thanked President Bush for supporting AGOA, which they said has made a difference in their lives and in the lives of those they employ.

The Southern Africa Trade Hub carried out multiple activities in support of AGOA. For example, the Hub facilitated a 30-person workshop for the development of a Namibian AGOA strategy, at which the participants agreed to create a National Export and Trade Promotion Board to promote Namibian exports worldwide and to provide advisory services to companies in key Namibian sectors. The Hub also collaborated with the Ronald H. Brown Institute in South Africa to develop trade strategies in agribusiness, tourism, information technology, and manufacturing. The Hub continues to develop its Web-based business development services; to work toward reforms in customs policy, valuation, and administration; and to promote trade facilitation activities. Through the Hub's efforts, a memorandum of understanding was signed between Namibia, Botswana,

and South Africa to develop the Trans Kalahari Corridor (TKC). The goal of this initiative is to remove impediments to the efficient flow of traffic along the TKC and to involve both public and private sector interests in its administration. As a result of the public-private dialogue supported by the Hub, the partners have agreed upon a single simplified customs document to replace the current set of cumbersome procedures.

USAID's Regional Center for Southern Africa (RCSA) continues to assist customs agencies in Botswana, Malawi, Namibia, Tanzania and Zambia as they introduce risk management practices. Use of risk management practices facilitates fast clearance of goods since only targeted consignments are subjected to physical examination. RCSA also supports development of transport corridors. In 2003, the stakeholders for the Trans Kalahari Corridor (Botswana, Namibia and South Africa) and the Dar es Salaam corridor (Malawi, Tanzania and Zambia) signed agreements for the public private sector joint management of each corridor to simplify transit operational procedures and technical standards. Implementation of these agreements is aimed at reducing transactions costs, stimulating economic activities, enhancing regional integration, and promoting global competitiveness for the region. The pilot customs single administrative document introduced on the Trans Kalahari Corridor provides a streamlined and effective tool for customs transit procedures through the port of Walvis Bay in Namibia, potentially the shortest and fastest route between Southern Africa and ports in Western Europe and the eastern United States.

The East and Central Africa (ECA) Trade Hub changed management and shifted direction in 2003 and is rededicated to strengthening the capacity of East and Central African countries to participate more effectively in the multilateral trading system, including WTO Doha Development Agenda negotiations. The ECA Hub program focuses on four components: trade capacity building, AGOA, transport, and customs. AGOA activities center on increasing business linkages, on business development assistance, and on knowledge-sharing about AGOA opportunities. The Hub staff includes a business-development specialist based at COMESA headquarters in Lusaka, Zambia as part of the partnership between USAID, the COMESA Secretariat and the U.S.-based Corporate Council on Africa. In the area of trade capacity building and policy formation, the Hub's emphasis is on assistance related to WTO, COMESA, and SPS issues, as well as export strategy development and policy analysis. The Hub effort in the area of customs harmonization and trade facilitation is directed toward enhancing customs capabilities so as to facilitate trade. The Hub's work on transport and trade efficiency is focused on the development of a commercially viable transport corridor that links Kenya, Uganda, Rwanda, Burundi and the Democratic Republic of Congo, with offshoots toward Sudan and Ethiopia.

USAID's Regional Mission for Eastern and Central Africa (REDSO) continues to support the AGOA Linkages in COMESA (ALINC) project begun in October 2002. ALINC is an export assistance program designed to accelerate completion of trade transactions between export-ready companies in COMESA member countries and U.S. buyers under AGOA. ALINC provides technical assistance to firms in specific AGOA

commodity areas, such as textiles, handcrafts and leather goods. In addition, ALINC provides valuable feedback to policymakers in COMESA and the United States on the special challenges and constraints firms face in making the most of AGOA. For example, ALINC continues to coordinate closely with USDA and APHIS on SPS certification for African firms.

REDSO is also implementing several other trade-related assistance projects. It manages the Regional Agriculture Trade Expansion Support (RATES) project, which is designed to increase the value of agricultural trade within the East and Southern Africa region and between the region and the rest of the world. During its first year, positive results were achieved in each of the four target commodities: coffee, maize, cotton and livestock. For example, RATES helped the East African Fine Coffee Association (EAFCA) register a 24 percent increase in specialty coffee sales between 2002 and 2003. In conjunction with the Coffee Corps, RATES trained 108 professional cuppers from nine countries and helped establish a harmonized definition of specialty coffee throughout the region. It also arranged coffee industry meetings and trainings for more than 300 people, over fifteen percent of whom were female, from five countries. In addition, RATES helped EAFCA organize the first-ever specialty coffee conference in Africa, attended by over 400 participants from 20 countries. In the case of maize, RATES facilitated \$10 million in commercial transactions within the East Africa region. RATES successfully supported the design and development of the Regional Agriculture Trade Intelligence Network website, which came on line in September 2003. Finally, RATES also completed the Tradeafrica.biz website, the first of several planned trade linkage sites intended to promote supplier-to-buyer networking.

Under the partnership between COMESA and REDSO, the Association of Regulators of Information and Communications for Eastern and Southern Africa (ARICEA) has become a key driver of regional telecommunications development. Since its launch in January 2003, ARICEA has been very active in addressing both its advocacy and capacity building mandates. At a series of working meetings, ARICEA established major components of a model telecommunications law that would harmonize policy approaches across the ARICEA service area. In November 2003, ARICEA conducted an intense one-week regulatory “boot camp” featuring African and U.S. telecom policy and regulatory experts.

The West Africa Regional Program (WARP) supports the West Africa Trade Hub (WATH) to work with host governments, USAID country missions and partners throughout the region to increase the outreach and use of AGOA resource centers. New AGOA resource centers are planned for Chad and Mauritania, bringing the total to 13 by April 2004. WATH developed a CD-ROM with information and resources related to exporting to the United States under AGOA and distributed these to resource centers. WATH developed an inventory of trade-related technical assistance required for WATH coverage countries, and is implementing this plan by continuously deploying staff throughout the region, providing demand-driven training and technical assistance. In addition, nine specific training modules have been developed and shared with relevant

partners providing guidelines about how to engage the U.S. market. WATH is exploring new products for promotion under AGOA, and working with two regional intergovernmental organizations in western Africa to set up monitoring mechanisms to track and report on corrupt practices on key interstate trucking routes. WARP is in the final stages of the design of a regional market information system that will further increase trade, and is also developing a “Road Tracker” system to trace the movement of goods between countries in the Tema-Ouagadougou-Bamako/Niamey corridor.

The WARP-funded West African International Business Linkages (WAIBL) project, administered by the U.S.-based Corporate Council on Africa, has completed over 365 transactions and generated over \$100 million in trade and investment between the United States and Africa since its inception in 1998 (\$17 million of which took place in the last three months of 2003). WARP also supports the West Africa Businesswomen’s Network (WABNET), a network of businesswomen who collaborate to promote regional trade and the growth of their enterprises. WABNET’s membership-based network includes nearly 300 members from 12 West African countries.

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

– Zambia: In collaboration with APHIS, USAID assisted Zambia in the completion of in-country pest risk analyses for five agricultural products. With guidance from USAID and APHIS, a national committee to promote the export of Zambian crops was established in 2003, with the participation of numerous Zambian government agencies and private sector organizations.

– Rwanda: In collaboration with USAID and the International Executive Service Corps, the government of Rwanda is delivering technical assistance to producers and enterprises on product and market development of handcrafts. USAID Rwanda is also supporting highly profitable, trial exports of specialty coffee to the U.S. and U.K. markets.

– Senegal: USAID’s Integrated Framework implementation program emphasizes AGOA export promotion and includes an AGOA export information campaign; training seminars to assist particular subsectors in understanding export procedures; technical assistance in the areas of inspections, customs, transportation, packaging, fumigation and marketing; and technical assistance to the Senegalese agency responsible for international trade negotiations.

– South Africa: The South Africa International Business Linkages (SAIBL) project, implemented by the Corporate Council on Africa and South Africa-based Ebony Consulting International, engages historically disadvantaged small and medium businesses on their export readiness, product development, company experience, and financial capabilities related to export to the United States under AGOA. The project assists small- and medium-scale enterprises in a wide range of industries, such as textiles, processed foods, leather goods and furniture, with technical assistance in a

variety of areas to take advantage of the opportunities provided by AGOA.

– Malawi: USAID/Malawi, in conjunction with USAID’s RATES Program, performed a cotton-textile-apparel value-chain analysis in Malawi and a regional market assessment on lint and textiles. In conjunction with the Southern African Hub, the Mission also provided technical assistance to Malawians interested in exporting under AGOA’s Category 9 provisions on handcrafted items.

– Uganda: USAID continues to work with the Ugandan government, the Cotton Development Organization, ginner and producers to help Uganda make use of AGOA rules of origin and become a significant supplier of cotton lint, and perhaps cloth, to textile manufacturers in Africa. The mission’s two new activities – Agricultural Productivity Enhancement Program and Strengthening Competitiveness of Private Enterprises – will both address the cotton sector as one of their prime focus areas.

– Madagascar: USAID is increasing awareness within the Malagasy private and public sectors of the benefits and challenges of preferential trade arrangements such as AGOA and of greater integration into the regional and global economy through the WTO and regional organizations such as COMESA and SADC. Technical assistance was provided to the Ministry of Trade on WTO compliance issues and implementation of WTO commitments, as well as on the WTO Services Agreement.

– Mozambique: USAID has been active through MozLink, the TechnoServe-led Global Development Alliance that facilitates mentoring relations between U.S. companies and Mozambican exporting firms. Since the program’s launch in 2003, mentors have provided high-level strategic guidance, hands-on operational assistance and market linkages to promising Mozambican companies. For example, one U.S. company assisted a leading oilseed producer in procuring capital in order to diversify into soy and another developed a brand for the Mozambican cashew industry to facilitate its export of high-quality product.

While the Global Trade and Technology Network (GTN), funded through USAID and the State Department, closed offices in 2003, the technology platform developed by GTN is currently being used by the Department of Commerce in some of the International Trade Administration’s programs. GTN assisted African firms to identify markets, investments and other business opportunities in the local, regional and global marketplace and provided facilitation services to firms to complete the purchases, sales, or investments. From April 2002 to April 2003, approximately 55 African firms completed deals facilitated by GTN, representing over \$3.6 million.

USAID also provides significant support related to the Integrated Framework initiative described at the end of Section V.A.

D. U.S. Department of Commerce Programs

In 2003, the Commercial Law Development Program (CLDP) at Commerce conducted several trade-related capacity building programs in sub-Saharan Africa, including the following:

West and Central Africa: CLDP has been working with governments in West Africa to reduce the legal and regulatory impediments to more effective regional integration and greater economic growth. Ten program activities focused on increasing regional harmonization of commercial laws, improving investment laws and prospects, expanding the practice and use of alternative dispute resolution vehicles for commercial disputes, and improving intellectual property rights regimes. CLDP also co-sponsored, along with the African Development Bank, the establishment of the African Law Institute, a think-tank and resource center devoted to the examination and remedy of contemporary legal problems facing the African continent.

Angola: CLDP has continued to work with the Angolan Ministry of Justice to modernize the country's judicial system. Following the implementation of case management techniques in the criminal courts in 2002, CLDP introduced similar procedures in the civil courts. In addition, in August 2003, the Commerce Department signed an "arrangement" with the Angolan Ministry of Justice, which outlines the scope of CLDP's technical assistance program. The signing of this document recognizes CLDP as a major player in assisting the modernization of the Angolan judiciary.

In addition to CLDP's activities, the U.S. Department of Commerce's International Trade Administration created the Management Training for Africa (MTA) Pilot Program initiative to offer trade capacity building for the five countries of the Southern African Customs Union (SACU) as they embarked upon free trade agreement (FTA) negotiations with the United States. The MTA Pilot Program's objective was to facilitate the development and modernization of SACU's transportation infrastructure to address a critical necessity for the region's economic growth. In July 2003, 19 participants were trained as a group and had an opportunity to visit ports in Baltimore and New Orleans and to conduct meetings and training opportunities with U.S. companies, institutions, and state transportation departments. Training focused on key areas related to transportation infrastructure, with a specific emphasis on inter-modal logistics.

The 2004 MTA Hospital Administration Program, which takes place in August, will aim to foster, promote, and develop U.S. commercial activities with each subregion in sub-Saharan Africa. Participants will be selected from several AGOA-eligible countries. MTA will help facilitate the development and modernization of Africa's healthcare infrastructure with a focus on hospital and clinic administration, alternative medicine, telemedicine, insurance and other related topics.

E. U.S. Department of Agriculture

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

WTO/SPS Seminar Series: Through a series of Africa-based regional workshops, USDA has trained officials from over 30 sub-Saharan countries on Sanitary and Phytosanitary (SPS) issues as they relate to African trade. This project, funded under USAID's now-concluded African Trade and Investment Program, focused on assisting African countries to meet international SPS standards, thereby enabling them to increase their participation in global trade. In 2004, USDA/FAS will replicate this SPS seminar series for Central African Economic and Monetary Community member countries.

SPS Work and the Southern Africa Global Competitiveness Hub: A USDA technical expert from the Animal Plant Health Inspection Service (APHIS) was assigned to the Southern Africa Global Competitiveness Hub in Gaborone, Botswana in January 2003 in partnership with USAID's Regional Center for Southern Africa. The technical expert worked closely with countries in the region to conduct pest risk assessments for agricultural plant products potentially destined for the U.S. market. The Botswana Hub arrangement will be replicated in 2004 at the other two regional hubs in Kenya and Ghana. USDA will provide technical assistance and support to facilitate the export of African agricultural products under AGOA.

Biotechnology Activities: The goal of this activity is to encourage African scientists and their institutions to provide science-based information to the general public on technical matters that impact trade, agricultural production, and food security. In May 2003, USDA's Foreign Agricultural Service (FAS) sponsored a Biotech Short Course at Michigan State University for 32 sub-Saharan African regulators and government officials working on agricultural biotechnology issues. For FY2004, FAS has allocated over \$100,000 in Emerging Markets funding to sub-Saharan Africa for activities including the development of public communication skills for African government regulators who work on biotechnology and assistance on food aid issues relating to biotechnology. Activities will be closely coordinated with Secretary Veneman's Science and Technology conference in Burkina Faso in June of 2004, which will also help to train and inform African government officials on agricultural biotechnology issues.

Beyond 2004, FAS plans to help selected sub-Saharan African governments to develop regulatory structures to review products produced using modern biotechnology. Technical assistance will take the form of country-specific and regional workshops involving U.S. regulators, private sector representatives, and scientists. Depending on the specific needs of each country, activities will focus on food safety and/or environmental risk assessment, and techniques for communicating with stakeholders. FAS proposes to promote acceptance in Africa for trade in bulk commodities containing living modified organisms under the Cartagena Protocol on Biosafety (CPB). FAS will also explore the

development of “extra national” risk-assessment options for African countries that comply with Article 11 of the CPB. Seventeen African countries have ratified the CPB, and more are expected to do so during the proposal’s implementation period (2005-2006). Imports of U.S.-origin bulk grains by the seventeen African CPB countries average over \$400 million per year.

These activities are a collaborative effort between key U.S. regulatory agencies (APHIS, FDA, & EPA), the FAS/Biotech Group, FAS overseas posts, private industry, and the International Center for Food Information. In addition, FAS biotechnology capacity efforts in Africa are coordinated with USAID’s Agriculture Biotechnology Support Project II, which has a number of regulatory and public outreach activities that support specific crop improvement programs. FAS plans to target technical assistance on biotechnology in key commercial markets, including Ghana, Kenya, and Nigeria. Food aid recipient countries that need biotechnology-related technical assistance will be selected by the Interagency Biotech Food Aid Working Group (USDA, State, and USAID).

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

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

F. U.S. Trade and Development Agency

The U.S. Trade and Development Agency (USTDA) funds and carries out a trade capacity building mandate as part of its mission to support priority trade policies. In FY2003, the USTDA program in TCB was an important part of the agency’s overseas development work, funding a number of priority TCB efforts around the world in a wide variety of sectors and regions. USTDA’s TCB activities in FY2003 amounted to more than \$20 million, including over \$3.7 million in sub-Saharan Africa alone. Key examples of USTDA programs funded in 2003 are as follows:

- The Southern African Customs Union (SACU) Study Tour: USTDA funded a U.S. orientation visit on free trade agreements for 24 trade negotiators from the SACU region in preparation for the U.S.-SACU FTA negotiations that began later in 2003.

- East African Community GPS/GNSS Technical Assistance: USTDA provided grant funding in the amount of \$199,960 for technical assistance to the East African Community (EAC) in support of the implementation of Global Positioning System (GPS)/Global Navigation Satellite System (GNSS) procedures. This project represents a joint initiative between USTDA, the FAA, and DOT, and directly supports the Safe Skies for Africa Initiative.
- TransKalahari Corridor Improvement Project: USTDA provided \$294,900 to partially fund this key multimodal infrastructure project for facilitating integrated trade and exports in South Africa, Namibia and Botswana. The TransKalahari Corridor is considered one of the most important transportation corridors and trade infrastructure projects in Southern Africa.
- Ethiopia AGOA Manufacturing Orientation Visit: USTDA sponsored a study tour and trade mission in September 2003 that introduced Ethiopian textile, garment, and leather goods manufacturers to the business practices of industry counterparts in the United States.
- Nigeria Kano State Agro-processing Project: USTDA provided a grant in the amount of \$116,000 to the Kano State Agriculture Development Agency to develop a framework for developing the state's agricultural industry. The feasibility study included an analysis of options for canning goods to increase the shelf life of perishable products, with the intent of providing the state with a sustainable source of food.
- Nigeria NITEL Expansion of Digital Network Training: USTDA provided \$140,206 in funding to Nigeria Telecommunications (NITEL) to provide training for senior management in the areas of leadership, strategy formulation, managing change, and business improvement.
- Chipata Rail Extension and Inland Terminal Project Feasibility Study: USTDA provided grant funding in the amount of \$210,450 for the Chipata Rail Extension and Inland Terminal Project Feasibility Study. The Chipata Rail Extension project would extend the regional Nacala Transportation Corridor into Eastern Zambia, which would also serve to connect landlocked Malawi to the Port of Nacala in Mozambique. The Nacala Corridor is a NEPAD (New Partnership for Africa's Development) priority project, given its anticipated positive developmental impact on the Southern Africa region at large and for the inland countries of Malawi and Zambia in particular. It is also considered important for on-going famine relief efforts.

VI. Technical Assistance and Other AGOA-Related Activities

A. Millennium Challenge Account

In March 2002, President Bush announced his intent to establish a special development assistance program, the Millennium Challenge Account (MCA), designed to help spur economic growth in developing nations that are taking greater responsibility for their own development. Congress appropriated \$1 billion for FY2004, and the President has requested \$2.5 billion for FY2005. The President has committed to increase MCA funding to a full \$5 billion per year in FY2006. While the MCA is a global initiative, it is anticipated that some sub-Saharan African countries will receive funding under the program.

The MCA is a new approach to development assistance. First, it rewards pro-growth development policies by assisting those countries that have demonstrated a commitment to ruling justly, investing in their people, and promoting economic freedom. Second, the MCA establishes a partnership in which the developing country, with the participation of its citizens, proposes its own priorities and plans for MCA funding. Finally, the MCA places a strong focus on results and on transparency. Funds will go only to those countries with well-implemented programs that have clear objectives and measurable benchmarks.

To reflect and carry out this innovative strategy, the Board of the Millennium Challenge Corporation (MCC) first met on February 2, 2004 and identified 63 countries as candidates for the MCA for FY2004. Of these, 32 are located in sub-Saharan Africa. In the first year, candidate countries must be eligible for assistance from the World Bank's International Development Association; have a per capita income of \$1415 or less; and not be subject to legal provisions that prohibit them from receiving United States economic assistance. The MCC Board will meet in May 2004 to select eligible countries that will be invited to develop proposals to receive MCA assistance.

The MCC's Board is chaired by the Secretary of State, and includes the Secretary of Treasury, the U.S. Trade Representative, the USAID Administrator, and the CEO of the MCC. Four additional members, to be appointed by the President and confirmed with the advice and consent of the Senate, will be named later. The Interim CEO is Under Secretary of State for Economic, Business, and Agricultural Affairs Alan Larson. On February 20, 2004, President Bush announced his intention to nominate Paul V. Applegarth to serve as the MCC's CEO.

B. USAID Technical Assistance

USAID is the primary U.S. Government agency involved in delivering development assistance to sub-Saharan Africa and has field offices throughout the region. These offices operate 29 bilateral assistance programs and three regional programs. The regional programs – in Eastern, Southern, and West Africa – work with African

organizations responsible for activities that are multinational in nature. In addition, USAID supports global programs, managed from Washington, that help to bring the capacity of and linkages with global partners and centers of excellence to bear on African issues.

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

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

As part of the U.S. Presidential Initiative to End Hunger in Africa, USAID is supporting biosafety policy development activities in six countries and through three regional programs. The aim is to promote development and implementation of biotechnology regulatory policies that facilitate the use of biotechnology to increase agricultural productivity and reduce potential barriers to agricultural trade. Biosafety rose to the forefront among African policy makers in 2002 over concerns in southern Africa about the safety of U.S. food aid being delivered to avert a food crisis in the region. African governments also face biotechnology policy responsibilities under several international agreements, including the WTO SPS Agreement and the Cartagena Protocol on Biosafety. USAID biosafety policy support provides training along with policy analyses and technical support to assist African governments in establishing science-based policies.

Through bilateral missions, USAID is also supporting national policy development in Kenya, Uganda, Nigeria, Mali, Zambia, and Mozambique. For example, at a national forum in Zambia in April 2003, USAID-trained scientists presented technical input into the controversy over the Zambian government's assertion that biotech U.S. maize presented environmental or health risks. Scientists in other African countries that have benefited from USAID training have also raised awareness of biotechnology in their countries. Many of these scientists are actively involved in drafting biosafety regulations and increasing understanding of biotechnology.

In southern, western and eastern Africa, the USAID-funded Program for Biosafety Systems, based at the International Food Policy Research Institute in Washington, is

working with African regional institutions to broaden the impact of assistance beyond the country level and to promote regional policies which reduce barriers to movement of technologies and trade. Among the activities initiated to date is a regional initiative with COMESA to address the potential impact of biosafety policy on agricultural growth and regional trade in East and Southern Africa. Through regional approaches, USAID is also able to improve the efficiency of technical training aimed at building the skills of regulators to implement science-based decisions.

USAID's Regional Mission in Southern Africa is providing technical assistance to the Southern African Development Community (SADC) to encourage harmonization of policy and administration of a value added tax in the region. The Mission has supported the adoption of double taxation agreements in the SADC countries, and has recently completed a workshop and extensive study on tax incentives in the SADC region.

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

Corruption in sub-Saharan Africa undermines the economic and political foundations of a modern state and hinders the growth of trade and investment needed for development. USAID has historically focused on reducing opportunities for corruption by promoting transparency and accountability, establishing checks and balances, strengthening civil society, and developing the rule of law in emerging democracies. The Africa Bureau Anti-Corruption Initiative will support multi-year anti-corruption programs in Benin, Kenya, Madagascar, Mozambique, Rwanda, Tanzania, Zambia, South Africa, and the three regional missions, thereby complementing existing mission strategies as well as Africa Bureau initiatives in trade, education, and agriculture.

The trade component of the USAID Initiative to End Hunger in Africa (IEHA) builds trade capacity in support of African intra-regional agricultural trade. IEHA focuses on farm-to-market commodity chains in ways designed to increase rural incomes and to more fully engage food industries in developing agricultural markets. IEHA works closely with the AGOA Linkage program in COMESA and the Regional Agricultural Trade Expansion Support (RATES) program in East Africa. The RATES program provides reliable real-time information on production, trade and commodity prices and is leading the process of reform in the East African Community maize trade. In Kenya and Uganda, success in harmonizing trade documentation in seed trade has reduced processing times from weeks to days. In livestock trade, nine countries are developing livestock movement permits and common procedures for diagnosis and quarantine of livestock diseases.

Through its Education for Development and Democracy Initiative (EDDI) – an inter-agency, Presidential initiative involving the Departments of State, Agriculture and Education, and the Peace Corps – USAID funded a regional economic entrepreneurial development center. It supports comprehensive education interventions that promote human capacity development leading to sustained economic strengthening. The center contributes to private-sector-led economic growth in Africa by strengthening the skills of people already in business and providing training to other individuals, especially students, aspiring to enter the business world. The program is being implemented through a series of internships, institutional exchanges, workshops, and seminars. A \$2 million endowment (out of a \$5 million investment) has been set up to ensure the sustainability of the program. Two African fellows have begun their training at Georgia State University (GSU) to facilitate the transfer of management from GSU and its collaborating partners to African managers.

C. Sustainable Development, the Environment, and Labor

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

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

- Phase-out of lead in gasoline: Under the World Summit on Sustainable Development's Partnership on Clean Fuels and Vehicles, EPA and its partners have supported regional workshops throughout sub-Saharan Africa to assist countries in developing regional and national action plans for lead phase-out. In addition, EPA has provided technical assistance and public outreach support to South Africa on lead phase-out.
- Promotion of sound management of pesticides and other chemicals: EPA is implementing the Chemicals Information Exchange and Networking Project which provides computers, Internet access, and training to chemicals management officials and other stakeholders. The project has been implemented throughout West and Southern Africa and other countries in Africa are under consideration for inclusion in the project.

Labor

The Department of Labor (DOL) funds and implements a number of international development projects aimed at assisting sub-Saharan African countries in addressing labor-related issues, such as strengthening industrial relations, assisting dislocated workers, improving mine safety, and combating child labor. Since 1995, DOL has contributed a total of \$354 million for projects in developing countries, with sub-Saharan Africa receiving over \$98 million for 25 projects covering 28 countries. Currently, DOL funds a wide range of projects in Africa in four basic areas:

- Combating Exploitative Child Labor: These projects benefit children involved in, or at risk of involvement in commercial sexual exploitation, armed conflict, trafficking, forced labor, and other hazardous work such as mining, domestic service, tourism, street work, and commercial agriculture. Activities build capacity among local NGOs and governments, gather information, raise awareness about child labor, improve access to education and health services, and provide alternative income generation for families.
- Improving Economic Opportunities and Income Security for Workers: This program area seeks to promote workforce development, strengthen social safety nets, and improve workplace safety and health, thereby strengthening support for economic reform and trade liberalization.
- Protecting the Basic Rights of Workers: Projects in this program area assist developing countries to put in place basic protections so that workers everywhere can enjoy fundamental worker rights, including freedom of association and the right to bargain collectively, non-discrimination, and workplace safety.
- Combating HIV/AIDS Through Workplace Education: This initiative seeks to reduce the incidence of HIV/AIDS infection through workplace-based education

and prevention programs, and to improve the workplace environment for people living with HIV/AIDS.

D. Transportation and Communication Infrastructure Development

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

Transportation

The Department of Transportation's (DOT's) Africa Aviation Initiative is composed of three parts: Safe Skies for Africa (SSFA), Nigeria Technical Assistance, and Open Skies. Each of the components of this initiative is intended to promote sustainable improvements in aviation safety and security and to support Africa's integration into the global economy. The SSFA and Nigeria Technical Assistance initiatives are based on the premise that "safe skies," and an efficient intermodal transportation system are prerequisites for increased trade and investment and long-term economic development in Africa. The safety and security components complement U.S. efforts to conclude open skies agreements with key African countries and to promote code-share agreements between U.S. and African airlines. Specific goals of the SSFA and Nigeria initiatives include: (1) increasing the number of sub-Saharan African countries that meet International Civil Aviation Organization (ICAO) safety standards (based on Federal Aviation Administration assessments); (2) improving airport security in the region; (3) improving regional air navigation services; (4) promoting port privatization; and (5) developing rail networks.

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

- Initial surveys of status of safety, security and air navigation systems were conducted by the FAA in eight of the nine SSFA countries.
- Training needs assessments were made in Angola, Cameroon, Kenya, Niger, Nigeria, Mali, Namibia, Tanzania, and Uganda in preparation for the establishment of regional training centers on the continent. A Safe Skies website was developed as a medium to exchange ideas, information and, in the long-term, to provide distance learning capabilities for the SSFA countries and Nigeria.
- DOT/FAA provided safety technical assistance to African countries to prepare them to meet ICAO safety standards and an FAA safety evaluation process known as International Aviation Safety Assessment. Nigeria, Tanzania and Kenya are targeted as the countries most likely to meet ICAO standards by the end of FY2004

or shortly thereafter, paving the way for direct air service between the United States and these countries. As a result of focused technical assistance during 2002-2003, in October 2003 Cape Verde became the first Safe Skies country to achieve FAA Category 1, making it eligible to serve the United States with direct flights.

- In response to the events of September 11, DOT purchased and installed U.S.-manufactured explosive trace detectors, x-ray equipment, and other equipment that would enhance aviation security in Angola, Cape Verde, Kenya, Mali, Nigeria, and Tanzania. In addition, DOT has trained some 600 security screening personnel.
- In November 2002, DOT co-sponsored a Global Navigation Satellite System (GNSS) Implementation seminar with ICAO and the Kenyan Civil Aviation Authority in Nairobi. More than 20 sub-Saharan African countries attended. The seminar resulted in the development of a pilot project outline for regional implementation of Global Positioning Satellite and GNSS technology for the East African Community. Follow up training is scheduled for 2004.
- Since March 2002, DOT has sponsored maritime security training for 40 officials of the Nigeria Ports Authority at the U.S. Merchant Marine Academy and has trained another 250 officials on-site in Nigeria. The training has increased efficiency and security at the Lagos port complex.
- In November 2003, DOT assessed Nigeria railways infrastructure in preparation for the forthcoming privatization of the Nigeria Railway Corporation. The assessment made detailed recommendations on modernizing the rail industry to support Nigeria's evolution as a transportation hub for western Africa.
- Open Skies agreements have been concluded with Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Morocco, Namibia, Nigeria, Rwanda, Senegal, Tanzania, and Uganda. These agreements allow unrestricted service by the airlines of each side to, from, and beyond the other's territory, without restrictions on where carriers fly, the number of flights they operate, or the prices they charge.
- The Federal Highway Administration has assisted in the establishment of transportation technology transfer centers in South Africa, Tanzania, Zimbabwe, Malawi, Botswana, Namibia and Zambia that meet those countries' specific needs in building and maintaining their roads. The centers help to create conditions for sustainable development, to facilitate foreign investment, to provide a venue to promote U.S. highway technology, and to develop linkages and foster joint venture relationships between the U.S. and Southern African private sectors.

USTDA Transportation Activities

The U.S. Trade and Development Agency (USTDA) has worked extensively in all major economic sectors to help sub-Saharan African countries to maximize the benefits realized

under the AGOA framework. USTDA's program in sub-Saharan Africa is targeted to provide the infrastructure necessary to assist the countries of the region in becoming modern economies and taking part in the global economy. These include projects in the rail and port, telecommunications, aviation, environmental and power generation sectors. The following is a sampling of USTDA projects in the transportation sector:

- **Regional Transportation Security Forum:** USTDA mounted a major international Africa/Middle East/Southern Asia conference, "Secure Trade Through New Partnerships and New Technologies," held in Cairo in February 2004. The Forum provided a platform for the U.S. Government to communicate the status of trade security initiatives to countries in the region. It also served to highlight and promote technologies and procedures aimed at facilitating the secure and efficient movement of goods.
- **Smart and Secure Tradelanes Pilot/Feasibility Study:** USTDA is co-funding a \$1.3 million smart and secure logistics chain pilot project and feasibility study to enhance the trade capacity and supply chain security of the Southern African Customs Union. A \$602,450 USTDA grant will be provided to the South African Port Operations to examine transportation security technologies along both land-based and seagoing trade lanes connecting Walvis Bay, Namibia; Cape Town, South Africa; and the United States.
- **Walvis Bay Airport Upgrade:** USTDA signed a grant agreement with Namibian Airports Company Limited for \$381,260 to upgrade and modernize the Walvis Bay Airport. Given its location at the westernmost node of the Trans-Kalahari Corridor, the project will highlight the airport's potential to serve as a multi-modal cargo hub for port, rail, truck and aviation freight transported through southern Africa, Europe and the United States. In addition, the airport upgrade and modernization project will address the increasing international business and tourism demand in Namibia.
- **Entebbe International Airport Upgrade and Expansion Project:** USTDA is partially funding a feasibility study on the upgrade and expansion of Entebbe International Airport in Uganda, on behalf of the Civil Aviation Authority of Uganda. The study will examine upgrades for the current main terminal that will serve as the international terminal, construction of a new domestic and general aviation terminal, the construction of a new apron at the cargo building, and conversion of an old runway to a taxiway.
- **Togo Container Terminal:** USTDA funded a \$364,687 grant to Sea Point Marine Africa to enhance the container terminals at Lomé, Togo with more efficient transfer capabilities to load cargo from large ships to smaller feeder vessels. This project was supported in direct response to a growing need for both regional and international trade in West Africa. The implemented project will provide enhanced access to and from West Africa for both main line shipping companies and smaller feeder vessel operations. The principal facilities to be developed and constructed at the Sea Point Marine Africa facility are a container transshipment platform and an on-shore container yard.

Communications Infrastructure

The Digital Freedom Initiative (DFI) is a five-year program organized by the Departments of Commerce and State, USAID, USA Freedom Corps, and the Peace Corps. The goal of DFI is to promote economic growth by transferring the benefits of information and communication technology to entrepreneurs and small businesses in the developing world. DFI leverages the leadership of the U.S. government, the creativity and resources of America's leading companies, and the vision and energy of entrepreneurs throughout the developing world. Key elements of the DFI are: (1) placing volunteers in small businesses to share business knowledge and technology expertise; (2) promoting pro-growth regulatory and legal structures to enhance business competitiveness; and (3) leveraging existing technology and communications infrastructure in new ways to help entrepreneurs and small businesses better compete in both the regional and global market place. In March 2003, Senegal was selected as the first DFI country to pilot the approach. In October 2003, DFI/Senegal fielded six U.S. specialist volunteers and ten Senegalese volunteers and began preparing technology solutions to improve the electronic movement of funds to rural areas, improve business performance and increase access to national, regional and world markets. Based on the success in Senegal, President Bush announced two more DFI countries, Peru and Indonesia, in October 2003.

The USAID Leland Initiative and the Federal Communications Commission (FCC) have continued their fruitful collaboration to strengthen telecommunications policy and build African regulatory capacity. The program strengthens associations of African regulators; uses experts from the FCC and state level regulatory bodies to help U.S. and African university programs on effective regulation; and provides technical assistance to regulators in more than twenty countries. In the past year, this effort has helped newly formed associations of regulators in both West and East Africa to devise and implement their first annual work plans; completed the development of courses and training modules in ten key subject areas; facilitated partnerships between four leading African regulators and their U.S. counterparts in New Jersey, Oregon, Montana, Alaska and the District of Columbia; and provided direct assistance to twelve countries.

The Leland Initiative's NetTel@Africa program is an African-led network for capacity building and knowledge exchange in the African telecommunications sector. It has four primary components: training, a knowledge exchange network, a community-to-community service, and research. For example, one of its core activities is the development of ten learning modules for regulators that are to be hosted on the website. These modules are developed through partnerships between seven African universities – the Universities of Zambia, Botswana, Dar es Salaam, West Cape Town, South Africa, Fort Hare, and Witwatersrand – and three US universities -University of Colorado-Boulder, University of Florida-Gainesville, and Michigan State University. Makerere University is preparing its ITC policy and regulatory courses and anticipates releasing them in July.

E. Energy Infrastructure Development

The Department of Energy (DOE) is working in sub-Saharan Africa, both through its own programs and via partnerships with USAID and other U.S. agencies, in support of energy projects for AGOA-eligible countries. Activities support infrastructure development, economic empowerment, and creation of private enterprises, especially small- and medium-sized businesses.

DOE provided initial funding and policy direction to the American Association of Blacks in Energy Training Institute for Africa and the Caribbean. This U.S.-based Institute, which is a public-private partnership, sponsored an electricity generation entrepreneurial training intervention in The Gambia; provided technical advice on housing development in Nigeria; and worked with the Ambassadors of Chad and Angola and representatives from African organizations such as the African Union and the New Partnership for Africa's Development to help advance shared U.S.-African energy goals, including infrastructure development, capacity building, increased trade and investment, and economic empowerment.

Over the past three years, DOE has provided energy sector assistance to Nigeria through an interagency agreement with USAID. DOE has provided significant assistance toward power sector reform and some policy recommendations in the areas of oil and gas. Specifically, DOE has assisted efforts to develop a natural gas strategy for Nigeria, advised Nigerian entities on measures, including grassroots-level public education efforts in support of deregulation, the removal of subsidies and energy sector reform. DOE also provided a renewable energy technology demonstration that resulted in micro-enterprise economic empowerment in rural Nigerian villages.

USAID provides capacity building and advocacy support for the West African Gas Pipeline (WAGP) project, a 630-mile, \$550 million natural gas transmission pipeline project that will connect Nigeria's gas reserves to markets in Nigeria, Benin, Togo and Ghana. In January 2003, the Presidents of these four countries signed an Intergovernmental Agreement to establish a harmonized legal and regulatory framework for the WAGP. In May 2003, another major accomplishment was achieved with the signing of the WAGP International Project Agreement by the four countries and the developer, the West African Gas Pipeline Company and witnessed by the ECOWAS Secretariat. The pipeline, anticipated to be operational in late 2005/early 2006, will facilitate the commercialization of much of the region's natural gas resources, eliminate environmental degradation from existing gas flaring, allow substitution of crude oil burned in the countries' power plants with cleaner gas, promote growth through access to cheaper, more reliably sustainable energy, and facilitate ECOWAS integration.

Angola, which became eligible for AGOA benefits in January 2004, is the ninth largest supplier of imported crude to the United States, and the second largest sub-Saharan African oil producer (behind Nigeria). In cooperation with USAID, the State Department, and other U.S. and international entities, DOE is assisting the Angolan

Government in the development of an integrated energy strategy, which has included the development of short- and long-term energy needs assessment studies for Angola. The studies and future interactions will provide policy guidance and technical assistance to facilitate energy infrastructure development, including through rehabilitation, expansion, and regional integration, and to encourage increased private sector investment.

In the Democratic Republic of the Congo (DROC), DOE has collaborated with other U.S. agencies to examine technical and economic issues associated with the rehabilitation and expansion of the Inga Dam Power Plant to address domestic and regional power requirements. DOE continues to encourage the government of DROC to participate in the Foreign Research Reactor Spent Nuclear Fuel Acceptance Program.

Through DOE, the U.S. Government contributed financially to the World Bank Gas Flaring Reduction Initiative and serves as a member of the Steering Committee. The Initiative, a multi-year, multi-million dollar, private-public partnership, promotes the monetization of gas resources to promote economic development and address environmental concerns associated with gas flaring or venting from oil production. Countries initially targeted include Angola and Nigeria.

Through a longstanding history of energy cooperation with the Government of South Africa, principally through the Department of Minerals and Energy, DOE continues to provide assistance on regulatory issues, especially as South Africa seeks to deploy natural gas power generation and enhance regional energy integration.

In Botswana, USTDA is partially funding a feasibility study in the amount of \$525,000 on behalf of the Botswana Development Corporation for a coal bed methane (CBM) project in eastern Botswana. The project is intended to capture and process CBM from coalfields in eastern Botswana to meet growing domestic and regional demand for a low-cost, clean and efficient fuel for power plants and feedstock for industrial processes.

In Tanzania, USTDA has approved \$166,912 for a feasibility study to develop a bagasse-fueled cogeneration plant at the Mtibwa Estate in Tanzania. The project has the potential to contribute additional electricity to Tanzania's grid, diversifying Tanzania's energy sources away from hydropower and fossil fuels.

USAID's Regional Center for Southern Africa (RCSA) continues to support energy sector development in Southern Africa through technical assistance, partnerships and training for competitive trade in electricity. With USAID assistance, the Regional Energy Regulators Association in Southern Africa is cooperating with the Southern Africa Power Pool (SAPP) on building a framework for attracting investments and private sector participation in regional energy development. The RCSA support contributes to the evolution of the SAPP Short Term Energy Market that during 2003 achieved 713,000 MW volume of energy traded at the transaction value of \$3,600,000. RCSA is also upgrading the SAPP web site (www.sapp.co.zw), which will enhance electricity trading opportunities through faster processing of potential trade transactions and a Quality of Supply database and information management system to assist the SAPP

coordinator center monitor reliability. Finally, RSCA is also working with the Southern African Development Community to help it advance its plans to interconnect the power grids in SADC countries.

F. HIV/AIDS, Tuberculosis, and Malaria

HIV/AIDS continues to be a serious threat to economic growth and development in sub-Saharan Africa. The devastating impact of the HIV/AIDS pandemic not only makes the achievement of the goals of the New Partnership for Africa's Development (NEPAD) and the internationally agreed millennium development goals more difficult, it is undermining hard-won development gains made over the past decades. For example, in the hardest hit countries life expectancy has fallen by as much as 30 years, which in turn will make it more difficult for African countries to fully benefit from programs like AGOA.

President Bush considers the HIV/AIDS pandemic a U.S. foreign policy priority. In this spirit, on January 28, 2003, the President announced a \$15 billion, five-year initiative known as the President's Emergency Plan for AIDS Relief. Approximately \$9 billion in new funding will focus on 15 of the hardest hit countries, 12 of which are in Africa (Botswana, Côte d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia).⁵

The President announced in October 2003 that the newly established State Department Office of the U.S. Global AIDS Coordinator, under the leadership of Ambassador Randall Tobias, would take the lead in coordinating the U.S. response to the HIV/AIDS pandemic and administering the Emergency Plan for AIDS Relief. The Coordinator's office manages and directs all U.S. Government international HIV/AIDS activities in all departments and agencies of the Federal Government. This new approach to the coordination and deployment of U.S. official resources will result in more effective and efficient programs that capitalize on the skills and experience of staff throughout the U.S. Government. The primary implementing agencies include USAID, HHS, DOD, and the Departments of Commerce and Labor.

- The U.S. Agency for International Development will devote \$1.148 billion in FY2004 to its international HIV/AIDS programs (including the \$398 million contribution to the Global Fund), which provide assistance to more than 50 countries, including 21 countries and 3 regional programs in sub-Saharan Africa. USAID's activities address prevention, care, and treatment needs in all countries

⁵ This \$9 billion in new funding will be used to ramp up prevention, treatment, and care in these 15 countries. In addition, the President's Emergency Plan is to provide \$5 billion over five years for existing bilateral efforts to support HIV/AIDS, tuberculosis, and malaria programs and research; and \$1 billion over five years for the Global Fund to Fight AIDS, Tuberculosis and Malaria. The Emergency Plan will also encompass the programs and activities of the \$500 million International Mother and Child HIV Prevention Initiative, announced by President Bush in June 2002.

where USAID is located, particularly in Africa, where the need is overwhelming. USAID also provides critical care and treatment services through innovative programs to communities affected by HIV/AIDS; partnerships with the private sector and community-based and faith-based organizations; and research to find the best approaches to tackling the HIV/AIDS pandemic.

- The U.S. Department of Health and Human Services supports HIV/AIDS activities in more than 50 countries worldwide. HHS expects to allocate an estimated \$791 million in FY2004 to support global HIV/AIDS activities. This amount includes \$324 million for research and research training through the National Institutes of Health; \$318 million for the Centers for Disease Control and Prevention programs in prevention, care and treatment programs, and infrastructure capacity building; and Health Resources and Services Administration (HRSA) programs, including \$149 million for the President's International Mother and Child HIV Prevention Initiative, now under the Emergency Plan. Within the total for HHS, there is also \$149 million for the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria.
- The U.S. Department of Defense budgeted \$4 million in FY2004 for HIV/AIDS prevention training programs in 37 militaries, including 27 in sub-Saharan Africa. DOD helps to create policies and prevention capability for dealing with HIV/AIDS by working with the militaries in African countries to promote prevention programs that reach both the troops and African communities. DOD is also working closely with the Global AIDS Coordinator's office in the 12 hardest-hit African countries.
- The U.S. Department of Commerce, recognizing the link between healthy societies and economic development and trade, launched an HIV/AIDS initiative in 2003 to facilitate U.S. private sector involvement through public-private partnerships. Under this initiative, Commerce participated in a December 2003 HIV/AIDS mission to Africa organized by HHS and subsequently co-chaired a forum entitled "Leveraging the Power of Industry: Strategies to Fight HIV/AIDS," which brought together over 200 people from the private sector, key government agencies, and non-governmental organizations. In collaboration with HHS, the Department of State, Harvard University, and Booz Allen Hamilton, the forum encouraged diverse industries to evaluate ways in which their core competencies could best address the many problems and needs posed by the HIV/AIDS pandemic. In August 2004, Commerce will conduct a management-training program focused on healthcare delivery, a vital capacity need for those suffering from HIV/AIDS.
- The U.S. Department of Labor has budgeted \$14 million in FY2004 to its workplace-based program of education, training and policy reforms related to HIV/AIDS. The program began in 2001 and currently funds projects covering 14 countries. The basic intent of each project is to reduce HIV/AIDS risk behaviors of employees and families by targeting the workplace and by reducing the level of workplace discrimination against persons living with HIV/AIDS. The projects involve a tripartite approach between governments, employers, and workers.

G. Small Business Development

The U.S. Small Business Administration (SBA) continued to implement a USAID-funded project to develop two small business information centers (BICs) in Nigeria. SBA supplied the BIC model, which was adapted to the Nigerian environment. These centers are formed through public-private partnerships and will serve as one-stop community-based business assistance centers where small and medium scale entrepreneurs can receive technical assistance, computer access, financial counseling, and training. An integral part of the project was to provide technical training for the managers of the centers. The training took place both in the United States and in Nigeria. The two centers are located in Lafia, Nasarawa State, and Port Harcourt, Rivers State. The U.S. Nigeria Development Institute was the partner and implementer of the project. In July 2003, the SBA, along with the Governors of Nasarawa and Rivers State, officially opened the centers. Chevron-Texaco worked closely with the Institute and has become a co-sponsor for the centers, investing \$180,000 in the project. The project also leveraged in-kind contributions from the state government totaling \$1.2 million. The Nigerian Export Promotion Agency wants to duplicate these centers and create one-stop shops for exporting. These centers will serve as hubs for information on AGOA.

SBA provides trade finance to the small business exporter. This service is provided through the U.S. Export Assistance Center network, which is located in sixteen states. Among the U.S. exporters that SBA has assisted for trade deals with sub-Saharan Africa are a Georgia-based wholesaler of mining equipment and other industrial machinery, a Pennsylvania engineering firm that exports construction equipment and tractors to Africa, and a New Jersey export trading company selling refrigeration and air conditioning equipment, spare parts, cosmetics and over-the-counter pharmaceuticals.

H. Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) fosters U.S. investment in sub-Saharan Africa by providing project financing, through direct loans and loan guarantees, and political risk insurance. In addition, OPIC provides support to independently managed private equity funds.

OPIC is currently providing \$1.2 billion in financing and political risk insurance to 42 projects in sub-Saharan Africa. These projects include:

- **Mining in Sierra Leone:** OPIC will provide a \$25 million investment guaranty for the restart and expansion of a mineral sands mine in southwestern Sierra Leone. Rutile and ilmenite are used to produce titanium dioxide pigments, which are utilized in paint, paper, and plastics. The Project is expected to employ over 900 Sierra Leoneans and generate average remittances to the government through taxes, royalties, rent, and interest of approximately \$12 million per year.

- Software Development in Nigeria: OPIC is providing \$1.2 million in insurance coverage to support the establishment of a project that will provide software development, marketing, and training services in Nigeria's capital. As the project grows and the need for skilled workers increases, there are plans to attract students from Nigerian universities by sponsoring science fairs and offering scholarships and on-the-job training in web-enabled software application development and other technologies.
- Flour Mill in Angola: OPIC is providing \$6 million in political risk insurance to an American firm for the rehabilitation and operation of a flour mill in Angola. The mill will produce and market wheat flour and wheat bran at a rate of 200 metric tons per day (MTD), compared to its 1999 capacity of 65 MTD. This project will help to alleviate scarcity in the Angolan domestic wheat flour market, providing a staple food item at a reduced cost, as well as jobs for local residents.

OPIC currently has three equity funds dedicated to investments in sub-Saharan Africa. These funds are fully invested. OPIC continues to support the Congressionally-mandated AGOA infrastructure fund. In addition, OPIC has four global funds that can invest a portion of their capital in sub-Saharan Africa.

OPIC continues to build relations with local institutions and demonstrate its commitment to support African countries that are implementing market-based reforms and economic growth policies. For example:

- OPIC and the African Trade Insurance Agency (ATI), a World Bank and pan-African state-supported Export Credit Agency established to promote trade and investment in Africa, concluded a memorandum of understanding intended to facilitate increased levels of private investment in Africa.
- OPIC and the governments of Kenya and Madagascar have concluded memoranda of understanding to increase U.S. private sector investment in their respective countries, particularly in the important sectors of housing, telecommunications & information technologies, agribusiness, and tourism.

In addition, OPIC has recognized that an essential part of development and poverty alleviation is greater access to affordable capital. OPIC has identified the strengthening and broadening of the capital markets in Africa as a high priority. OPIC is currently in the process of developing several projects in which it can play a crucial role in expanding Africa's capital markets. The objective of these projects will be to: (1) stimulate movement of capital to deserving African projects; (2) broaden sources of funding for such projects, thereby breaking the cycle of dependency on a small pool of specialist emerging market funds or donor agencies; (3) encourage greater information flows from pre-selected borrowers to the capital markets and enable better assessment of risk; and (4) develop local and regional capital markets.

I. Export-Import Bank Initiatives

As an official export credit agency of the United States, the Export-Import Bank of the United States (Ex-Im Bank) assists in financing the export of U.S. goods and services to international markets. Although Ex-Im Bank does not support imports into the United States, the Bank does help facilitate trade between Africa and the United States by financing the sale of U.S. exports needed to take advantage of AGOA. With the support of Ex-Im Bank financing:

- U.S. manufacturing equipment can be exported to African producers who need to upgrade their facilities;
- U.S. fabric, yarn, and thread can be exported for production of apparel, qualifying such apparel for unlimited duty-free and quota-free U.S. market access; and
- U.S. raw materials can be exported for the production of qualified non-apparel goods.

AGOA creates new sales opportunities in the United States for sub-Saharan African countries. More sales will require additional manufacturing equipment. Ex-Im Bank is ready to help sub-Saharan African manufacturers take advantage of AGOA and grow their businesses by financing U.S. exports of manufacturing equipment, products, and services.

When reauthorized by Congress in 1997, the Bank was mandated to increase its business in sub-Saharan Africa in a manner consistent with its reasonable assurance of repayment standard. Congress reaffirmed this mandate in the Bank's most recent reauthorization in June 2002.

In FY2003, Ex-Im Bank supported 152 transactions in 20 sub-Saharan African countries for \$643 million. By all accounts, this was Ex-Im Bank's best year ever in the region. The success is largely the result of Ex-Im Bank's strategic marketing efforts, including deeper relationships with African banks, Embassy outreach programs, African buyer training programs, and staff travel to the region. The Bank also expanded its reach in Africa under the Short-Term Africa Pilot Program. The pilot program offers Ex-Im Bank support to an additional 16 sub-Saharan Africa countries in which the Bank would otherwise not be open for business, raising the total number of sub-Saharan Africa countries eligible for Ex-Im Bank trade financing to 39.

Ex-Im Bank continues to be proactive in its efforts to bring medium-term financing to the region. One way Ex-Im Bank is accomplishing this is through Master Guarantee Agreements (MGAs) with local lenders. By the end of FY2003, the Bank had MGAs with 17 banks in sub-Saharan Africa.

Overall, Ex-Im Bank's efforts to fulfill the Congressional mandate have been a success. Over the last six fiscal years, Ex-Im Bank has authorized transactions supporting nearly \$2 billion in U.S. exports to sub-Saharan Africa.

Highlights of the Bank's efforts in support of sub-Saharan Africa during FY2003 include:

- **First Authorized Credit Guarantee Facility:** Ex-Im Bank authorized its first credit guarantee facility (CGF) in sub-Saharan Africa. (The CGF is a line of credit between a U.S. bank and a foreign bank, or occasionally a large foreign buyer, which enables the foreign bank to extend loans on competitive financing terms to its local clients). This \$10 million facility will help facilitate the sale of various U.S. capital goods and services financed by the Eastern and Southern African Trade and Development Bank (PTA Bank), Nairobi, Kenya. PTA Bank is a regional development bank active in 17 eastern and southern African countries.
- **Africa Short-Term Insurance Pilot Program:** Ex-Im Bank expanded its Africa Short-Term Insurance Pilot Program (STIPP), which now offers Ex-Im Bank financing in 16 countries that would otherwise not receive Ex-Im Bank support. In FY2003, Ex-Im Bank supported exports to more sub-Saharan countries than ever before, with four countries qualifying for transactions under STIPP. These included the sale of a grain storage facility to Chad, engineering services to Equatorial Guinea, as well as transactions in Guinea-Bissau and Mauritania.
- **Special Workshop on Opportunities in sub-Saharan Africa at Ex-Im Bank's Annual Conference:** A special workshop was held at the Bank's Annual Conference highlighting opportunities throughout Africa. The workshop, entitled "Sub-Saharan Africa: Lenders in the Marketplace" attracted 175 attendees. Five African panelists, representing different regions of the African continent, discussed the economic environment and opportunities in their respective regions.

J. U.S. Department of Commerce Initiatives

The Department of Commerce's Commercial Service (CS) has carried out numerous AGOA programs and seminars throughout sub-Saharan Africa. The Strategic Alliance Program coordinates business contacts between host country government agencies, local industry associations, and multiplier organizations that focus on business opportunities of interest to American companies. Those contacts are then sent to American companies interested in taking advantage of the business opportunities gained from expanded use of the BuyUSA program. Identified firms are then pre-qualified for financing with the Ex-Im Bank, which in turn makes them more attractive as business partners for American firms. The "Outreach Seminars to BuyUSA Registrants" Program introduces pre-screened import-export ready members to CS programs and services. "Interests" surveys are conducted to gauge the commercial interest of the members. CS posts use BuyUSA as a tool to help focus the interest of the registrants to AGOA-related business opportunities with American companies.

Expansion of Commercial Service (CS) Operation's in Africa: The Commercial Service will open a new office in Dakar, Senegal, with a staffing complement of one American Officer and two local hires. With the opening of this office, Senegal will replace Côte d'Ivoire as the West African regional office for the CS.

Afriwater 2003 in South Africa: In August 2003, the Environmental Technologies Industries Office in Trade Development, in conjunction with the Commercial Service Office in Johannesburg, organized a U.S. Product Literature Center at "Afriwater 2003," the largest show for the water sector in sub-Saharan Africa. Thirty-two U.S. companies had an opportunity to promote their products to potential southern African business partners.

CS Ghana played a central role in a noteworthy AGOA success story from Ghana. It organized a seminar in Ghana to help educate local businesspersons about the opportunities available under AGOA. Following the conference, CS Ghana facilitated contacts between a Ghanaian firm and textile brokers in the United States, which led to an agreement for the production of socks for export to the U.S. market under AGOA. Notably, the socks are being produced using U.S. inputs and machinery.

Commerce's Minority Business Development Agency (MBDA) continues its activities building commercial capacity between minority communities in the United States and businesses in sub-Saharan Africa. In 2004, under an agreement with USAID, the Agency will have a dedicated staff person in the USAID-funded Southern Africa Trade Competitiveness Hub, located in Botswana, to help identify appropriate business partners for select U.S. minority businesses. MBDA's principal program activities have focused on direct counseling of U.S. minority companies that are engaged in or planning to engage in extensive business and investment activities in sub-Saharan Africa. The Agency is also involved in the U.S. Government's Digital Freedom Initiative (see Section VI.D). Working with Commerce's Technology Administration, USAID and others, MBDA has proposed a series of training activities focused on the development of the Senegalese capital market to help small and micro-enterprises obtain funding.

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

The U.S. Bureau of Customs and Border Protection (CBP) continued to provide technical training for sub-Saharan African government officials in 2003 and 2004. The training included the development and implementation of an effective apparel visa system, legislation, regulations, and anti-transshipment enforcement. Additionally, CBP officials included African customs officials in Textile Production Verification Team visits to Botswana, Lesotho, Madagascar, Swaziland and South Africa in 2003 and the first few months of 2004. The African host-country customs counterparts learned from CBP personnel how to verify the production of apparel, not in a classroom setting, but while in actual factories. Domestically, CBP participated in numerous technical programs for African business executives receiving training in the United States. CBP officials

participated in the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, making a presentation and sitting on a panel on importing AGOA folklore products into the United States.

L. U.S. Trade and Development Agency

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits, and business workshops that support the development of a modern infrastructure and a fair and open trading environment. USTDA's strategic use of foreign assistance funds directly supports AGOA implementation by helping to create an enabling environment for increased U.S.-Africa trade and investment.

USTDA is also dedicated to promoting public-private partnerships in all of its work. Through the provision of grant funding, USTDA assists AGOA partners in the critical planning phase of priority infrastructure and manufacturing projects. In the past year, USTDA funded numerous projects designed to expand African capacity to maximize economic growth under the AGOA framework. In particular, the Agency played an important role in helping African countries to understand the importance of security in transportation to their future success under AGOA. In addition, USTDA continued its strong support of critical regional transportation projects, trade capacity building, AGOA manufacturing, and essential infrastructure improvements. USTDA's diverse activities designed to promote AGOA success include:

- The Southern African Customs Union (SACU) Study Tour: In March 2003, prior to the start of U.S.-SACU FTA negotiations, USTDA funded a U.S. orientation visit on free trade agreements for the 24 lead trade negotiators from the SACU region to help them to prepare for and more effectively participate in those negotiations.
- Regional Transportation Security Forum: USTDA mounted a major international Africa/Middle East/Southern Asia conference, "Secure Trade Through New Partnerships and New Technologies," held in Cairo in February 2004.
- TransKalahari Corridor Improvement Project: This is a key multimodal infrastructure project for facilitating integrated trade and exports in South Africa, Namibia, and Botswana.
- Regional Geothermal Market Acceleration Conference: USTDA was the lead sponsor of a conference in Nairobi for U.S. geothermal companies, senior energy policymakers from ten East African countries in the Rift Valley, and multilateral finance organizations to promote intensified domestic geothermal power generation for economic development needs.

- Cape Verde Amilcar Cabral International Airport: USTDA recently funded a technical assistance-feasibility study assessment of Cape Verde's international airport (\$291,650). The assistance will help the Airports and Air Navigation Authority upgrade its airport services, which should lead to Cape Verde's and the sub-region's increased capacity to export goods. Cape Verde is positioning itself for transshipment business by both air and sea.
- São Tomé Deepwater Port Feasibility Study: This feasibility study (\$450,000) will support the establishment of a deepwater port on the island of São Tomé. The new port facility would decrease transportation costs of exports and imports for the country as well as provide onshore support capacity for offshore oilfield development. The project will be competed among U.S. companies.
- Cameroon Polyclinique Bonanjo: This feasibility study (\$289,180) supports the planned renovation, expansion and modernization of the Polyclinique Bonanjo hospital located in Douala. The proposed project will renovate and modernize the clinical facility's operating capability, while providing an office, administrative, educational, laboratory, testing, and training location.
- Djibouti City Seawater Desalinization Plant: USTDA has approved funds for a feasibility study (\$276,790) to examine the development of a central seawater desalinization plant on behalf of the Office National des Eaux de Djibouti. The project is expected to play a critical role in other infrastructure development in Djibouti, including a regional livestock project, port development, and national energy development.

See Sections V. F., VI. D, and VI.E for additional information on USTDA activities in sub-Saharan Africa.

M. African Development Foundation

The African Development Foundation (ADF) is a U.S. Government corporation that provides support directly to small-, medium-, and micro-enterprises in Africa and non-governmental organizations that work at the grassroots level. ADF responds to unsolicited proposals for activities that are African-driven and African-owned. The Foundation helps applicants to develop business plans for commercially viable activities and to obtain up to \$250,000 in financing for fixed capital, working capital, and technical and managerial assistance. In exceptional circumstances, a larger amount of financing can be provided.

The bulk of ADF's support is directed toward rural and periurban areas and underserved populations, including women and minority groups. ADF seeks to advance replicable models for increasing the ability of the poor and disadvantaged to participate in new economic opportunities. Thus, ADF is a valuable complement to other Federal programs that seek to stimulate large-scale, macro-level change in Africa.

ADF's current programs promote micro- and small-enterprise development (MSE), trade and investment (T&I), use of participatory development methods, and AIDS prevention and mitigation. In FY2003, ADF had active projects in 13 African countries: Benin, Botswana, Cape Verde, Ghana, Guinea, Mali, Namibia, Niger, Nigeria, Senegal, Tanzania, Uganda, and Zimbabwe.

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

In FY2003, ADF had 26 active T&I projects in three countries (Namibia, Uganda, and Zimbabwe) that have had at least one major disbursement of funds. Sixteen of the projects, all in Zimbabwe, promoted paprika cultivation for export. The other Zimbabwe project produced tubes for toothpaste and pharmaceuticals. (Note: ADF's grantees in Zimbabwe, as elsewhere, are private sector enterprises or non-governmental community organizations. ADF did not fund any new economic development projects in Zimbabwe in FY2002 or FY2003 given the economic and political stability there.) Four of the Uganda projects helped to develop vanilla exports. One project in Namibia supported rock lobster fishing and one project in Uganda upgraded the processing of Nile Perch. The other active projects supported exportation of silk, salt, and packaged juices. These projects have a total current budget of \$3.595 million.

In addition, ADF had seven active MSE projects that have stimulated some export production although they were primarily focused on domestic markets. These MSE projects produced pineapple products (Benin), solar-powered hearing aids (Botswana), fishing (Guinea), ostrich products (Namibia), decorative ceramics (Senegal), butter (Tanzania), and animal hides and skins (Uganda). ADF's active T&I and MSE projects have generated over \$12 million in African exports.

The grantee for the Uganda Marine Project, Uganda Marine Processing Ltd (UMPL), which received \$250,000 in financing from ADF in FY2001, has continued to be a standout performer. UMPL is the smallest of the eight formal sector fish processing companies in Uganda and one of only two with majority ownership by indigenous Ugandans. It processes Nile Perch into fresh and frozen fillets for export to the EU and Middle East and was the first company in East Africa to receive the International Standards Organization (ISO) 9001 quality certification. In FY2003, UMPL earned \$4.505 million in export revenues, up 7.4 percent from the previous year.

In FY2003, ADF signed memoranda of understanding for strategic partnerships with the governments of five countries (Cape Verde, Ghana, Mali, Swaziland, and Zambia) that

will leverage funding contributions for joint programs. All of the new strategic partnerships except the one in Swaziland will have a strong focus on Trade and Investment.

In late FY2003, ADF funded 6 new Trade and Investment projects with a total budget of \$1.642 million. Two of the new projects supported silk production in Uganda. The others supported tomato processing in Ghana, meat processing in Namibia, textile production in Namibia, and smallholder tea production in Uganda. The newly funded tomato processing project in Ghana is particularly noteworthy because ADF agreed to provide \$530,000 in financing, which exceeds the usual amount of support that the Foundation will provide to a single enterprise. The exception was granted because of a unique opportunity for a private company to buy a food processing plant that had been owned by the Ghanaian government and to supply Unilever with bulk shipments of tomato paste. Unilever will be responsible for packaging and export marketing of the tomato paste. The Ghanaian company will also produce and market chopped tomatoes and tomato puree in cans and aseptic packaging for the domestic market.

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

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

The third annual AGOA Forum was held in Washington December 9-10, 2003. The Forum drew ministerial or other senior-level participants from over 30 AGOA-eligible countries. As at previous forums, private sector and NGO activities were organized to complement the government-to-government meetings.

President Bush met on December 9, 2003 at the White House with the African ministers attending the Forum. He told the ministers of his continuing commitment to AGOA and to strong U.S.-African trade and economic relations and reiterated his pledge to work with Congress to extend AGOA beyond 2008. National Security Adviser Condoleezza Rice addressed the ministers prior to their meeting with the President. Among other Administration officials who participated in the Forum were Secretary of State Powell, Secretary of Commerce Evans, Secretary of Treasury Snow, Secretary of Agriculture Veneman, U.S. Trade Representative Zoellick, USAID Administrator Natsios, U.S. Global AIDS Coordinator Tobias, U.S. Trade and Development Agency Director Askey, and senior officials from these and several other agencies. Several Members of Congress also participated in meetings at the Forum.

The theme of the two-day Forum was “Building Trade, Expanding Investment.” The program included sessions on a wide variety of topics. Each discussion panel was co-chaired by one U.S. Government and one African government or African regional organization representative. In some instances representatives from the private sector and/or NGOs made presentations at the government-to-government forum. The first day included an opening address by Secretary Powell; a plenary session entitled “Building on AGOA’s Success Stories” led by Ambassador Zoellick; workshop sessions on small and medium enterprise financing in Africa and infrastructure development; a lunch with Secretary Evans, a roundtable discussion with Members of Congress; and the meeting with President Bush. The second day opened with a breakfast hosted by Secretary Snow and included workshops on the Initiative to End Hunger in Africa; transportation security in the AGOA framework; good governance and attracting investment; trade capacity building; technologies to increase agricultural productivity and improve food security; issues related to sanitary and phytosanitary measures and agricultural trade; and the impact on AGOA of the phase-out of the Multi-Fiber Arrangement. There was also a special plenary session on HIV/AIDS as a Development Crisis in Sub-Saharan Africa.

During the Forum, U.S. officials emphasized the importance of infrastructure development to trade, highlighted the role of trade in boosting economic growth and development, and encouraged African countries to explore ways to diversify their exports under AGOA, especially in the agriculture sector. African officials hailed the positive impact of AGOA on trade and economic growth, described supply-side constraints to increased trade, and drew special attention to the prospective impact on the African apparel industry of the September 2004 expiration of AGOA's third-country fabric provision. Under this provision less developed AGOA beneficiary countries are permitted to use third-country fabric in AGOA apparel exports to the United States. Noting that legislation had been introduced in the U.S. Congress in November 2003 that would extend this provision, many African officials and businesspeople urged the U.S. Government to act quickly to pass this or similar legislation.

The parallel private sector forum, organized by the Corporate Council on Africa (CCA), was held December 8-9 and attracted approximately 600 participants from the U.S. and Africa. It focused on three sectors: agribusiness; textiles and apparel; and handcrafts. The workshops identified several key challenges to full implementation of AGOA: insufficient infrastructure, too few incentives for investment, lack of capital, weak macroeconomic policies, low levels of technology, and poor governance. The need to extend AGOA's third-country fabric provisions was also a recurring theme. Ambassador Zoellick and Secretary Evans were among the Administration officials who spoke at the private sector forum. In an innovative collaboration with the CCA and the Smithsonian Institution's National Museum of African Art, USAID sponsored a discussion of the Category 9 handcrafts provisions of the AGOA legislation.

The NGO Forum, which took place December 8-10, involved U.S. and African civil society organization in fields ranging from health to economics. Speakers from government, international organizations, NGOs, and the private sector made presentations on the progress that AGOA has already made as well as the challenges that African countries face in their attempts to take full advantage of opportunities under AGOA. During deliberations at the NGO Forum, participants debated and approved more than 20 specific recommendations for government, civil society and private sector action to improve AGOA and make it more effective. Administration officials who spoke at the NGO event included Deputy USTR Shiner, Under Secretary of State Larson, and National Security Council Senior Director for Africa Frazer.

The State Department invested considerable effort to ensure that the deliberations and results of the Forum were available to a wide audience. State arranged for broadcast of substantial portions of the government and NGO events over the American Embassy Television Network. A video focusing on discussions and issues at the NGO forum is planned for distribution.

VIII. Free Trade Agreement with the Southern African Customs Union

On November 4, 2002, U.S. Trade Representative Robert B. Zoellick notified Congress of President Bush's decision to negotiate a free trade agreement (FTA) with the five member countries of the Southern African Customs Union (SACU). These nations – Botswana, Lesotho, Namibia, South Africa and Swaziland – comprise the largest U.S. export market in sub-Saharan Africa, with \$2.9 billion in U.S. exports in 2003. In pursuing this FTA, the Administration is responding to Congress' direction, as expressed in AGOA, to pursue free trade negotiations with interested sub-Saharan African countries as a catalyst for increasing trade and investment between the United States and Africa.

The negotiations began in Pretoria, South Africa in June 2003 and subsequent rounds were held in August 2003 (in Johannesburg), October 2003 (in Washington, DC), February 2004 (in Walvis Bay, Namibia), and May 2004 (in Maseru, Lesotho). The negotiations are taking place in two phases. Discussions on Phase I issues (trade in industrial and agricultural goods; customs procedures; rules of origin; sanitary and phytosanitary measures; trade in services; investment; and trade remedies) began in June 2003 and were expected to continue through 2004. Discussions on Phase II issues (technical barriers to trade, intellectual property rights, electronic commerce, government procurement, transparency, labor, environment, dispute settlement, and general institutional issues) began in May 2004. The target completion date for the FTA is December 2004.

This FTA – the first ever between the United States and any sub-Saharan African country – offers an opportunity to craft a groundbreaking agreement that will serve as a model for similar efforts in the developing world. The SACU countries are strong economic reformers and leading AGOA beneficiaries. They have seen the positive role that trade can play in promoting economic growth and development and, through the FTA negotiations, are taking an important step toward deeper economic engagement with the United States. Through an FTA with SACU, U.S. businesses will gain preferential access to their largest export market in sub-Saharan Africa. Other exporters such as the European Union already receive preferential access to the South African market. By building on the success of AGOA, the SACU countries would secure the kind of guaranteed access to the American market that supports long-term investment and economic prosperity. The FTA would also reinforce ongoing regional economic reforms and lower the perceived risk of doing business in southern Africa.

Trade capacity building technical assistance is a fundamental element of bilateral cooperation in support of the FTA. U.S. and SACU officials have established a Cooperative Group on Trade Capacity Building that meets on the side of the negotiations and helps to identify and define the priority trade capacity needs of the SACU governments. See Section V.B for more information on Trade Capacity Building related to the U.S.-SACU FTA.

IX. AGOA Country Reports

This chapter contains information on all countries that have been reviewed for eligibility under AGOA by the interagency Trade Policy Staff Committee. Three countries – Comoros, Somalia, and Sudan – have not expressed an interest in receiving the benefits of AGOA and therefore have not been reviewed. A list of all 37 countries eligible for AGOA as of May 2004 is contained in Annex A.

Country Summaries:

ANGOLA

Status: AGOA eligible as of January 1, 2004.

AGOA Trade and Investment: Angola was not AGOA eligible in 2003.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Since the end of the civil war in April 2002, the government is moving slowly toward establishing a market-based economy and improving its fiscal management. New laws designed to improve the commercial and investment climate include a new investment law and a law on voluntary arbitration for business disputes. The government has also taken steps to encourage foreign companies to conduct business transactions and establish joint ventures with Angolan companies. Overt government control in the diamond sector continues to discourage foreign investment. The government took steps to control extra-budgetary spending by passing a revised 2003 budget to include all off-budget items and a new 2004 budget that reflects true spending levels and has stronger spending controls. Recent headquarters meetings between the government and the IMF have resulted in substantial progress towards a Staff Monitored Program. The government made bilateral debt-reduction arrangements outside the Paris Club. Customs reform is underway and a port modernization program should facilitate trade.

Rule of Law/Political Pluralism/Anti-Corruption: Power remains concentrated in the Presidency and the Council of Ministers appointed by the president. The 220-member National Assembly does not challenge the president. Presidential and legislative elections are expected to take place in 2005 or 2006. The National Assembly is considering a new constitution, which would maintain power in the presidency and the Council of Ministers. The judiciary is subject to political and financial pressures. Most parts of the country lack an effective legal infrastructure. Corruption at all levels of government and business remains a problem. Stricter budget controls introduced this year are designed to prevent parastatals from engaging in off-budget spending for the government, potentially closing off unaccounted use of oil revenues. The Audit Court established in 2001 has begun to review cases of fraud and misuse of funds, but the court lacks resources and political power.

Poverty Reduction: The Council of Ministers approved a Poverty Reduction Strategy Plan, and the government is working with donors to address areas needing improvement. Although the government's 2004 budget earmarked an increase of 3.8 percent over the 2003 budget for social spending, increases in military and security expenditures were higher, at 9.2 percent. However, new spending will take time to result in demonstrable improvements in the long-neglected health and education sectors. Poverty remains widespread.

Labor/Child Labor/Human Rights: The Constitution provides for the right to form and join trade unions, engage in union activities, and strike. However, Angola's labor laws also allow for retribution against strikers and restrictions on civil liberties. The lack of proper enforcement mechanisms could undermine workers' rights. Collective bargaining is restricted, but during 2003 there were negotiations between the government and workers from the public sector. Child trafficking and commercial sexual exploitation of children continue to occur. With the end of the civil war, the government's overall human rights record improved, but problems remain.

BENIN

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

AGOA Trade and Investment: Benin did not report any duty-free exports under AGOA in 2003. There has been no significant investment activity as a result of AGOA.

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

Rule of Law/Political Pluralism/Anti-Corruption: Benin held generally free and fair elections for the National Assembly in March 2003. The rights to due process and a fair trial are respected; however, there were serious administrative delays in criminal cases. The government respected equal protection under the law. The judiciary is independent but inefficient and subject to corruption. The government is working with USAID on anti-corruption programs.

Poverty Reduction: The government finalized its PRSP in late 2002. In March 2003, the IMF and World Bank announced \$32.9 million in HIPC relief as a result of Benin's structural reforms and macroeconomic stability.

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

several strikes in 2003. The government has ratified ILO Convention 182 on the worst forms of child labor and signed a Memorandum of Understanding with the ILO on the topic. Child labor remains widespread and domestic and international trafficking of children remains a problem. In 2002, the governments of Benin and Gabon signed an agreement on the repatriation and reintegration of trafficked children. Benin is participating in two USDOL-funded projects to combat child trafficking. Over the past year, the government continued to work with various NGOs and stepped up efforts to intercept smugglers transporting children abroad for labor. The government generally respects the rights of its citizens and there are no reports of political prisoners. The most serious human rights issues include failure to curb vigilantism, poor prison conditions, and administrative delays in processing ordinary criminal cases.

BOTSWANA

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

AGOA Trade and Investment: Botswana's 2003 exports under AGOA and its GSP provisions were valued at \$6.3 million, representing 46 percent of total exports. At least eight firms in Botswana exported apparel to the United States in 2003. These firms – some of which represented new investments in response to AGOA – have been expanding output and increasing employment to meet demand.

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

Rule of Law/Political Pluralism/Anti-Corruption: Botswana is a multiparty democracy with a solid record of political and social stability and respect for the human rights of its citizens. The judicial system is regarded as fair and competent and there is a high level of adherence to the rule of law. Administrative corruption is low. The government has signed the Southern African Development Community (SADC) Protocol on Bribery. In 2003 Transparency International ranked Botswana the least corrupt country in Africa.

Poverty Reduction: The government has linked poverty reduction to the development of the country's private sector through foreign and domestic investment. The theme of the country's National Development Plan is “Sustainable Economic Diversification” and

poverty reduction is an important element. There is universal access to health care and primary education. The government provides free anti-retroviral treatments to AIDS patients, and currently over 10,000 Batswana are receiving ARV therapy.

Labor/Child Labor/Human Rights: The government generally respects human rights. Botswana has ratified all ILO core conventions, including 182 (worst forms of child labor) and 138 (minimum age). Child labor is a problem in the informal sector. The number of children engaged in commercial sexual exploitation is reportedly on the rise, due to the increasing number of street children. The government has amended the labor code to meet ILO standards; however, certain restrictions remain, especially concerning the right to strike. Parliament passed bills amending the Trade Unions and Employers Organizations Act and the Trade Disputes Act in July 2003. These amendments, expected to become law in 2004, will permit public employees to form trade unions, allow unions to accept foreign funds and employ full-time officers, and curtail the Labor Department's powers to deregister unions and prohibit strikes. Police sometimes beat or otherwise mistreated criminal suspects to obtain evidence or coerce confessions. Authorities took action in some cases against officials responsible for such abuses. Prison conditions were poor and in some cases life-threatening. The government continued to dominate domestic broadcasting and limited freedom of the press.

BURKINA FASO

Status: Burkina Faso remained ineligible for AGOA because of continuing concerns that its actions undermine stability in the region and U.S. foreign policy interests.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government continues to pursue its Poverty Reduction Strategy Paper (PRSP) with the World Bank and IMF, including through an intensive round of consultations with civil society in 2003. The privatization of key parastatals gathered speed in 2003 with a tender for two cotton regions and one for certain portions of the telecomm parastatal. U.S. companies are among the approved bidders for both processes.

Rule of Law, Political Pluralism and Anti-Corruption: The continued dominance of President Compaore and his ruling party limited citizens' right to change their government. Corruption was widespread, particularly among the police. The government is responding through initiatives such as the creation of several commissions and a new anti-corruption task force within the police service. The High Authority to Fight Against Corruption issued a report in January 2004 that presented 40 dossiers concerning corruption within the government and civil society requiring action. The government is also beginning preparations for the 2005 presidential elections by providing funding for a computerized electoral list, something long demanded by opposition groups.

Poverty Reduction: Donors, civil society, and the government approved a new PRSP for 2004-2015 after rigorous review. In 2003, school enrollment increased 10 percent to

more than 50 percent (with 46 percent for girls), and a study showed a reduction in the rate of female genital mutilation in certain regions where information campaigns have been undertaken. The government devoted over 40 percent of its 2004 budget to social spending.

Labor/Child Labor/Human Rights: Burkina Faso has ratified all eight of the ILO's core conventions, including those on child labor. Child labor continues to be problematic in Burkina Faso. The government classifies child labor as a problem and works with donors to eliminate child labor and to improve enforcement of labor standards. Burkina Faso participates in several USDOL-funded child labor projects. The law recognizes the right to organize and to strike, but the latter is limited for civil servants. Various practices are used to separate union activists from their membership base, union meetings are raided, and other forms of intimidation and discrimination are employed. The government's human rights record remained poor, although there were some improvements. Security forces were responsible for numerous extrajudicial killings of criminal suspects. Security forces continued to abuse detainees, which at times resulted in death. Arbitrary arrest and detention were problems, and authorities on occasion did not provide detainees with due process.

BURUNDI

Status: Not eligible, due to concerns over lack of economic and fiscal reform and continued serious human rights abuses.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The World Bank and IMF are providing assistance to support a disarmament, demobilization, rehabilitation, and reintegration program for former rebels and soldiers. Physical insecurity continues to discourage economic activity. The government plays a large role in the economy and privatization has been stalled. Prices for some key items are still controlled. The Central Bank and commercial banks reportedly collude to set exchange rates favorable to commercial interests. Domestic/external financial imbalances, weak tax revenue performance, foreign exchange shortages, and depreciating currency hinder economic growth. Burundi has a nominally open, rules-based trading system and provides protection for private property. Adequate laws exist for the protection of intellectual property, and bilateral trade and investment disputes can be resolved.

Rule of Law/Political Pluralism/Anti-Corruption: As part of the Arusha Peace process, a Transitional Government was established on November 1, 2001, and President Buyoya (a Tutsi) handed over power to Vice President Ndayizeye (a Hutu) on May 1, 2003. On October 8, 2003, the government signed a political/military integration agreement with the largest rebel group, which subsequently joined the transitional government in both the executive and legislative branches, including the security services. Elections are scheduled for October 2004, contingent on passage by the legislative branch of an electoral code. Burundi remained subject to a culture of impunity. The legal system is inefficient and subject to considerable corruption. The

court system suffers from long pretrial delays and does not ensure due process. The National Assembly is considering anti-corruption legislation. The government has established a state auditing agency and a State Inspectorate General, but neither is operational.

Poverty Reduction: The World Bank and the IMF have approved an interim PRSP for Burundi. At a January 2004 donors' forum held in Brussels, over 25 bilateral and multilateral donors pledged over \$1 billion to finance Burundi's recovery over the coming three years.

Labor/Child Labor/Human Rights: Workers in Burundi have the right of association and the right to organize, bargain collectively, and to strike. Although it has ratified all core ILO labor conventions, Burundi has a history of hostility towards free and democratic trade unions with the small formal sector of the economy. Nevertheless, there were successful labor actions during 2003 and the transitional government appears to be respecting worker rights. Laws are in place prohibiting forced or compulsory labor, as well as all forms of child labor. Despite laws against forced labor, government and rebel armies required labor from unwilling adults and children, including thousands of child soldiers. The World Bank has funded a child soldier demobilization program and the first group of child soldiers began rehabilitation in 2003. Child labor in the informal sector is a problem. The government's human rights record remained poor. Prison conditions, arbitrary arrest, and detention are serious problems. The government restricted freedom of the press, assembly, association, and movement. The judiciary is not independent. Continued instability and insecurity causes nearly 400,000 to be housed in refugee camps along the Burundi-Tanzania border. Members of the security forces commit extrajudicial killings. Government security services and rebel groups continued to commit unlawful killings and other serious abuses. Societal discrimination based on ethnicity persisted.

CAMEROON

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

AGOA Trade and Investment: Cameroon's 2003 exports under AGOA and its GSP provisions were valued at \$147 million, almost all of which were oil or energy-related products, representing 76 percent of Cameroon's total exports to the United States. U.S. investor activity in Cameroon increased in 2003. In April 2003, the government awarded a U.S. mining firm a permit to extract cobalt. The Chad/Cameroon pipeline, the largest U.S. investment in sub-Saharan Africa, began operations in mid-2003.

Market Economy/Economic Reform/Eliminating Barriers to U.S. Trade: A large parastatal sector, high public-sector employment, and the government's inability to deregulate the economy inhibited private investment. With World Bank assistance, the government has begun to privatize the parastatal cotton grower and has developed new strategies to privatize the state-held water and fixed-line telephone monopolies. In April

2003, the government launched the Douala Stock Exchange. Some foreign investors have found it difficult to obtain enforcement of their legal rights due to the cumbersome and sometimes corrupt judicial system. The government has harmonized tariffs with other members of the Economic Community of Central African States. Price controls are minimal and decreasing.

Rule of Law/Political Pluralism/Anti-Corruption: Cameroon is a multi-party democracy controlled by a strong presidency. Opposition parties have been legal since 1990 and the four major opposition parties are represented in the National Assembly. In 1997 President Biya won re-election in a vote boycotted by the three main opposition parties and generally considered by observers not to be free and fair. The 2002 legislative and municipal elections were marred by widespread irregularities. In 2002, the government created the National Elections Observatory (NEO) to oversee and monitor elections. In November 2003, in anticipation of the October 2004 presidential elections, the National Assembly strengthened the NEO by making it a semi-permanent body and requiring that the President consult NGOs and civil society when appointing new NEO members. The government has taken steps to improve transparency in public expenditures, including improving the public procurement system and modernizing its taxation system, which has suffered from widespread corruption. In March 2003, the government established an Audit Chamber of the Supreme Court that will review government spending and accounting practices.

Poverty Reduction: In April 2003, Cameroon submitted its PRSP to the IMF and World Bank. Cameroon is projected to become eligible for HIPC debt relief by December 2004. The 2004 budget includes a number of poverty reduction provisions. Approximately 29 percent of the budget is earmarked for education. The government agreed to increase secondary teaching staff by 3,000, build and equip 1,600 new classrooms, and introduce information technology in school curricula. The budget also includes provisions to develop potable water sources throughout the country, augment healthcare delivery infrastructure, and improve the nation's road infrastructure.

Labor/Child Labor/Human Rights: Worker rights suffer generally from inadequate laws against antiunion discrimination and poor enforcement. Workers may form and join trade unions; however, the government has restricted registration, supported minority factions, and harassed, arrested and sacked union members and officers. Strikes organized by both public sector and private sector unions throughout 2003 were generally free of government interference. The law prohibits forced and bonded labor, yet authorities continue to contract out prison inmates to private employers or for municipal public works. There were also reports that forced or bonded labor took place. The law sets a minimum age of 14 for child employment and states that a child's workday cannot exceed eight hours; however, child labor, including child trafficking, remains a problem. Cameroon is an associated member of ILO-IPEC and is currently participating in a regional ILO-IPEC program to combat child trafficking. The government's human rights record remained poor although there were improvements in a few areas. Security forces continued to commit numerous serious human rights abuses. However, unlike previous

years, there were no reports of disappearances of persons in the custody of security forces. Additionally, the anti-gang unit notorious for past human rights abuses has been disbanded. Prison conditions are harsh and life threatening. The government investigated complaints made against security personnel, and Cameroonian courts have sentenced human rights violators to pay fines and serve time in prison. The Constitution provides for freedom of speech and of the press; however, the government continues to limit these rights in practice. Many independent newspapers and radio stations are openly critical of politicians. Security forces sometimes seize controversial newspaper editions, and journalists have occasionally been harassed and arrested.

CAPE VERDE

Status: AGOA eligible, including for textiles and apparel.

AGOA Trade and Investment: Cape Verde's 2003 exports under AGOA and its GSP provisions were valued at \$2.5 million, representing 44 percent of total exports to the United States. Several joint ventures between Cape Verdean and Portuguese investors have begun to export apparel and shoes to the United States under AGOA.

Market Economy/Economic Reform/Barriers to U.S. Trade: Private ownership and participation have become dominant in every sector, including infrastructure and utilities. In 2002 and 2003 the government liquidated two large public enterprises: the public urban transportation company and the food import and distribution company. Other privatizations are scheduled over the next few years. The government lifted price controls for petroleum products in 2002 and liberalized its external tariff regime in 2003. It also passed a new central bank law that strengthened the central bank's autonomy and supervisory function. Under a new World Bank-funded Growth and Competitiveness Project, the government seeks to broaden the base of private participation in Cape Verde's economic growth and enhance private sector competitiveness, as well as further develop its financial sector.

Rule of Law/Political Pluralism/Anti-Corruption: The Constitution provides for the rule of law, and the right to due process, a fair trial, and equal protection under the law. The judiciary generally operates independently. However, the right to an expeditious trial is constrained by an overburdened and understaffed judicial system. Corruption is not a major problem.

Poverty Reduction: The government has an IMF/World Bank Poverty Reduction and Growth Facility, covering the period of January 2002 to December 2004, which supports structural adjustment policies and economic measures. Cape Verde's strategic approach to reducing poverty includes the renewal of economic growth with equity; the linkage between poverty reduction strategies and macroeconomic and sectoral policies; and the improvement in the productive capacities of the poor, by focusing on the need to improve micro-finance policy and provide training.

Labor/Child Labor/Human Rights: The Constitution recognizes international core labor standards. Workers are free to form and join unions without government authorization or restriction. Union members have the right to strike, and the government generally respects this right. Forced labor is prohibited, and anti-union discrimination by employers is against the law. With the development of tourism, there is growing concern over juvenile prostitution in some parts of the country. Child labor is a problem in the informal sector. Cape Verde ratified the ILO Convention 182 on the worst forms of child labor in October 2001. The Constitution provides for freedom of speech, press, assembly, and religion, and the government of Cape Verde generally respects the rights of its citizens.

CENTRAL AFRICAN REPUBLIC

Status: Effective January 1, 2004, the Central African Republic's AGOA beneficiary Status was terminated.

AGOA Trade and Investment: The Central African Republic's exports under AGOA and its GSP provisions in 2003, totaled \$43,000, a negligible percentage of its \$2.0 million in total exports to the United States.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Since assuming power in a March 2003 coup d'etat, President Bozize has pursued market-oriented policies and launched a battle against corruption. His Minister of Finance has launched an ambitious campaign to reform public finances. Nonetheless, misappropriation of public funds and corruption continue to be serious problems. Due to the extremely low level of receipts, the government has chronic difficulty in meeting the monthly wage bill. The IMF is tentatively scheduled to conclude an Article IV review in April 2004 and discuss reengagement with the CAR, including a post-conflict facility. IMF action would also help to unlock assistance from the World Bank and the African Development Bank while the CAR negotiates an arrears clearance plan with those institutions.

Rule of Law/Political Pluralism/Anti-Corruption: General Bozize seized power in March 2003 from the democratically elected President Patasse, suspended the constitution, and declared himself president. Since seizing power, Bozize has made significant progress in restoring order to Bangui and parts of the country and professed a desire to promote national reconciliation, strengthen the economy, and hold elections. However, progress is precarious and could be easily derailed. Bozize has appointed people from across the political spectrum to his government and launched a National Dialogue. Bozize's government has repeatedly affirmed its commitment to restoring democratic processes, and appears to be taking some steps in that direction. The government has affirmed its desire to decrease corruption in all aspects of society, and has actively pursued anti-corruption campaigns in the diamond and timber industries.

Poverty Reduction: Poverty, chronic insecurity and instability, and corruption and mismanagement are among the government's many challenges. The CAR is one of the world's least developed countries, with an annual per capita income of \$260. The timber and diamond industries represent the primary sources of export earnings, but are extremely vulnerable to corrupt practices, including false customs declarations and illegal re-exportation. Since taking power in March 2003, Bozize's government has taken some positive steps toward improving public finances such as suspending mining and timber concessions granted by the former government, disbanding the Tax Brigade, and promising judicial reform.

Labor/Child Labor/Human Rights: Relations between labor and the government are strained. The right to strike was limited by complicated procedures for mandatory conciliation; the government had the right to requisition workers in the general interest. Most unions continue to voice strong support for the Bozize government despite recent proposals to slash salaries by 30 percent. CAR has ratified ILO Convention 182 on child labor. Although legislation prohibits forced labor and employment of children under 14 years old, an estimated 63 percent of children between five and 15 years work. There is some forced labor, especially of the Ba'Aka people. The government lacks the resources to enforce the laws against child labor and trafficking. The government's human rights record remained poor, although there were improvements in a few areas. Citizens did not have the right to peacefully change their government during the year. Security forces continued to commit extrajudicial and other unlawful killings, including government-tolerated executions of suspected bandits. Bozize's rebels, CAR government forces, and Congolese rebels fighting on behalf of the government all committed human rights abuses. Instances of armed banditry persist throughout the countryside.

CHAD

Status: AGOA eligible.

AGOA Trade and Investment: Chad exported \$14.5 million worth of AGOA-eligible goods and services to the United States in 2003, all of which was petroleum, representing 65 percent of total Chadian exports to the United States. The start-up of the Chad-Cameroon Petroleum Development Project in mid-2003 significantly increased Chad's trade with the United States. Before 2003, Chad had not exported any products under AGOA.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government has demonstrated a commitment to economic reform and has privatized several state-owned enterprises, most notably in the sugar and insurance sectors. The government has begun efforts to privatize the important cotton, telecommunications, and energy parastatals. Chad has no price controls or currency restrictions. The government is implementing a civil service reform strategy. Recent economic and commercial activity spurred by the Chad-Cameroon Petroleum Development and Pipeline Project is greatly enhancing Chad's capacity for trade. Chad has a small but growing American business

community, mostly related to the oil sector but also including firms in the construction, technology, and service sectors.

Rule of Law/Political Pluralism/Anti-Corruption: While Chad has made some advances since 1990 in developing democratic institutions, recent progress has been disappointing. Presidential elections in 1996 and 2001 and legislative elections in 2002 were marred by irregularities. Corruption and poor governance continue to constrain economic growth. The government has supported numerous capacity-building initiatives in the legislative and judicial branches of government. Nevertheless, the judiciary remains subject to executive interference. The 2001 election in particular was divisive, and security forces repressed peaceful demonstrations and arrested opposition leaders. The government still holds political detainees. Two anti-corruption laws adopted since January 2000 have seen little enforcement.

Poverty Reduction: The IMF and World Bank Boards approved an interim PRSP in July 2000. The final PRSP has not yet been approved. There is a lack of timely data on poverty. The 2004 budget provides for the use of oil revenues in the priority development sectors of education, health care, infrastructure, and rural development, with an emphasis on poverty reduction. In 2004, Chad may finish HIPC debt relief procedures.

Labor/Child Labor/Human Rights: Chad has ratified ILO Convention 182, but child labor is a problem in the informal sector. There are reports that some children are trafficked for forced labor. The government continues to collaborate with UNICEF on a campaign against the worst forms of child labor. The Ministry of Justice has established programs to demobilize child soldiers and reintegrate them into civilian life. Chad has conflicting labor laws. The Labor Law recognizes freedom of association and the right to bargain collectively and strike, but preexisting laws make the right to organize unions subject to government interference and make participation in strikes punishable by imprisonment with forced labor. The government has been slow to repeal these laws. Chad nevertheless has an active labor movement. There were both legal and illegal strikes in 2003. Chad's human rights record remained problematic. Security forces continued to commit serious human rights abuses. Arbitrary and prolonged detentions still occur. While these actions were not routine or government policy, the government rarely prosecutes or sanctions members of security forces who commit human rights abuses. The government at times limited freedom of the press, assembly, religion, and movement. Occasional crackdowns occurred, including the arrest of two newspaper editors and the brief closure of two private radio stations in 2003.

REPUBLIC OF CONGO

Status: AGOA eligible.

AGOA Trade and Investment: Congo's 2003 exports under AGOA and its GSP provisions were valued at \$341 million in 2003, mostly petroleum products, representing 84 percent of Congo's total exports to the United States.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Congo is currently working with the IMF to address concerns about transparency in the economy, particularly the oil sector, and maintaining budgetary discipline. The country continues to move from a state-controlled to a market-oriented economy. State-owned enterprises such as the railroad are being privatized and others, such as the state-owned oil refinery, are being prepared for privatization. There are no barriers to trade with the United States except the inherent problems of operating in a post-conflict country.

Rule of Law/Political Pluralism/Anti-Corruption: In March 2003, the Congo signed a peace accord with the last in-country armed group, the so-called "Ninjas." Fragile peace has been maintained since then, with some disturbances at the end of 2003, and political challenges to existing peace discussions in early 2004. One party dominates the country politically, though there is a small, active parliamentary opposition. The government permits opposition political parties and NGOs to function, including human rights organizations, and there is a relatively open dialogue on public policy issues. There is a vigorous and diverse press, which is often critical of the government. Corruption continues to be a problem. The government recently established an anti-corruption office. However, scarce funding, poor infrastructure, a culture of nepotism, and a history of corruption hamper the consistent application of the rule of law.

Poverty Reduction: Congo is negotiating a poverty reduction program with the IMF, with the hope of obtaining HIPC debt relief. The government plans to use the funds to address the country's widespread poverty, declining education rates, poor health system, and unemployment.

Labor/Child Labor/Human Rights: Congo's well-developed civil society includes a free and robust organized labor movement, with the right to strike and the ability to protest freely. Congo ratified ILO Convention 182 on child labor in April 2002. There have been unconfirmed rumors of trafficked persons transiting Congo. Some children are in the labor market. The country has laws on the books to protect the rights of workers and to combat child labor, but enforcement is a problem due to the lack of funding for the police and the judiciary. Anecdotal evidence indicates that about 20 percent of the Ninjas were child soldiers. Changes in the military command indicate the government is serious about improving the behavior of soldiers, some of whom were responsible for abuses in the Pool region in 2002. Congo's human rights record remained poor. Security forces continued to commit serious human rights abuses. In 2003, the government established a Human Rights Commission. The judiciary was unable to ensure fair and expeditious

trials. The government controlled most domestic broadcast media; however, one private radio station and one private television station began broadcasting during the year. There were some limits on freedom of movement.

CÔTE D'IVOIRE

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

AGOA Trade and Investment: Côte d'Ivoire's 2003 exports under AGOA and its GSP provisions were valued at \$88 million in 2003, roughly 18 percent of total exports to the United States. Many planned investments in the textile/apparel sector in Côte d'Ivoire have been put on hold because of the ongoing civil conflict.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government of Côte d'Ivoire continues to support a market-based economy, largely free and open to foreign investment. The country is among the most prosperous in West Africa, this despite economic setbacks over the last few years and the ongoing political/military crisis. The privatization program has come to a standstill. There are no significant barriers to U.S. exports. During 2003, however, a U.S. telecommunications firm was forcibly taken over by a local businessman, possibly aided by government officials. The matter is pending in Ivorian courts, but the investor has withdrawn from the country and seeks full compensation from the government. In 2002, Côte d'Ivoire eliminated tariffs on imports from its fellow members in the West African Economic and Monetary Union.

Rule of Law/Political Pluralism/Anticorruption: Unresolved problems from the October 2000 elections and a number of complex governance and ethnic issues produced another attempted military coup in September 2002, which quickly turned into an armed rebellion, splitting the country in two. The French brokered a peace agreement, the Linas-Marcoussis Accords (LMA), in January 2003 among all political parties. A power-sharing government of national reconciliation, with a newly appointed prime minister in office since April 2003, is making slow, yet steady progress in peacefully resolving the crisis through implementation of the LMA. Preparations are being made for regularly scheduled presidential and parliamentary elections in 2005. Although the government has taken some modest steps toward elimination of corruption, much remains to be done. Many companies continue to see corruption as an obstacle to contract awards and doing business in Côte d'Ivoire, with the greatest problems in procurement, judicial proceedings, and the customs and tax bureaucracies.

Poverty Reduction: In early 2002, the government agreed to a poverty reduction strategy in cooperation with the World Bank, IMF, and African Development Bank. The focus is on decentralization, good governance, transparency, private sector development, promotion of women, and accelerated regional integration. With positive economic growth, there were improvements in a number of social/economic indicators, including an increase in primary school attendance. The September 2002 attempted coup and

negative effect on the economy set back these efforts.

Labor/Child Labor/Human Rights: Côte d'Ivoire's labor laws guarantee the right to union membership, to strike, and to collectively bargain. Trade unions remain active and often strike peacefully. Labor laws, however, only protect workers in the formal sector. The rising number of people who work in the informal sector cannot expect these rights. Child labor remains a problem, reinforced by both tradition and poverty, especially rural poverty. In the wake of international attention to and threats of sanctions against goods produced with child labor, especially in commercial exports of coffee and cocoa, the government has begun cracking down on both the use and trafficking of child labor. In 2000, the government signed a bilateral agreement with the Government of Mali to combat child trafficking. Côte d'Ivoire participates in three USDOL-funded projects aimed at combating child labor in the cocoa sector and child trafficking. Côte d'Ivoire has ratified ILO Conventions 182 and 138 on the worst forms of child labor and on minimum age. Although there were improvements in a few areas, the government's human rights record remained poor and serious problems remained.

DEMOCRATIC REPUBLIC OF THE CONGO

Status: AGOA eligible.

AGOA Trade and Investment: The Democratic Republic of Congo (DROC) exported \$119 million in goods under AGOA and its GSP provisions in 2003, mainly oil. This represented 69 percent of total DROC exports to the United States.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The Democratic Republic of Congo is a market economy that continues to evolve through an ambitious reform program. Inflation and the exchange rate have remained stable over the last two years. The government is restructuring parastatal enterprises, including the profitable copper and cobalt mining operations. With World Bank help, the government has streamlined customs procedures, reducing inefficiencies and corruption at the port. Complex tax structures and heavy-handed inspection procedures make doing business difficult. There are no legal barriers to trade or trade barriers directed against U.S. imports.

Rule of Law, Pluralism, Anti-Corruption: With the adoption of the Transition Constitution in April 2003, and the formation of a Government of National Unity in the summer of 2003, the Congo has made considerable progress in establishing political pluralism. The transitional government is currently writing an election law and plans to hold elections in June 2005. Although the transitional constitution guarantees political and civil liberties, in practice political party activities are still somewhat restricted. National elections are slated for 2005. The cabinet, parliament, and other institutions include representatives of all former belligerents, as well as political parties and civil society. The government is working to improve its court system. New courts for commercial and labor disputes have been created. The goal is to speed up the process by

reducing the caseload in each docket and building a core of judges that are specialized in these fields. Corruption remains widespread due to excessively low salaries, a cultural acceptance of petty corruption, and an overly bureaucratic regulatory system.

Poverty Reduction: With assistance from the World Bank, the government is currently working on a PRSP that will form the basis for overall socioeconomic strategy. This process is not expected to conclude until late 2005. Until the PRSP is completed, a multisectoral emergency program will guide efforts to alleviate poverty. Current international poverty reduction schemes are handled mainly through NGOs and World Bank programs. The government met HIPC debt relief criteria in July 2003, and will benefit from 90 percent debt stock reduction.

Labor/Child Labor/Human Rights: While labor law codifies worker rights on paper, these rights are not enforced in practice, a situation exacerbated by the civil war and the collapse of the economy. There is little respect for trade union rights. Protests by unions have been firmly repressed. Arrests and detentions of labor leaders and activists continued. The right to bargain collectively is recognized, but private employers regularly refuse to meet with union representatives, rarely apply collective bargaining agreements, and sometimes flatly deny workers' right to form a union. Forced conscription, especially of children, continues to be a serious problem. Demobilization programs for child soldiers in both government and militia/rebel forces have begun. While government forces have stopped recruiting child soldiers, militias and rebel groups continue to do so. The government has ratified ILO Conventions 182 on the worst forms of child labor and 138 on the minimum age. The law does not prohibit forced and bonded labor by children; children work in the informal sector, as well as in the armed forces. There has been limited progress on human rights issues. Citizens did not have the right to change their government peacefully. The government continues to arrest prominent human rights activists and to harass journalists and opposition politicians. Several have been detained without trial since 2001. Security forces continued to commit numerous serious human rights abuses. Prison conditions remained harsh and life threatening, although conditions at larger, centralized facilities improved. The government restricted freedom of speech, the press, and assembly, and restricted freedom of association. The government made significant progress toward eliminating clandestine detention by closing many unofficial prisons. However, arbitrary arrest and prolonged pretrial detention remain a problem. Civilians are sometimes tried in military courts without regard for due process protections. The judiciary continues to be inefficient and corrupt. There are credible reports that the government continues to supply and coordinate operations with Mai Mai and Hutu militias, groups known to have committed human rights violations in eastern Congo.

DJIBOUTI

Status: AGOA eligible.

AGOA Trade and Investment: Djibouti's 2003 exports under AGOA and its GSP provisions were valued at \$27,000, representing four percent of total exports to the United States. AGOA-related investment is negligible.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Djibouti has a market-based, liberal economic regime with minimum interference from the government. There are no price controls except for wheat. Djibouti offers incentives to foreign investors and does not impose any barriers to U.S. trade. Construction has begun on the Doraleh Port, which includes an oil terminal, container terminal, and commercial and industrial free zone. In 2003, a foreign management team began operating Djibouti-Telecom to improve the company's financial and technical viability and prepare it for privatization. Djibouti and Ethiopia, co-owners of the railway company, are preparing the company for privatization. The government established the Economic Fund for Development to provide long-term financing to the private sector because local banks offer only short-term financing at prohibitive rates.

Rule of Law/Political Pluralism/Anti-Corruption: Since 2002, there have been eight political parties in Djibouti. The government held parliamentary elections in 2003 and plans to hold presidential elections in 2005. An Inspector General's office was established in 2001 but is not yet operational. The Inspector General would complement the work of an existing entity that is focused on the financial audit of the public sector.

Poverty Reduction: The government reports that the poverty rate exceeds 50 percent and the unemployment rate among youth is 70 percent. The government has finalized a long-term poverty reduction strategy that promotes economic growth, human resource development, social safety nets, and good governance. The government is planning to present the strategy at a donors' roundtable meeting in 2004. In December 2003, the government initiated a special national service to train unskilled youth. The Ministry of Health opened community pharmacies to provide essential drugs to the poor at affordable cost.

Labor/Child Labor/Human Rights: Respect for trade union rights remains elusive in Djibouti. Trade union action has been repressed ever since the government fired nine union leaders in retaliation for a protest strike against structural adjustment measures. Child labor exists in Djibouti. In urban areas, children are active in the informal sector. Child prostitution, although illegal, is on the increase in the capital. The country has laws against the worst forms of child labor, but enforcement is lacking. The country has ratified neither ILO 138 on the minimum age for work nor ILO 182 against the worst forms of child labor. The government's human rights record remained poor during 2003, although some improvements were noted. Most abuses have decreased. The government limited citizens' rights to change their government. Numerous prisoners, including the police officers held for the 2000 failed coup, were given amnesty. Prolonged detention and incommunicado detention were problems. The government restricted freedom of the press, limited freedom of assembly, used force to disperse demonstrations and strikes, and restricted freedom of association. It also prohibits female genital mutilation, though

the practice remains widespread.

EQUATORIAL GUINEA

Status: AGOA ineligible, largely because of concerns related to economic reform, rule of law, political pluralism, and labor and human rights.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Major oil discoveries have sparked dramatic economic growth and substantially increased U.S. investment in Equatorial Guinea. Over the last ten years, U.S. investment in the petroleum sector has grown to \$5 billion. Oil companies have paved roads in Malabo, upgraded the island's electricity generating system, and funded a variety of health and environment projects designed to improve citizens' well being; however, there was little evidence that the government used the country's oil wealth for the public good. Most oil wealth appears to be concentrated in the hands of top government officials. Most foreign economic assistance was suspended due to the lack of economic reform and the government's poor human rights record. The non-oil sector employs two-thirds of workers, but accounts for less than 15 percent of the economy. Among Equatorial Guinea's major problems are undeveloped institutions, poor fiscal discipline, and a corrupt bureaucracy. The government is trying to liberalize trade regulations and lower tariffs. It is harmonizing commercial legal codes in line with standards established by the Organization for the Harmonization of African Trade Law. There is an investment code that provides basic legal protections to investors.

Rule of Law/Political Pluralism/Anti-Corruption: President Obiang, who has ruled since seizing power in a military coup d'etat in 1979, was re-elected with 97 percent of the vote in a December 2002 election marred by extensive fraud and intimidation. The President's party controlled the judiciary and the legislature; the latter was chosen in elections in 1999 that were seriously flawed. Following April 2004 legislative elections, talks among political parties led to a draft plan calling for an expansion in the number of opposition party seats in the legislature. The government has routinely harassed political opponents. It is attempting to modernize its institutions and legal codes. Official corruption remains a significant problem. In 2003, the government made some limited progress toward creating greater transparency, reducing levels of corruption, improving the rule of law and broadening legislative representation. The Minister of Justice oversees a commission that investigates allegations of government corruption. The judiciary is not independent. Government officials are now required to declare their personal assets before a new National Commission for Ethics. Equatorial Guinea has indicated it will participate in the Extractive Industries Transparency Initiative, which will require the government to declare payments received from oil companies.

Poverty Reduction: The government has undertaken modest poverty alleviation and infrastructure projects. For example, it used oil revenues to establish a national university, purchase medicine, and recruit qualified foreign doctors. The government reports increased spending of oil revenues for health, education, and social welfare.

However, much of the oil revenue remains unaccounted for. The government is developing a poverty reduction strategy and is working with various donors to develop social welfare programs. The government is now spending \$10 million a year on HIV/AIDS prevention.

Labor/Child Labor/Human Rights: Equatorial Guinea ratified six ILO conventions in 2001, including Convention 182, but child labor remains common in the informal sector, while the other core conventions are honored mainly in the breach. Children are trafficked for commercial sexual exploitation and bonded labor. Despite legislation legalizing trade unions, only one union has been registered; others have been denied registration, and one unregistered union still operates in secret. Labor legislation does recognize the right to strike, collective bargaining, and the right to join international organizations, though these rights are largely theoretical. It does not protect workers from anti-union discrimination. Employment, especially for highly desirable jobs in the petroleum industry, is largely conditioned upon being a member in good standing of the dominant political party. The government's human rights record remained poor, although there were some improvements in a few areas. Citizens' ability to change their government peacefully remained restricted. The security forces committed numerous abuses, including torture, beating, and other physical abuse of prisoners and suspects, which at times resulted in deaths; however, there were fewer reported incidents of torture and abuse than in previous years. Prison conditions remained harsh and life threatening. Prisoners often were tortured to coerce confessions. Members of the security forces generally committed abuses with impunity. Security forces used arbitrary arrest, detention, and incommunicado detention. The judicial system repeatedly failed to ensure due process. In August 2003, the government granted amnesty to 30 opposition leaders convicted in 2002 for a coup plot. In February 2004, nearly 120 people were convicted without due process in a one-day secret trial of "crimes against state security" allegedly relating to the theft of public funds. The media remains firmly under government control.

ERITREA

Status: Effective January 1, 2004, Eritrea's AGOA beneficiary status was terminated.

AGOA Trade and Investment: Eritrea had no AGOA or GSP exports in 2003.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: One of the world's poorest countries, Eritrea has made little progress on economic reforms. The government, military, and ruling party continue to exert a dominant influence on the economy. In 2003, the government closed all registered private exchange bureaus. It recently established a preferential exchange rate that is available only to Eritrean citizens. In late 2003, it completely stopped providing foreign exchange to private businesses, further consolidating trade and commerce in the hands of enterprises owned and controlled by the government and the ruling party. In April 2003, the government slashed the number of import licenses made available. In early 2004, the government forced several foreign businessmen to halt their operations and depart the country on

short notice. Nevertheless, the government continues trying to attract foreign direct investment but with little success. Since April 2003, two U.S. investment groups facing mounting difficulties – largely at the hands of the government and its agents – abandoned their projects in Eritrea.

Rule of Law/Political Pluralism/Anti-Corruption: National elections, scheduled to take place in 1998, were postponed due to the outbreak of the war with Ethiopia and have yet to be rescheduled. The Constitution, ratified in 1997, provides for democratic freedoms, but its provisions have yet to be implemented. The ruling party is still the country's sole political party. In the fall of 2001, the government shut down the independent press. At the same time, it arrested a number of journalists, editors, and prominent political dissidents, who are still being held without charges. The government also arrested two Eritrean employees of the U.S. Embassy, who have been held without charges since October 2001. Corruption is not a major problem, but the judiciary is weak and subject to executive influence. The government argues that the failure to complete the Eritrea-Ethiopia boundary demarcation, which it attributes to Ethiopia's rejection of the final and binding delineation decision, has forced it to delay the economic reforms and political liberalization to which it insists that it remains committed.

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

Labor/Child Labor/Human Rights: Some government policies restrict freedom of association and the right to organize unions. In practice, these groups do not exist independently of the government or ruling party. The Constitution prohibits forced or compulsory labor, but all citizens ages 18 to 45 are required to participate in the national service program. High school and college students are required by the government to participate in paid summer work programs. Many national service inductees are required to work civilian jobs at a significantly reduced salary, even while nominally members of the military. In cities, some children work in manufacturing or in the informal sector. Child prostitution is a problem. The government has ratified seven basic ILO conventions, but has not ILO Convention 182 on child labor. The government's poor human rights record worsened in 2003. Security forces were responsible for disappearances. There were some reports that police resorted to torture and physical beatings of prisoners, particularly during interrogations, and police severely mistreated army deserters and draft evaders. Prison visits by local or international human rights groups are generally not allowed, and arbitrary arrests and detentions continued during the year. The government severely restricted freedom of speech and press, including the rights of the religious media. The private press remained closed and most independent journalists have been arrested and remain in detention. There are no formal government

restrictions regarding the formation of unions, including within the military, the police, or other essential services. In practice, however, these types of groups do not exist independently of the government or ruling party. The use of a special court system has limited due process.

ETHIOPIA

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

AGOA Trade and Investment: Ethiopia's 2003 exports under AGOA and its GSP provisions were valued at \$2.9 million, representing nine percent of total Ethiopian exports to the United States.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Private-sector-led economic growth is one of the government's top priorities. The 1998-2000 war with Eritrea interrupted progress in economic reforms; however, since the end of the war, the government has resumed economic and structural reforms in cooperation with international financing institutions. Ethiopia has targeted food security, agriculture-led industrialization, health, education, fiscal decentralization, infrastructure development, and capacity building as development priorities. In February 2003, Ethiopia formally applied for full WTO membership. Ethiopia's investment code guarantees free transferability of dividends, loan repayments, and capital. The Ministry of Trade and Industry and the Ministry of Justice are revising the commercial code to enhance protection of intellectual property. In March 2003, the government revised the investment code to allow the Ethiopian Investment Commission to provide expedited service for foreign investors.

Rule of Law/Political Pluralism/Anti-Corruption: Ethiopia has held two relatively free and fair general elections since 1991 and the country has made progress in building democratic institutions, independent labor unions, and political organizations. The government is organized on the concept of ethnic federalism and the regions are becoming increasingly more autonomous with a large degree of local control over fiscal and some political issues. Ethiopia works to combat corruption through a combination of social pressure, cultural norms, and legal restrictions. Nevertheless, observers believe that foreign firms routinely bribe government officials involved in awarding infrastructure project bids. The privatization process is also subject to manipulation by government officials. An Anti-Corruption Commission launched in May 2001 has arrested many officials and private businessmen on corruption charges.

Poverty Reduction: Ethiopia ranks among the poorest countries in the world. Poverty alleviation is one of the government's priorities. There has been excellent participation in the World Bank's PRSP process and some international financial institutions and donors have already pledged financial support for PRSP implementation. Government budget allocations also favor PRSP priorities. The government has decreased military spending since the end of hostilities with Eritrea and is redirecting expenditures to poverty

reduction and human capacity building.

Labor/Child Labor/Human Rights: In 2003, the Ethiopian Parliament ratified ILO Conventions 138 on minimum age for work and 182 on the worst forms of child labor. Child labor is common in rural areas – including on state commercial farms – and in the informal economy. Employers are statutorily prohibited from hiring children under the age of 14. Commercial sexual exploitation of children is a growing problem. The government interferes with trade unions. The right to form labor associations and to engage in collective bargaining is granted in the constitution. The ruling party tightly controls the leadership of the Confederation of Labor Unions and elections are reportedly often manipulated. The government’s human rights record remained poor. Security forces made arbitrary arrests and at times beat, tortured, and killed detainees. Prison conditions remained poor. Lengthy pretrial detention continued to be a problem. The government restricted freedom of the press, and journalists continued to practice self-censorship. The government at times restricted freedom of assembly, particularly of opposition party members. Security forces at times used excessive force to disperse demonstrations. The government limited freedom of association, but the NGO registration process continued to improve. Local authorities infringed on freedom of religion. During the year, neither the Human Rights Commission nor the Office of the Ombudsman was operational. Female genital mutilation was widespread. There were a number of outbursts of ethnic or regional violence in 2003 and early 2004, including some where the Ethiopian Human Rights Council reported that the army was involved.

GABON

Status: AGOA eligible.

AGOA Trade and Investment: Gabon’s 2003 exports under AGOA and its GSP provisions, mostly petroleum products, were valued at \$1.2 billion, representing 61 percent of the country’s total exports to the United States. Outside of the petroleum sector, there has been no new trade or investment as a result of AGOA.

Market Economy/Economic Reform/Barriers to Trade: Although the government continues to dominate the economy, it has made some progress in privatizing the largest state-owned industries. The water, electricity, and sugar parastatals have been privatized and progress has been made in privatizing telecommunications. Government fiscal shortfalls, financial mismanagement, and misdirection of funds have contributed to significant arrears in domestic and external debt payments. Gabon completed an IMF informal staff monitored program in June 2003, implementing several reforms in governance and economic liberalization. The government’s 2003 fiscal performance under an IMF formal staff monitored program has been satisfactory and could lead to a recommendation that the IMF enter into a new stand-by arrangement program with Gabon in 2004.

Rule of Law/Political Pluralism/Anti-Corruption: Gabon is a republic dominated by a strong presidency. The ruling party has been in power since 1968 and has circumscribed

political choice. President Bongo, in office since 1967, was reelected for a 7-year term in a 1998 election marred by irregularities. In July 2003, the Parliament passed a Constitutional amendment that removes presidential term limits and facilitates a presidency for life. There are a variety of political parties, but the president's party controls most government bodies. Organizational flaws and problems with the application of electoral law marred the December 2002 legislative elections. Public sector finance has been poorly managed making it possible for public officials to exploit their positions for personal enrichment. In 2001, the government initiated measures to improve transparency in financial systems at the urging of the IMF, which reports continued progress in this area. An anti-corruption commission established recently pursuant to IMF guidance has yet to take action. The judiciary is subject to political interference.

Poverty Reduction: Although the government has publicly committed to allocating 20 percent of its investment budget to education and health care, it has never reached this level and continues to allocate fewer resources to poverty reduction than is required to address them adequately. Literacy and life expectancy are lower in Gabon than in countries with comparable incomes. The government is drafting a PRSP as part of a proposed IMF program. World Bank and IMF figures point to a growing concentration of wealth in the hands of a few.

Labor/Child Labor/Human Rights: The government's human rights record remained poor, although there were improvements in a few areas. Members of the security forces harassed expatriate Africans, service sector employees, and manual laborers. Workers rights are protected by unions affiliated with the ILO and by a government institution called the Labor Inspection Office, which mediates conflicts between employers and employees. The constitution places no restrictions on the right of association and recognizes the right of citizens to form trade and labor unions. Virtually the entire private formal sector workforce is unionized. The labor code provides for collective bargaining by industry, not by firm; strikes are not uncommon. In April 2003, the government ratified ILO Convention 182 on the worst forms of child labor. Child labor and trafficking in persons are serious problems. Children below the age of 16 may not work without the express consent of the Ministries of Labor, Education, and Public Health. The government rigorously enforced this law in urban areas with respect to citizen children; however, child labor was common in rural areas. Children, especially girls, continue to be trafficked into the country, primarily from Benin, Togo, and Nigeria, for work as domestic servants, in the informal commercial sector, or for sexual exploitation. In the absence of an anti-trafficking law, which was awaiting senate passage, the government does not actively investigate cases of trafficking and has not prosecuted any cases against traffickers.

THE GAMBIA

Status: AGOA Eligible.

AGOA Trade and Investment: The Gambia's 2003 exports under AGOA and its GSP provisions were valued at \$20,000, representing 15 percent of its total exports to the United States.

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

Rule of Law/Political Pluralism/Anti-Corruption: The government, with assistance from the Commonwealth, has been working to increase the capacity of its overwhelmed judicial system. Corruption remains a major problem. In the fall of 2003, President Jammeh embarked on an anti-corruption campaign dubbed "Operation No Compromise," which has significantly dented corruption in the country.

Poverty Reduction: The Gambia's poverty reduction strategy, which aims to eradicate poverty by encouraging economic growth and reducing income inequalities, suffered a setback in 2002-03 due to the regional food security crisis. The bulk of The Gambia's budget goes to education, health, and agriculture, with little left for disaster relief.

Labor/Child Labor/Human Rights: Gambian labor laws give private sector workers the right to bargain collectively, prohibits forced labor, and codifies acceptable work conditions. The law protects legal strikers from retribution. Collective bargaining does take place. Government intervention in labor disputes is rare but occurred in one case in 2001, resulting in a decision favorable to the workers. The Gambia has ratified ILO Convention 138 and 182 on child labor. Gambian law prohibits child labor, but children work in the informal sector. The Gambia is a destination for children trafficked from West and Central Africa and there are reports of children involved in sex tourism. In 2002, the government made education free for girls, and now 48 percent of school-age girls are enrolled. The government generally respected the human rights of its citizens; however, there were problems in some areas. A media law enacted in August 2002 established a Media Commission that some fear could be used against journalists. The law was amended to return certain judicial powers of the commission to the judiciary.

GHANA

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

AGOA Trade and Investment: Ghana's 2003 exports under AGOA and its GSP provisions were valued at \$40.6 million, representing 49 percent of Ghana's total exports to the United States. There were no new AGOA-related investments in Ghana in 2003.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: More than two-thirds of Ghana's parastatals have been privatized. Ghanaian law protects private property rights, although disputes over land ownership are quite common. In December, Parliament passed a number of bills to improve intellectual property rights protection. The government coordinates with the IMF in its efforts to achieve full cost recovery in the energy and utilities sector. The government has made some progress in resolving ongoing investment disputes involving U.S. companies.

Rule of Law/Political Pluralism/Anti-Corruption: Corruption in the judicial system and lengthy pre-trial detentions remained serious problems. "Fast Track" High Courts are dealing with routine commercial disputes and high profile corruption cases. The integrity of the legal system is limited by a lack of financial, human, and material resources. The government pursues a "Zero Tolerance" policy on corruption. The government is negotiating a contract with a U.S. company to put in place a double-blind bidding system for government procurement contracts. The National Reconciliation Commission has been conducting public sessions for victims of past government wrongdoing.

Poverty Reduction: Ghana hopes to meet HIPC debt relief criteria in 2004. The current budget includes a number of initiatives to alleviate poverty. The government spent nearly 30 percent of its funds (excluding donor funds but including HIPC resources) on poverty reduction programs. The National Health Insurance Scheme, meant to phase out the current cash-and-carry system, is not yet operational, with funding for the scheme still under discussion.

Labor/Child Labor/Human Rights: The new Labor Act of 2003 amends and consolidates previous labor laws, conforms to ILO conventions, enhances the right of every worker to form or join a trade union, and creates a National Labor Commission to help resolve labor disputes. The government has made combating child labor and trafficking a high priority. The trafficking of children into and out of Ghana remains a serious problem. Legislation that criminalizes trafficking in persons is being drafted. Ghana ratified the UN Convention on the Rights on the Child in 1989, becoming one of the first countries to do so, and codified child rights with the 1998 Children's Act. In September 2003, Ghana signed the Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution, and child pornography. The government has ratified ILO Convention 182 on the worst forms of child labor. The government has participated in several ILO projects to combat child labor, including a regional project to combat child trafficking in West and Central Africa. The government generally respected the human rights of its citizens; however, there were serious problems in some areas.

GUINEA

Status: AGOA eligible.

AGOA Trade and Investment: Guinea's 2003 exports under AGOA and its GSP provisions were valued at \$194,000, representing less than one percent of its total exports to the United States. In April 2003, the government officially recognized the AGOA Action Committee, launched to help businessmen take better advantage of AGOA trade benefits.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Guinea has a market-based economy with an investment code that guarantees the right of Guineans and foreigners to undertake any economic activity in accordance with current laws and regulations. Guinea is open to direct foreign investment. The land tenure code of 1996 provides a legal basis for land ownership. The government eliminated most price controls in the 1990s but still influences the price of meat, bread, gasoline, diesel, and taxi fares. The government has adopted laws for the protection of intellectual property and makes a serious effort, within fiscal constraints, to enforce intellectual property laws.

Rule of Law/Political Pluralism/Anti-Corruption: Guinea is a constitutional government in which power is concentrated in a strong presidency. A national referendum in November 2001, marked by a lack of transparency and government harassment of the opposition, removed presidential term and age limits. Presidential elections in 2003 revealed widespread irregularities that favored the incumbent. The justice system provides inadequate guarantees of fairness and safety to suspects and prisoners. The government initiated a nationwide judicial review system in early 2002 to track investigations. While the print media is largely free, radio and television broadcasts are not.

Poverty Reduction: In April 2002, Guinea and the United States signed the Paris Club bilateral debt relief agreement. Guinea's PRSP has three main pillars: to increase economic growth and create income-earning opportunities; to develop equal access to basic services; and to improve governance and to strengthen institutional and human capacity. To fulfill the PRSP's goals, the government pledged to funnel essential spending to Guinea's priority sectors, such as health and education. There have been improvements in water supply, but potable water still only reaches about half the population. A recent IMF and World Bank review of Guinean economic reforms found that the government directed most funding to security and election preparation – two non-priority sectors.

Labor/Child Labor/Human Rights: Under the Labor Code, representative workers' unions or union groups may organize in the workplace and negotiate with employers or employer organizations. The labor law protects the right to bargain collectively. However, according to the ICFTU, many trade union activities are met with government interference and harassment. Strikes are rarely carried out. The Labor Code forbids forced or compulsory labor, and there is no evidence of its practice. Child labor remains a problem, particularly in the informal sectors of subsistence farming, petty commerce, and small-scale mining. In 2002, the government signed and ratified ILO Convention 182 on the worst forms of child labor. Although there were improvements in several

areas, the government's human rights record remained poor and serious problems remained. Guinea's largest human rights organization states that there are no political prisoners in the country. Over the past two years, Sierra Leonean refugees have repatriated in large numbers. However, the crisis in Côte d'Ivoire that began in September 2002 has resulted in new refugee flows of migration through Guinea, as Guineans, Ivoirians, and others leave Côte d'Ivoire. Guinea continues to host nearly 200,000 Sierra Leonean and Liberian refugees. In some cases, the government infringed on citizens' privacy rights and freedom of movement, and restricted freedom of speech, the press, assembly, and association. Violence and societal discrimination against women, prostitution of young girls, female genital mutilation, ethnic discrimination, child labor, and reports of trafficking of women and children continued.

GUINEA-BISSAU

Status: AGOA eligible.

AGOA Trade and Investment: Guinea-Bissau had no AGOA or GSP exports in 2003.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government supports continued transition to a market economy. The state no longer dominates the commercial sector and has abolished state marketing boards, privatized some companies, and ended price controls. Restrictions against foreign operators in the cashew production sector will be lifted in 2004.

Rule of Law/Political Pluralism/Anti-Corruption: In November 2002, then-President Yala dissolved the National Assembly and declared that he would rule by presidential decree. On September 14, 2003, after Yala delayed promised legislative elections a fourth time, a bloodless military coup led by Chief of Defense Seabra removed Yala from power. Civilians were appointed as transitional President and Prime Minister. A September 2003 Pact of Transition, gives the transitional government a mandate to conduct legislative elections within six months and presidential elections a year later. Legislative elections were held March 28, 2004. The recent election of the Supreme Court Chief Justice is a positive step toward establishing rule of law and a functioning judicial system. The transitional government has taken tangible steps toward reducing corruption. Several Ministry of Finance officials involved in an organized diversion of government funds were arrested. Systemic reforms in processing public salaries and pensions were also instituted.

Poverty Reduction: In December 2003, the IMF established a UNDP-managed Emergency Economic Management Fund (EEMF) and plans to assist Guinea-Bissau's democratic transition and re-start its stalled economy. Several multilateral and bilateral donors have contributed to the EEMF, and the international financial institutions are providing technical experts to closely monitor Guinea-Bissau's public finances.

Labor/Child Labor/Human Rights: Guinea-Bissau has not ratified ILO Convention 182 on elimination of the worst forms of child labor but has ratified four other ILO conventions. Commercial sexual exploitation of children occurs and children were reported to be involved in the recent civil war. Workers have the right to organize. Although collective bargaining is not guaranteed in the Constitution, in practice wages are generally set after bilateral consultations between workers and employers. The government's human rights record remained poor, and it continued to commit serious abuses; however, reports of abuse declined markedly after the September 14, 2003 coup. Press and speech freedoms have generally been respected since the transitional government was installed.

KENYA

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

AGOA Trade and Investment: Kenya's 2003 exports under AGOA and its GSP provisions, mostly apparel, were valued at \$184 million, representing 74 percent of total Kenyan exports to the United States. The government reports that AGOA-related industries have created more than 30,000 new jobs.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government has made progress, albeit limited, on economic and market reform. A significant U.S investment in western Kenya that had stalled under the previous government is now on track. Privatization of Telkom Kenya remains stalled, but the government announced in March 2003 that Telkom would be privatized in 2005. The government published a Privatization Bill in November 2003 that will pave the way for privatization of various public companies. Enforcement of intellectual property rights remains poor, but the government is working to amend existing laws and to empower police and other law enforcement agencies.

Rule of Law/ Political Pluralism/Anti-Corruption: Kenya continues to make progress toward establishing the rule of law. In 2003, the government enacted the Anti-Corruption and Economic Crimes Act and the Public Officer Ethics Act. A recent Transparency International survey found that incidents of bribery were on the decline, but the amounts demanded were often rising. In October 2003, the government fired 18 high court judges and five court of appeal judges for alleged involvement in corruption and abuse of office. The government is drafting a model bill addressing proceeds of corruption and anti-money laundering that will also assist anti-terrorism and anti-corruption objectives. Civil servants and all public officers, including members of Parliament, were required to declare their wealth to the government at the end of 2003, but the information has not been made public. In December 2003, the Kenya Revenue Authority (KRA) seized a shipment of Chinese products illegally transshipped through Mombasa en route to the United States and shut down the offending company's operations in Kenya.

Poverty Alleviation: The introduction of universal, free primary education in January 2003 remains one of the new government's greatest achievements. Working with the World Bank and IMF, the government has committed to an Economic Growth and Recovery Strategy that addresses poverty alleviation as a principal objective. In May 2003, President Kibaki announced an increase in the country's minimum wage. The government has promised to unveil new policies in 2004 for health insurance aimed to benefit the unemployed and informal sectors.

Labor/ Child Labor/ Human Rights: Although the government's overall human rights record remained poor, the climate for labor and human rights in Kenya continues to improve. The government is seeking to improve the sometimes-poor working conditions in the Export Processing Zones (EPZs). Union registration in the EPZs increased by 600 percent in 2003 after the new government clarified that union organization must be permitted on the factory grounds in the EPZs. Revisions to the labor law, which were expected during the fall 2003 session, have been delayed. Violence marred some elections. Security forces continued to commit serious human rights abuses. Prison conditions remained life threatening. Police harassed and arbitrarily arrested and detained persons, including journalists and civil society leaders; however, unlike in 2002, there were no reports that security forces arrested political activists. The government arrested and prosecuted a number of police officers for abuses; however, most police who committed abuses were neither investigated nor punished. Lengthy pretrial detention was a problem. The government restricted freedom of speech, press, assembly, and association. Police disrupted public meetings and forcibly dispersed demonstrators and protesters. Members of the government publicly criticized NGOs and harassed and arrested their members. Violence and discrimination against women and abuse of children remained serious problems. Child labor is a problem in the informal sector, including child prostitution. Cases of forced labor have also been documented. ILO-IPEC programs have been launched to address the child labor problem in several specific economic sectors.

LESOTHO

Status: AGOA eligible, including apparel and textile benefits.

AGOA Trade And Investment: Lesotho's 2003 exports under AGOA and its GSP provisions were valued at over \$373 million, representing 95 percent of the country's total exports to the United States. A \$100 million denim rolling mill began operations in early 2004, creating 2000 new jobs when fully operational. Construction of a \$40 million yarn-spinning mill should be completed by the end of 2004. Four new factories opened in Lesotho in 2003, bringing total employment in the garment sector to approximately 50,000. Apparel manufacturing is the largest formal sector employer in Lesotho.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade : Lesotho has been a vigorous participant in the ongoing negotiations for a Free Trade Agreement between SACU and the United States. Lesotho has also been a valuable interlocutor in WTO negotiations. Prudent economic policies combined with improved financial

management and oversight by the government helped reduce the country's inflation rate to 9.1 percent in FY 2002/2003, down from 11.3 percent in FY 2001/2002.

Rule of Law/Political Pluralism/Anti-Corruption: Lesotho has 19 political parties, 10 of which hold seats in the National Assembly. Challenges to the 2002 national elections have been directed to the courts and proceeded without any political violence. Peaceful by-elections in August 2003 were free and fair. The government is proceeding with preparations in 2004 for its first-ever local elections. Since 2001, the government has spent over \$4 million to prosecute offenders in a major bribery scandal involving the former head of the Lesotho Highlands Water Authority. The new and independent Directorate on Corruption and Economic Offenses began operations in 2003 and has numerous cases under investigation. To increase accountability for public funds, the Public Accounts Committee of the National Assembly has aggressively examined government budgets over the past several fiscal years.

Poverty Reduction: The government's incremental introduction of free primary education expanded to include grade five in early 2004. The initiative will continue until grade seven is covered in 2006. In September 2003, the Ministry of Education launched a World Bank-assisted program under which government-financed stocks of textbooks are loaned to secondary students at a minimal charge. A similar program exists at the primary school level.

Labor/Child Labor/Human Rights: Workers have the right to join or form unions without prior government authorization and exercised this right in practice. Labor conditions in Lesotho's garment industry have improved in recent years as a result of the cooperative efforts of local unions, more progressive elements of Lesotho's two employers associations, and pressure from U.S. buyers worried about consumer boycotts and bad publicity. According to the ICFTU, foreign employers in the industrial zones pay wages below the statutory minimum and refuse to pay sickness benefits. Although there is legislation to prevent this, enforcement has been lax. Large companies observe minimum labor standards and seem prepared to negotiate collective bargaining agreements with unions, although small companies regard unions with more skepticism. In November, police fired into a crowd of strikers, allegedly for marching on an unauthorized route; two people were killed. A police investigation is being conducted. Lesotho has ratified ILO Conventions 138 and 182. Although child labor is not a problem in the formal sector, it is reportedly increasing in the informal sector, including child prostitution. In 2003, the Lesotho police, with the assistance of UNICEF, established Child Protection Units in Maseru to provide enforcement, reporting, and refuge points in the city. There were allegations of torture by security forces and credible reports that the police at times used excessive force against detainees.

LIBERIA

Status: Not AGOA eligible, largely for reasons related to poor record on economic reform, rule of law, corruption, human rights, and regional destabilization.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:

Liberia's economy has been devastated by conflict. The economy is estimated to have contracted by about 30 percent in real terms in 2003, mainly as a result of the conflict and the UN ban on timber exports. That ban was in place because former Taylor government officials and combatants exploited the country's natural resources for personal benefit. Despite Liberia's rich natural resources and potential for self-sufficiency in food, the country's productive capacity remains depressed by high unemployment, low literacy, and the absence of basic infrastructure. However, the New Transitional Government (NTGL) has signaled a commitment to improved economic management by centralizing revenue collection and announcing that financial audits would be conducted in key revenue generating agencies.

Rule of Law/Political Pluralism/Anti-Corruption: Liberia's economy was devastated in the seven-year civil war that ended in 1996 and in subsequent fighting. Under intense internal and international pressure, former President Taylor fled into exile in Nigeria, where he remains. He has been indicted for war crimes for his role in exacerbating the civil war in neighboring Sierra Leone. The Accra Peace Accord provided that the NTGL should rule the country until elections can be held in 2005. The NTGL is working with the international community, international financial institutions, and the U.N. Mission in Liberia (UNMIL) to encourage economic development, ensure the rule of law, improve its human rights record, limit corruption, promote fiscal solvency, and promote foreign investment. Extortion is a widespread phenomenon in all levels of society. The legislative assembly and the judiciary are demonstrating independence from the executive branch. There were no reports that the NTGL exerted influence on the judiciary.

Poverty Reduction: Eighty percent of the population lives in poverty. Basic services have collapsed. In early 2004 donors pledged about \$522 million toward reconstruction of the country and are mobilizing finances to respond to an array of urgent needs. Stability will boost the economy in the near-term. The IMF projects an increase of GDP during the first half of 2004 by about 16 percent, largely because of an increase in services, construction, and selected manufacturing activities, in response to donor activities.

Labor/Child Labor/Human Rights: The Labor Code explicitly prohibits forced labor, but there were reports of it on timber concessions and elsewhere. The ILO has noted several cases in which the former government failed to bring law and regulations into conformity with existing conventions or otherwise submit texts for ILO review. Liberia has not ratified ILO Convention 182 on child labor. There are credible reports of security forces – both government and rebels – forcing children to work as soldiers and laborers. Some militias have forced girls to work as sex slaves. Demobilization of child soldiers is still at the earliest stage. NTGL officials have publicly stated they would continue to work with the international community toward restructuring and reforming state and local security, as well as improving labor conditions. Although many of the former practices of the police have been curtailed under the NTGL, some serious abuses continued. Liberians not under the protective umbrella of the regional peacekeeping force,

ECOMIL, still face abuse by rebel forces and former government troops fighting for control of the country. The independent press and NGOs have freely criticized the current government without harassment. Former combatants who have not disarmed continue to loot and harass civilians beyond Monrovia in those areas not yet fully patrolled by UNMIL. Prior to the resignation of Taylor, the government's human rights record remained poor, and it continued to commit numerous, serious abuses. The security forces committed many unlawful killings, including possible summary executions, and were accused of causing the disappearances of numerous persons, particularly those suspected of antigovernment sympathies. With the installation of the NTGL, there have been some improvements, but serious and systemic problems remain, including reports of arbitrary arrests and detentions, extra judicial killings, rapes, and other abuses. UNMIL is currently training and supporting an interim police force since the Liberian National Police force has been disbanded.

MADAGASCAR

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

AGOA Trade and Investment: Madagascar's 2003 exports under AGOA and its GSP provisions were valued at \$187.9 million, representing 49 percent of total exports to the United States. These exports were primarily apparel and textile products, along with \$1.3 million in agricultural and forestry exports. During 2003, the government approved export processing zone status for a number of new apparel firms. According to applications submitted to the government, the new firms propose to invest \$30.6 million and to employ approximately 21,000 workers.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:

Madagascar continues to implement a program of macroeconomic and structural reforms under the guidance of the World Bank and IMF. Madagascar's privatization program continues to move forward, albeit slowly. The privatization of the telecommunications company is virtually complete. The government has launched a request for expressions of interest for the privatization of the state cotton processing company. It has also launched an effort to place the state electricity and water company under a management contract. The Malagasy national airline is recovering its financial and operational health under the tutelage of Lufthansa Consulting, which oversees its operations under a management contract. In the second half of 2003, the government eliminated import duties and other taxes on a range of capital and consumer goods with the intention of stimulating investment and boosting economic activity. The government has stressed public-private sector partnership and in 2002 established a new committee to facilitate dialogue between the private sector and the government on economic policy questions.

Rule of Law/Political Pluralism/Anti-Corruption: President Ravalomanana continues to enjoy a popular mandate earned in the 2001 presidential and 2002 legislative elections. Municipal elections in November 2003 were considered by observers to be free, fair, and democratic. The President's party won nearly three-fifths of mayoral seats; however,

opposition figures won several municipal elections and independent candidates were elected in many areas. The president took additional steps toward national reconciliation in late 2003 when he announced an amnesty for certain of those convicted and imprisoned in connection with the 2002 governance crisis and allowed the recently convicted prime minister of the prior regime to leave the country for medical treatment. The government continued its anti-corruption campaign. In July 2003, the Ministry of Justice suspended 12 magistrates for corruption; most of them were ultimately removed from their posts and sanctioned. Also in July, the president named the chairman of the Anti-Corruption Council he had announced in September 2002. The council has established a headquarters, created an Executive Secretariat, and is developing a strategic plan. The council is conducting awareness campaigns and plans to establish an implementing agency to begin functioning in September 2004.

Poverty Reduction: Madagascar is among the poorest countries in the world, but is making progress through institutional channels to address that situation. In November 2003, the World Bank and IMF approved the government's PRSP. Under an optimistic scenario, Madagascar may become eligible for debt relief under the HIPC initiative in early 2004. The government has committed to use resources freed up by HIPC relief to fund health and education services, rural roads, and direct support to communities.

Labor/Child Labor/Human Rights: Workers have the right to establish and join labor unions and to organize and bargain collectively. Madagascar law establishes minimum wages and basic working conditions. Although lack of government resources hampers enforcement capacity, there have been no indications of significant denials of labor rights. Workers in export processing zones, who have suffered in the past from lack of protection of their rights, appeared to gain independence from management control in 2003. The government enforces child labor laws in the formal economic sector. However, the sexual exploitation of children and child prostitution is on the increase in cities and coastal fishing villages. ILO studies have found a significant level of child employment, with the vast majority on family farms and in the informal sector. The Ministry of Labor and ILO conducted a child labor awareness campaign during 2003. The government generally respected the rights of its citizens; however, there were a few problems reported, including harsh prison conditions, arbitrary arrests, lengthy detention, and some limitations on the freedom of the press.

MALAWI

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

AGOA Trade and Investment: Malawi's exports under AGOA and its GSP provisions were valued at \$59.3 million in 2003, representing 74 percent of total exports to the United States. Most new AGOA-related economic activity in Malawi has been in the textile and apparel sector.

Market Economy/Economic Reform/Trade Barrier Elimination: The government has made a basic commitment to the principles of market economics. It encourages both domestic and foreign investment in most sectors of the economy, without restrictions on ownership, size of investment, source of funds, and destination of final product. The government continued to make progress in 2003 with its multi-sector privatization program, under which it has sold off 61 of approximately 110 companies targeted since 1996.

Rule of Law/Political Pluralism/Anti-Corruption: The government has scheduled presidential and parliamentary elections for May 2004. Some inter- and intra-party violence has occurred in the run-up to the elections, and opposition access to state-owned media will be a key question in assessing the election's fairness. Malawi has a fairly independent but overburdened judiciary. The judiciary demonstrated its independence in 2003, putting injunctions in place against several parliamentary actions deemed illegal. The government's Anti-Corruption Bureau (ACB) has actively pursued public and private corruption. The ACB has not been successful, however, in prosecuting high-profile cases, and the government has blocked attempts to give it more prosecutorial independence.

Poverty Reduction: Since 1981, Malawi has undertaken economic structural adjustment programs supported by the World Bank, IMF, and other donors. Malawi met HIPC debt relief criteria in December 2000 and has since developed its PRSP, which was launched in 2002. While Malawi continues to work with these institutions and to use the PRSP as the central planning document for government budgeting, a lack of fiscal discipline has led to weak growth and macroeconomic instability, limiting overall poverty reduction.

Labor/Child Labor/Human Rights: Malawi's labor laws cover the majority of the ILO's core labor standards. Workers have the right to form and join trade unions. Unions must register with the Ministry of Labor, but this is largely a formality. Ambiguities in the application of the law, especially the right to strike, and continuing government interference in trade union activities, reduce the effectiveness of workers rights protections. On child labor, Malawi's Constitution and employment laws comply with the ILO Convention 138 and Convention 182, but resource constraints – both human and financial – hamper enforcement. A 2000 Malawi Demographic and Health Survey estimated that 27 percent of Malawian children aged 5-14 were working – two-thirds without pay. The incidence of child labor on tea estates and tobacco farms is particularly high. During 2003, the public-private Child Labor Task Force expanded its membership among labor, private sector, and NGO organizations. The Task Force's 2003 initiatives have included lobbying the Ministry of Labor to develop an action plan specifically devoted to curbing child labor. Malawian children are trafficked to other Southern African countries and to Europe for purposes of forced labor and commercial sexual exploitation. The police continued to beat and otherwise abuse detainees and to use excessive force in handling criminal suspects; excessive force or negligence resulted in deaths of some detainees. Arbitrary arrest and detention occurred, and lengthy pretrial detention was a serious problem.

MALI

Status: AGOA eligible, including textile and apparel benefit.

AGOA Trade and Investment: Mali's 2003 exports under AGOA and its GSP provisions were valued at \$262,000, representing 11 percent of total exports to the United States. A new cotton thread factory has created 200 new jobs and is expected to process 5,000 metric tons of cotton during its initial phase, which would be increased to 15,000 metric tons in a second phase after five years. The thread is to be exported to several African countries, including Mauritius, for use in apparel that could ultimately be exported to the United States. Malian investors plan to build a jeans production facility with an investment of \$7.5 million. Production at a rate of 15 million square meters of denim per year is projected to begin in 2006.

Market Economy/Economic Reform/Barriers to U.S. Trade: The IMF has praised the government's determination to implement macroeconomic and structural adjustment programs. National treatment is provided to foreign investors. The government is making efforts to diversify the economy and is laying the grounds for a more favorable investment environment for private sector development. Those efforts have included partial liberalization of the cotton sector. Mali's favorable balance of payments helps strengthen the reserves at the Central Bank of West African States. The government continues to implement WTO-related agreements calling for the elimination of barriers to trade and investment.

Rule of Law/Political Pluralism/Anti-Corruption: The government continues to implement its 10-year program for restructuring and modernizing the judiciary. The government has also begun hiring and training more personnel and renovating prisons. To compensate for extended pre-trial detention, the courts now deduct excessive time spent awaiting trial from the sentences of those convicted. The government has scheduled local elections for May 2004. For that purpose, a revised electoral code and revised voters' lists were prepared with the participation of all political parties and civil society to guarantee transparency and peaceful elections. Mali is engaged in a systematic fight against political and economic corruption. Last summer, President Toure presented to the National Assembly a draft decree establishing an independent Auditor General to fight corruption. Deputies at the National Assembly unanimously passed the decree, with the selection process for the auditor to be completed shortly.

Poverty Reduction: In April 2003, Mali qualified under the HIPC initiative to use former debt payments to fund poverty alleviation programs. In 2004, the government allocated \$67 million in HIPC resources for health and education.

Labor/Child Labor/Human Rights: Mali enjoys harmonious labor relations, thanks to a progressive labor law and tripartite cooperation. However, serious child labor and trafficking problems remain. Mali has ratified ILO Convention 182 on the Worst Forms

of Child Labor. Despite increased collaboration between the government and its neighbors, Malian children are still trafficked and sold into forced labor in neighboring countries. Likewise, children from some neighboring countries are also trafficked into Mali. The government of Mali continues to implement programs with UNICEF and the ILO to combat child labor and trafficking, including the rescue of trafficked children. The government generally respected its citizens' human rights; however, there were problems in some areas. The government has held a Human Rights Forum since 1996 to allow individuals and organizations to publicly address complaints against the government or public authorities that they believe have violated their rights.

MAURITANIA

Status: AGOA eligible.

AGOA Trade and Investment: Mauritania's 2003 exports under AGOA and its GSP provisions were valued at \$3,000, negligible portion of its overall exports to the United States. There has been no AGOA-related investment in Mauritania.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Mauritania continues to make steady progress in establishing a privatized, market-based economy. The government has privatized the national airline, the banking system and the telecommunications sectors, and two cell phone companies now compete for the Mauritanian market. Mauritania currently has no discriminatory policies regarding foreign investment or imports, and the commercial environment for U.S. products and investors is favorable. The 2002 Investment Code simplified export and investment procedures, reduced and equalized business taxes, and facilitated the establishment of companies and the repatriation of funds. The 2002-04 PRSP includes further measures to encourage the private sector, promote foreign investment and trade, and reduce tariffs and other barriers to trade.

Rule of Law/Political Pluralism/Anti-Corruption: Mauritania is dominated by a strong presidency. President Taya was re-elected in November 2003. Voter registration was improved by the introduction of relatively fraud-proof identity cards, and the election featured a lively, closely contested campaign. The vote was marred, however, by the lack of an independent electoral commission, widespread allegations of fraud, and a subsequent treason trial against the major opposition party leader (eventually released with suspended sentences). The Constitution provides for an independent judiciary; however, the judiciary was subject to significant pressure from the executive through the latter's ability to appoint and pressure judges. To address these issues, the government is adopting a National Good Governance Program to strengthen the judiciary, promote awareness of civil rights, encourage NGOs, and improve public sector management. Since 2001, the government has formally embraced good governance principles, but favoritism and corruption remain widespread. Efforts are being made to reform procurement practices, including creation of a specialized National Market Commission to supervise large-scale contracts. Improper contract awards were cited in the dismissal

of several ministers following the June 2003 coup attempt; several officials were also dismissed for embezzlement from the Ministry of Rural Development in February 2004.

Poverty Reduction: The government's 2001 PRSP focuses development efforts on basic needs and on the areas of the economy where the poor are most engaged. In June 2002, Mauritania qualified under the HIPC initiative to channel debt repayment funds toward infrastructure improvements, poverty reduction and basic needs. Universal primary education is a key government objective, and primary school attendance is now over 90 percent. In response to continuing drought, emergency food aid and livestock feed were distributed in 2002-03. There was also a significant effort to dig wells and expand drinking water supplies throughout the country. The government is using a \$70 million line of credit from the World Bank for large-scale upgrading of housing and infrastructure in major cities.

Labor/Child Labor/Human Rights: Mauritania has ratified all ILO conventions, including prohibitions against the more abusive forms of child labor. Child labor is a problem in the informal sector. There are also reports of children being trafficked and enslaved. The Labor Code governing formal employment provides numerous protections to workers, although such rules are usually only enforced in the formal sector. The freedom of labor organization was recognized in 1993, and a number of unions exist. The ILO has expressed concern about restrictions on strikes, and a new labor code is reportedly in draft. Nonetheless, two strikes – one by dockworkers and another by a group of road workers – succeeded in winning concessions in 2003. There is frequent retaliation against union activists. Local and international reports indicate that slavery in the form of involuntary servitude persists, despite government efforts to eradicate the practice. A new law against trafficking in persons was enacted in 2003, for the first time providing precise criminal sanctions for practices such as forced detention or demanding services without pay. The government's human rights record remained poor, although there were some improvements. Mauritania has a reasonably critical and independent press. The previously taboo topics of race and ethnicity are more openly discussed. The government periodically engages in censorship, and independent broadcast media are still not allowed. Detention for crimes of opinion, with inadequate due process, also occurs periodically. The government limited freedoms of association and religion and continued to refuse to officially recognize some nongovernmental and human rights organizations.

MAURITIUS

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

AGOA Trade and Investment: Exports from Mauritius under AGOA and its GSP provisions in 2003 totaled \$143 million, 48 percent of Mauritius' total exports to the United States. AGOA has sparked significant investment in Mauritius. In 2003, AGOA provided a sizeable boost to the construction of textile mills in Mauritius, paving the way for a more integrated textile industry. There are currently five active spinning mill projects at various stages of realization in Mauritius: two are completed and operational,

one is under construction, and two are about to begin construction. The government is providing a special package of incentives for such projects.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:

Mauritius continues to enjoy a growing market-based economy. Since independence in 1968, the government has consistently welcomed foreign investment and has adopted a wide range of investment incentives geared toward foreign direct investment and institutional investors. During the past year, the government has introduced two new schemes to attract investment in the information and communications technologies sector as well as the cotton-spinning sector. In January 2003, the government liberalized the telecommunications sector, a year in advance of its commitment to the WTO. Five licensed companies are scheduled to start various telecommunications services, including international calls, in direct competition with Mauritius Telecom. The National Assembly adopted WTO-compliant patents and trademarks laws in July 2002. In January 2004, the government began a campaign to more aggressively prosecute trademark violators. In February 2004, the Mauritius Supreme Court upheld an injunction against the producers and retailers of counterfeit apparel of a prominent U.S. apparel company. The Government is finalizing implementing regulations for copyright legislation passed in 2003.

Rule of Law/Political Pluralism/Anti-Corruption: Mauritius has the legal and administrative framework to fight against corruption, money laundering, and terrorism. The Independent Commission Against Corruption was set up in 2002 under the Prevention of Corruption Act, while the government established the Financial Services Commission and the Financial Intelligence Unit under the Financial Intelligence and Anti-Money Laundering Act. However, Transparency International reported increased perceptions of corrupt practices in Mauritius in 2003 following revelations of two high-profile corruption and fraud cases.

Poverty Reduction: The United Nations' 2003 Human Development Report ranks Mauritius among the four countries in Africa that have achieved the most in lifting the level of social development. It is estimated that only about 9.4 percent of the population now live below the poverty line and average life expectancy has been increased from 63 years in 1970 to 71 years today. Mauritius spends close to 44 percent of its budget on social services, and provides free education and health services, as well as pensions for the elderly, the disabled, widows and orphans.

Labor/Child Labor/Human Rights: The Constitution and Industrial Relations Act guarantee the freedom of assembly and association, and the right to organize and bargain collectively. Foreign workers have the same rights as local workers. These rights are generally respected, although some employers in the Export Processing Zones (EPZs) engage in antiunion discrimination. Generally, the government intervenes rapidly to address problems in the EPZs. Thirty percent of workers in the export-oriented companies are migrants from foreign countries, especially South East Asia, who tend to work long hours and are cut off from indigenous workers. The rate of unionization in the

EPZs is low, and many health hazards and workplace-related illnesses persist. Malagasy workers are victims of discrimination, earning less than native Mauritians or Asian migrants. The government has begun a labor law reform project in cooperation with the ILO, but no new legislation has come into force yet. Mauritian law prohibits forced or compulsory labor as well as the trafficking of children. Child labor is a problem in the informal sector. The government generally respects the freedom of speech, press, assembly, and religion. The Constitution explicitly prohibits discrimination based on race, caste, place of origin, political opinion, color, religion, or gender. A Sex Discrimination Act was passed in the National Assembly in December 2002. Human rights are generally respected. However, there have been occasional allegations of police abuse. At times police have reportedly restricted freedom of assembly.

MOZAMBIQUE

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

AGOA Trade and Investment: Mozambique's 2003 exports under AGOA and its GSP provisions were valued at \$7.9 million, representing 91 percent of the country's total exports to the United States. These exports consisted primarily of agricultural, textile, and apparel products. Mozambique has had limited success in expanding trade and investment under AGOA, though there remains strong potential to increase exports in several key sectors. Two apparel companies exported apparel products to the United States under AGOA during 2003, though one recently closed its operations.

Market-Based Economy/Reduction of Trade Barriers: Mozambique continues to be one of the most dynamic and fastest-growing economies in sub-Saharan Africa, albeit from a low base. The government has encouraged foreign direct investment. Mozambique has privatized over 1,200 mostly smaller companies and 37 large enterprises since the privatization program began 10 years ago. Mozambique has a positive track record on economic reforms, political stability, strong economic growth, openness to FDI, and expanding exports. Mozambique is a signatory to the Southern African Development Community (SADC) Trade Protocol, which calls for the elimination of tariff and non-tariff barriers between the signatory states over a 12-year period that began in July 2001.

Rule of Law/Political Pluralism/Anti-Corruption: Mozambique has made significant progress in consolidating democracy since the signing of the 1992 Peace Accords that ended sixteen years of civil war. In late 2004, Mozambique will hold its third multi-party presidential elections since independence in 1975. In November 2003, Mozambique held municipal elections that were considered generally free and fair. However, many institutions, such as the judiciary and the police, remain weak. Corruption remains a problem in both the public and private sectors. In recognition of this, the Attorney General established an Anti-Corruption Unit. In October, the National Assembly passed the Anti-Corruption Law, which aims to curb corruption in government offices, the police force, hospitals, and the schools.

Poverty Reduction: Mozambique faces enormous development challenges. The country lacks infrastructure, power, and clean water for most of its citizens. The government has placed its Plan for the Reduction of Absolute Poverty (PARPA) at the head of its policy agenda. PARPA emphasizes six areas as the key reducers of absolute poverty: education; health; basic infrastructure; agriculture and rural development; good governance; and macroeconomic and financial management. Indicative of the huge challenges Mozambique will face for decades to come is the modest PARPA goal to reduce from 70 percent to 50 percent the level of absolute poverty by 2010. Donors fund approximately 60 percent of the national budget, though the HIPC debt relief programs have permitted increased budgetary support to alleviate poverty.

Labor/Child Labor/Human Rights: The Constitution provides that all workers are free to join trade unions, and workers enjoy these rights in practice. Labor unions remain weak and lack resources. Labor law provides the right to strike and to be free from anti-union discrimination, but workers are sometimes fired for participation in labor unions or in strikes. There is also discrimination in pay, wherein expatriate workers earn less for the same work than citizens. There were a number of work actions in 2003. Child labor remains a problem, in the urban informal sector and in agriculture, including commercial agriculture. One positive development during 2003 was the government's ratification of ILO Convention 182 on the Worst Forms of Child Labor. Mozambique does not engage in gross violations of internationally recognized human rights, though there remains room for improvement and abuses do exist.

NAMIBIA

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

AGOA Trade and Investment: Namibia's 2003 exports under AGOA and its GSP provisions were valued at \$46.8 million, representing 38 percent of total exports to the United States. These exports consisted primarily of textiles, apparel, mineral, and metal products. Since August 2001, a vertically integrated textile and garment manufacturing plant in Namibia has received nearly \$200 million in AGOA-related investment. AGOA is estimated to have created 10,000 new jobs in Namibia. Government officials project that at full production, Namibia will export more than \$100 million dollars worth of apparel products to the United States each year.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:

Namibia's economy remains open, secure and attractive to international investors. The government actively encourages inward private investment and has created attractive tax benefits for would-be investors and exporters. Despite this, many important sectors of the economy, such as transport, electricity, and telecommunications, continue to be controlled by large parastatals. There are no serious trade barriers to U.S. trade and investment. Namibia's 1990 Foreign Investment Act provides for equal treatment of foreign and national investors. As a member of the Southern African Customs Union,

Namibia is currently negotiating a Free Trade Agreement with the United States.

Rule of Law/Political Pluralism/Anti-Corruption: Namibia's constitution provides for an independent judiciary, and with few exceptions citizens enjoy the right to due process, a fair trial and equal protection under the law. Parliamentary and presidential elections are scheduled for this year. President Nujoma has publicly reiterated a number of times his intention to leave office at the end of his third term in 2005. In 2003, Parliament passed an anti-corruption bill that establishes a new independent Anti-Corruption Commission. According to the government, the new commission will complement existing anti-corruption bodies such as the office of the Ombudsman. For his own part, President Nujoma has asserted publicly on several occasions his government's commitment to maintaining high ethical standards in government service and has promised to aggressively prosecute those officials who violate the public's trust. Over the past year, several high-profile corruption cases, including those involving the Namibian Airports Company, the Social Security Commission and the Roads Authority, have blanketed the country's newspapers and become the subject of intense government scrutiny.

Poverty Reduction: To address the problem of poverty and to encourage job growth, the government has created special incentives for investment. The government is committed to increasing local value-added production of Namibia's traditional primary product exports, such as efforts to cut and polish rough diamonds or to process locally caught fish. Adding to the government's challenge of reducing poverty is the scourge of HIV/AIDS. The Government of Namibia has recognized the severity of the problem and has launched serious counter programs. Namibia is one of only 15 countries to benefit from President Bush's Emergency Plan for HIV/AIDS Relief (PEPFAR) and is expected to receive \$23 million of PEPFAR funds in 2004.

Labor/Child Labor/Human Rights: Respect for workers rights, including the freedom of association and the right to form and join unions, are embedded in the country's constitution. Namibia's 1992 Labor Act prohibits employment of children under the age of 14. Namibia has ratified ten of the International Labor Conventions including ILO 182 on the worst forms of child labor. Despite the government's public commitment to addressing child labor, difficult economic conditions and deeply rooted cultural practices result in the occurrence of some child labor. The Labor Advisory Council, a tripartite board that includes government, union and private sector representatives, has held workshops to sensitize and inform employers about child labor regulations. However there have been reports that the right of workers to associate and organize freely, particularly in the export processing zones, has been subordinated to the interest of attracting foreign investment. The government generally respects the rights of its citizens, and the overall human rights situation in the country continued to improve in 2003; however, there were serious problems in several areas. Security forces reportedly committed some serious human rights abuses during arrests and detentions. Some security force members who committed abuses were arrested and tried; however, the Government did not take action in other cases.

NIGER

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

AGOA Trade and Investment: In 2003, Niger exported \$63,000 worth of goods under AGOA and its GSP provisions, representing just two percent of total exports to the United States from Niger. With textile and apparel certification now in place, there are a number of promising investment ideas for apparel production.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government continues to make good progress on macroeconomic reforms mandated under its IMF Poverty Reduction and Growth Facility, including the privatization of three remaining state-owned companies. The government plans to privatize the electric utility, national oil distribution company, and leading hotel in 2004. Since privatization in 2000, the telecommunications sector has expanded considerably and there are now three cell phone companies competing in Niger. There are no barriers to U.S. trade and investment. The Niger investment code provides tax-based incentives for companies seeking to invest in Niger. One investment dispute involving non-payment for oil deliveries to a U.S. firm on the part of the state-owned electric utility was amicably resolved following Embassy advocacy.

Rule of Law/Political Pluralism/Anti-Corruption: Niger continues to consolidate its democracy by strengthening legislative review of finances and decentralizing local government. Local elections, in support of Niger's decentralization law passed in 2003, will be held in May 2004. Legislative and presidential elections are slated for the second half of 2004. There are 36 registered political parties in Niger, and all enjoy unfettered access to the political process. Under pressure from the World Bank, the government has made good progress in implementing transparent procurement and accounting procedures.

Poverty Reduction: Under the HIPC initiative, external creditors are expected to forgive approximately \$780 million in external debt in 2004. Savings from debt payments would be invested in helping Niger to improve its basic poverty indicators, including health care, education, and access to clean water. In 2003, Niger hosted a major donors' conference to build a consensus around its PRSP.

Labor/Child Labor/Human Rights: The Labor Code that covers the 5 percent of the workforce in the formal sector implements ILO principles and is honored in practice. The government passed formal legislation in 2003 criminalizing slavery in Niger. A local human rights group estimates that seven percent of the population belong to a subordinate caste that is expected to work without pay for those above them in the traditional social structure. With the help of UNICEF and the ILO, the government continues efforts to eliminate the worst forms of child labor and trafficking. Children work in many jobs in the informal economy and in agriculture. Trafficking of children

into Niger for domestic work or prostitution occurs, and children from Niger are trafficked in-country and out for the purpose of forced labor, particularly in domestic service. Hazardous employment of children is known to occur in a number of industries. Labor inspections only occur in the formal sector; most child labor laws are minimally enforced. Although there were some improvements in a few areas, the government's human rights record remained poor. The government limited freedom of speech and the press.

NIGERIA

Status: AGOA eligible.

AGOA Trade and Investment: Nigeria's duty-free exports under AGOA and its GSP provisions in 2003 were valued at \$9.4 billion, almost exclusively petroleum products, representing 93 percent of total Nigerian exports to the United States.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Nigeria has made incremental progress toward establishing a market-based economy, and its current economic team is generally considered to be among the strongest in Africa. The government announced it would deregulate fuel prices in late 2003 and prices are market-based in most parts of the country. The government has repeated its commitment to privatizing the National Electric Power Authority and Nigeria Telecommunications Limited, but the process has suffered frequent setbacks. Progress toward eliminating barriers to U.S. trade has slowed considerably. Trade policies and tariff rates tend to change suddenly and arbitrarily, and violations of WTO prohibitions against certain non-tariff trade barriers continue. The government maintains a long list of banned imports and in January 2004 added more than forty items. Congested ports and long delays in clearance procedures present additional barriers to U.S. trade. Improvements in intellectual property rights (IPR) protection have also been sluggish. Scarce resources and a lack of expertise continue to make IPR enforcement difficult.

Rule of Law/Political Pluralism/Anti-Corruption: In April, President Obasanjo was re-elected to a 4-year term after being declared winner in elections that international and domestic observers said were marred by serious irregularities and fraud, including political violence. At year's end, opposition parties continued to challenge the election in court. Ethnic and religious tensions pose additional challenges to government efforts to establish the rule of law and political pluralism. Communal clashes have resulted in numerous injuries and deaths, and Nigeria's under-funded, under-trained, and under-equipped police force is often hard-pressed to stop or prevent violence. Civil and criminal cases move through Nigeria's courts at a slow pace. The country's judicial system is not always independent, and it generally lacks the resources and administrative capability to function effectively. Low levels of public confidence have contributed to the adoption of criminal codes based on Shari'a (Islamic law) in 12 of Nigeria's northern states. Nigeria continues to be one of the world's most corrupt countries, second only to Bangladesh in Transparency International's 2003 Corruption Perceptions Index. The

government is putting together an ambitious program for combating corruption and has established a federal anti-corruption commission and other institutions to tackle the issue. Progress, though limited, is evident in the reversal of some procurement decisions.

Poverty Reduction: The government plans to release a relatively ambitious economic reform agenda, the National Economic Empowerment and Development Strategy, in Spring 2004. The plan outlines strategies for attaining macro-economic stability (with emphasis on low inflation and stable interest and exchange rates), achieving annual GDP growth of 5-7 percent, and reducing poverty. The plan is the third in a series of poverty reduction programs introduced over the last four years, but appears to offer significantly more detail and timetables for performance targets. Credible reform remains a critical priority, as key indicators show that poverty is actually increasing.

Labor/Child Labor/Human Rights: The constitution recognizes the right of workers to join or form trade unions, but restrictions on that right still remain, despite the repeal of some of the anti-labor decrees from the military era. The private sector's reliance on casual and part-time labor is a problem, particularly because casual workers are denied benefits and prohibited from joining labor unions. The government has been slow to address the issue. Relations between the Nigerian Labor Congress and the government deteriorated in 2003 due to conflicts over economic policies. Union officials were detained on more than one occasion and violations of workers' human and trade union rights continued. This included intimidating workers to leave the union, some employers' refusal to recognize the union, and sacking workers' representatives for trade union activities. Nigerian law forbids forced or bonded labor and restricts the employment of children younger than age 15 to home-based agricultural or domestic work for no more than eight hours per day. Child labor is a problem in the informal sector. The government has participated in several ILO-IPEC programs to eliminate child labor, including a project to combat the trafficking of children. Minimum wages, hours of work, and general health and safety provisions are statutorily mandated, but enforcement remains weak. The government's human rights record remained poor, and the government continued to commit serious abuses. Security services all too often fail to enforce the rule of law, particularly in rural areas, and human rights violators are rarely held accountable for their actions.

RWANDA

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

AGOA Trade and Investment: Rwanda's 2003 exports under AGOA and its GSP provisions were negligible. Overall exports to the United States were \$2.6 million. Rwanda qualified for AGOA textile and apparel benefits only in March 2003 and has not yet attracted any substantial investment under AGOA.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Rwanda has market-determined foreign exchange and interest rates, and an investment code is in place.

Rwanda has no formal trade barriers against the United States but does levy an 18 percent value added tax on most imported goods. In 2003, the government did not sell or lease any state-owned enterprises, although 40 have been identified for privatization. The anticipated privatization of the tea sector is delayed, with two tea plantations to be privatized in 2004 and four in 2005. The government continues to plan for the eventual privatization of an energy producing enterprise, after a five-year management contract with a German firm ends. The Rwanda Utilities Regulatory Agency was established in 2003 as the regulatory agency for telecommunications, energy, and other utilities.

Rule of Law/Political Pluralism/Anti-Corruption: In 2003, Rwanda underwent a significant political transition, with the adoption of a new constitution, the holding of its first multi-party presidential and legislative elections since independence, and the establishment of a new bicameral legislature that replaced the transitional National Assembly. The newly seated legislature is considering an array of new legislation, including judicial reform, taxation and budget issues, and international conventions. President Kagame was elected to a seven-year term in a largely peaceful, but seriously marred, election. Corruption does not pose a significant problem in Rwanda. The government reestablished an Ombudsman in 2003, as required by the new constitution, and the Auditor General's office has a mandate to audit every government agency in 2004. In early 2004, the Vice President of the Supreme Court, who was previously the Prosecutor General, resigned and his brother, President Kagame's chief of staff, left the country. Both face charges of abusing their offices for personal gain.

Poverty Reduction: Rwanda has a Poverty Reduction Strategy Paper tied to its participation in the HIPC debt relief initiative. Numerous factors have delayed Rwanda's meeting of its HIPC requirements, including an expansion of the money supply by at least 15 percent in 2003. GDP growth has slowed to an estimated 3.6 percent for 2003, exports have stagnated at about \$60 million per year, and per capita income has not grown. Public spending on education rose 34 percent from 2002 to 2004. Enrollment in primary education rose from 74.5 percent in 2002 to 81.7 percent in 2003.

Labor/Child Labor/Human Rights: Historically, unions in Rwanda have operated in a climate of fear and intimidation, and there is no indication that this has changed in any significant way. There are no restrictions on the right of association; 27 unions are registered. However, there are no labor courts to protect worker rights. Collective bargaining and the right to strike are provided for by law but severely limited in practice. There were no demonstrations by union members in 2003. Rwanda prohibits children under 16 from working without parental consent, but the United Nations reports that 31 percent of Rwandan children aged 5 to 14 engage in child labor. Rwanda's human rights record remained poor, and the government continued to commit serious abuses. There were reports of politically motivated disappearances, arbitrary arrest and detention of opposition supporters, and prolonged pretrial detention. Police often beat suspects. Prison conditions remained life threatening. The government sought to dissolve the primary opposition party and harassed NGOs and independent journalists. Arbitrary arrest and detention, particularly of opposition supporters, and prolonged pretrial detention remained serious problems. The judiciary did not always ensure due process or expeditious trials. Numerous political detainees remain in custody awaiting trial, including former president Bizimungu and a

Rwandan employee of the U.S. Embassy. Both have been held without trial since 2002 on charges of threatening state security. The government continues to exercise tight control over media sources. The government harassed refugees who refused to leave the country voluntarily and NGOs.

SÃO TOMÉ AND PRINCIPE

Status: AGOA eligible.

AGOA Trade and Investment: There has been no reported AGOA-related trade or investment. São Tomé and Príncipe exported just \$91,000 to the United States in 2003.

Market Economy/Economic Reform/Barriers to Trade: São Tomé and Príncipe, a country of about 140,000 people, is one of the poorest and most heavily indebted nations per capita in Africa. It has a market-based economy. Currency restrictions have been lifted, largely doing away with a parallel exchange rate system. Import regulations have been simplified and made more transparent. Administrative and budget reforms are underway. The telecommunications and air transport companies have majority private ownership, but the gas distribution, electricity, and water companies remain under state control. All of the state-run cocoa plantations have been privatized. Foreign investment is welcome. The island nation remains highly dependent on cocoa and foreign assistance. São Tomé and Príncipe's market-based economy is in the early stages of petroleum exploration and development. In 2001, the government formed a joint development zone with Nigeria that is expected to produce significant oil revenue over the coming years. Bidding for the zone began December 2003, with awards of blocks expected in spring 2004.

Rule of Law/Political Pluralism/Anti-Corruption: São Tomé and Príncipe's reputation for strong democracy was reinforced by July 2001 presidential and March 2002 legislative elections, both judged free and fair by international observers. However, a failed military coup in July 2003 pointed to problems within the armed forces and political infighting among the nation's political elite. Though constitutional order was shortly restored, the ongoing failure to resolve this political divide poses a challenge to the nation's stability.

Poverty Reduction: In September 2003, the government publicly committed 20 percent of government revenues to poverty reduction. Its emergency action plan adopted in August 2003 called for a greater emphasis on health and education. The World Bank is developing new technical assistance programs for these sectors. The influx of petroleum-related monies in 2004 should begin to raise the standard of living.

Labor/Child Labor/Human Rights: The government generally respected the human rights of its citizens; however, there were problems in some areas. The constitution provides for freedom of association, the right to bargain collectively and the freedom to strike. The government has not taken any action to interfere with these rights. The law

sets a legally mandated minimum employment age of 18, which is respected in the formal employment sector. Child labor is a problem in the informal sector. Working conditions on many of the cocoa plantations – the largest wage employment sector – are difficult. The average salary for plantation workers does not provide a decent standard of living. Violence and discrimination against women were widespread.

SENEGAL

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

AGOA Trade and Investment: Senegal's exports under AGOA and its GSP provisions in 2003 were valued at \$720,000, representing about 17 percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: During 2003, Senegal made substantial progress on removing regulatory impediments to trade and investment. The Council of Investment issued 37 recommendations on streamlining regulations to enhance foreign investment. Customs successfully launched an electronic filing system that is expected to reduce processing time and reduce corruption. The government announced the privatization of two parastatals. The privatization of the groundnut processing parastatal is scheduled for May 2004. The National Assembly passed legislation regulating build-operate-transfer (BOT) investment, but additional legislation establishing guidelines for transparent, international procurement of major infrastructure projects remained pending. Several foreign investors appeared to be the victim of partisan decisions by the government and the Senegalese judiciary during 2003. In one case, the government promised compensation for canceling a housing development contract; in another, a U.S. firm was unable to secure prosecutions against local staff accused of embezzlement until after remand to a higher court.

Rule of Law/Political Pluralism/Anti-Corruption: During 2003, the fight against corruption was a prominent part of President Wade's campaign platform. The National Assembly passed legislation establishing a taskforce against corruption to be based in Senegal's export promotion agency. Following disappointing results in the first series of prosecution of government officials for waste and mismanagement, the national government Inspector General indicated that in 2004, it would hire additional accountants. Senegal was the first West African Economic and Monetary Union (UEMOA) nation to pass UEMOA-standardized legislation on money laundering. The legislation requires the government to appoint a director for a new national Financial Intelligence Unit to be staffed by multiple Senegal ministries and based in the Senegal branch of the Central Bank of West African States.

Poverty Reduction: Senegal did not meet HIPC criteria in 2003. After extensive discussions between Senegal, the IMF, and other donors, the IMF will review Senegal's progress on health care and primary education goals in March 2004. The 2004 national budget contained a 27 percent increase in primary education spending that will fund five

thousand additional teaching positions in the countryside. Health care will receive 10 percent of expenditures in the 2004 budget.

Labor/Child Labor/Human Rights: Senegal has ratified ILO Conventions 138 and 182 on child labor. Children work in the informal sector and are involved in trafficking for sexual exploitation. Currently, the labor code requires the government to approve the formation of labor unions and gives it the power to disband them. The right to strike is severely undermined. The government has a history of interference in the internal affairs of unions. Efforts to publicize the plight of private employees have been met with police action and criminal prosecutions. Regulations on workplace safety are frequently not enforced. The government generally respected its citizens' rights; however, there were problems in some areas.

SEYCHELLES

Status: AGOA eligible.

AGOA Trade and Investment: Exports under AGOA and its GSP provisions in 2003 were valued at \$3,000, comprising less than one percent of Seychelles total exports to the United States.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:

Seychelles has been slowly abandoning statist economic policies in favor of a free-market approach. There is no restriction on foreign ownership, and a number of incentives are offered to stimulate private sector investment. However, the government continues to play a strong role in the economy, and regulations and controls are burdensome. Imports, except for capital goods, require government approval, and non-essential imports are subject to quotas. Intellectual property rights would benefit from enhanced protection. The government is seeking IMF and World Bank backing for the Macro Economic Reform Program (MERP) introduced in July 2003. The MERP accepts the need for comprehensive structural reforms, including privatization, but is vague on the details, and makes no commitment on the politically sensitive topic of devaluation. In the MERP, the government expresses a willingness break up the Seychelles Marketing Board, a state-run conglomerate that monopolizes the import of essential foodstuffs and priority access to foreign exchange.

Rule of Law/Political Pluralism/Anti-Corruption: Seychelles has held two free and fair multiparty elections since 1993, including in 2001. Though democratically elected, President Rene wields significant authority, especially in the areas of political patronage and resource allocation. In his State of the Nation address, he announced that he would step down from the presidency later this year, handing it over to Vice President Michel, who will serve out the remainder of the term until the 2006 presidential election. There are some restrictions on freedom of the press. The judicial system lacks resources and is subject to executive interference. Corruption is low.

Poverty Reduction: Health and education have been priorities and Seychelles enjoys one of the highest standards of living in Africa. Education is free and compulsory between the ages of 6 and 16. About 85 percent of the population is literate, as are almost 100 percent of school-aged children. The social welfare system includes basic pensions, other direct benefits, and a system of means-tested supplementary benefits, home care schemes for the elderly, and unemployment relief schemes for the unemployed.

Labor/Child Labor/Human Rights: Children have legal protection from labor and physical abuse. Seychelles has ratified ILO Convention 182 on child labor. Workers have the right to form and join unions and to engage in collective bargaining. However, collective bargaining rarely takes place. Between 15 and 20 percent of the labor force is unionized. The government has the right to review and approve all collective bargaining agreements. Strikes are illegal, but permission to strike may be obtained from the police commissioner. Forced or compulsory labor is prohibited. The Export Processing Zone is not subject to labor laws. Seychelles generally respects the human rights of its citizens.

SIERRA LEONE

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

AGOA Trade and Investment: Sierra Leone's exports under AGOA and its GSP provisions were valued at \$75,000 in 2003, slightly more than one percent of total exports to the United States. Sierra Leone qualified for AGOA's textile and apparel benefits in April 2004.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Sierra Leone has a market-based economy and an open, rules-based trading system. The 1991 Constitution protects private property rights. Laws generally protect intellectual property rights. The legal code provides for resolution of bilateral trade and investment disputes. A U.S. mining firm recently secured a \$25 million OPIC loan guarantee and is preparing to resume mining operations in late 2004 or 2005.

Rule of Law/Political Pluralism/Anti-Corruption: Peaceful multiparty elections were held in May 2002, just four months after the end of more than a decade of hostilities. The elections were marked by some abuses, but these did not affect the overall outcome of the presidential contest, or most legislative races. Preparations have begun for local elections to be conducted in May 2004. The courts demonstrate significant independence, but are weak, especially outside the capital, and suffer from a decade of disuse due to the civil war. Government policies are conducive to domestic and foreign investment, although corruption at all levels remains a significant problem. An Anti-Corruption Commission, established more than three years ago, has yet to secure any convictions. The Central Bank issued a prudential regulation document on money laundering in March 2003 that all commercial banks were expected to comply with. However, only one of the five commercial banks in Sierra Leone is currently in compliance.

Poverty Reduction: Government policy aims to reduce poverty, increase the availability of health care and educational facilities, expand the physical infrastructure, and promote the development of private enterprise. Poverty alleviation programs are currently 100 percent donor financed. Debt service is a challenge for the government. Sierra Leone continues to rely on substantial disbursements from IMF post-conflict programs. Its Poverty Reduction and Growth Facility will not be finalized until mid-2004.

Labor/Child Labor/Human Rights: Worker rights are protected under the Regulation of Wages and Industrial Relations Act of 1971. However, government institutions have not demonstrated the capacity to enforce these laws. The ILO has been critical of the government's failure to take action to protect workers against anti-union discrimination by employers. The law prohibits the employment of children under 12, which does not meet ILO minimum standards. Child prostitution and trafficking are problems. Hundreds of children are known to work in the alluvial diamond fields. There is a minimum wage law. The ILO has criticized a law that allows traditional leaders to demand compulsory labor. The government generally respected the rights of its citizens; however, there were serious problems in several areas. Although conditions in some prisons improved, many detention centers were overcrowded. Police continued to arrest and detain persons arbitrarily. The government at times limited freedom of speech and the press during the year.

SOUTH AFRICA

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

AGOA Trade and Investment: South Africa increased its exports under AGOA and its GSP provisions by 25 percent in 2003 to \$1.7 billion, from \$1.3 billion in 2002. AGOA exports constitute 36 percent of total South African exports to the United States. One new development in AGOA trade is the export of jeans to the United States using fabric from North Carolina. South African International Business Linkages, funded by USAID and in cooperation with the Corporate Council on Africa, worked with 32 small and medium-sized enterprises in the past year to assist them to export \$8.3 million in goods under AGOA.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The South African government continued to implement prudent fiscal and monetary policies. South Africa is moving slowly forward with the privatization and restructuring of state-owned enterprises. The government has made some progress with the process of granting concessions for South Africa's ports. In 2003, the government divested much of its interest in Telkom, the country's telecommunications giant, and it is allowing a second national operator to establish operations. The government also plans to begin reforms of the power sector. South Africa is making some progress on intellectual property rights protection. Police increased seizures of counterfeit goods, but follow-up and prosecution have been inadequate. Copyright protection is still a problem. South Africa provides

national treatment for foreign investors. There is a bilateral Trade and Investment Framework Agreement, as well as a bilateral tax treaty in force. South Africa continued to engage actively in the negotiations for a free trade agreement between the United States and the Southern African Customs Union.

Rule of Law/Political Pluralism/Anti-Corruption: South Africa is a multiparty parliamentary democracy, and opposition parties operate freely. While the African National Congress holds a sizeable majority in the Parliament, several other parties continue to operate actively and freely. National elections were held in April 2004. The government is committed to the rule of law and is working to strengthen its judicial and regulatory systems. The judiciary is independent at all levels. While South Africa faces governance and corruption challenges, the government has made the fight against corruption a priority.

Poverty Reduction: In his February 2004 State of the Union message, President Mbeki noted that in the past ten years, the government had built 1.6 million houses for the poor, extended electricity to 70 percent of the country's households, and provided clean water to nine million people. The 2004 budget provides for a marked acceleration in spending on basic social services, education, pension and disability grants, child support grants, HIV/AIDS, investment in infrastructure, and support for local development. By extending the child support grant, investing in skills, improving access to education and health, supporting land redistribution and agricultural development, and promoting small business development, the government is taking further steps to address poverty and vulnerability in South Africa. Increasing rates of HIV/AIDS and high unemployment are serious obstacles to reducing the divide between the rich and poor.

Labor/Child Labor/Human Rights: The Constitution provides for equal protection, freedom of speech and the press, freedom of assembly, and an independent judiciary. South Africa provides strong worker rights protections, including the right to freely associate and to bargain collectively. There is a legally established minimum age for the employment of children, but enforcement is difficult in some cases. Child labor occurs in South Africa, particularly in the agricultural sector and at times involving migrants from neighboring countries. The commercial sexual exploitation of children is a problem and the country is a destination and transit point for trafficking in children. The South African Department of Labor, with assistance from the ILO/IPEC, drafted a Child Labor Action Program (CLAP) in 2003. This program created a national framework to combat the worst forms of child labor. The CLAP is awaiting approval by Parliament. South Africa has ratified all ILO core conventions. The government has focused high-level attention on the human rights issues of law enforcement, however deaths due to excessive force by security forces and deaths while in police custody were reported. Some police officers have reportedly beat, raped, tortured, and otherwise abused suspects and detainees. The government has taken action to investigate and punish some of those involved.

SWAZILAND

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

AGOA Trade and Investment: Swaziland's exports under AGOA and its GSP provisions were valued at \$134 million in 2003. Exports were primarily apparel products, but there were exports of nearly \$7 million in agricultural products. AGOA exports constitute 83 percent of Swaziland's total exports to the United States. The Ministry of Foreign Affairs estimates that AGOA has created over 28,000 jobs in the country. One company is in the process of developing a textile production capacity, which will employ an estimated 1,500 workers when it becomes operational in August 2004.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: There is relatively little government intervention in Swaziland's free market economy. Preliminary discussions on privatization appear to have stagnated. Swaziland has protection for patents, trademarks, and copyrights. Swaziland, a member of the Southern Africa Customs Union (SACU), is actively involved in the U.S.-SACU free trade agreement under negotiation.

Rule of Law/Political Pluralism/Anti-Corruption: In late 2002, the government refused to honor certain politically sensitive court judgments, prompting the entire court of appeals to resign. Senior officials have been pledging that they will find a way to restaff the court, but they have not committed government to respecting the judgments they found offensive. In February 2004, the government closed its Industrial Court after refusing to renew the contract for the only judge staffing the court. There is currently no court with jurisdiction over labor matters. In March 2004, King Mswati overturned Parliament's democratically held election of the Speaker of the House of Representatives. Personal differences between the King and the former Speaker prompted the King's interference with the legislature. Political parties are banned but many continue to operate underground. In the 2003 national elections, several members of banned political parties were elected to Parliament. In May 2003, the Constitutional Drafting Committee released a draft constitution, which does not propose lifting the ban on political parties.

Poverty Reduction: The HIV/AIDS pandemic has left an increasingly large number of Swazis impoverished. Caring for ill family members has stretched the resources of many households. School enrollment has dropped because government still does not fund primary or secondary education. In spite of rising needs, the government's spending on social programs remains minimal.

Labor/Child Labor/Human Rights: In 2003, relations between workers and employers improved. The Labor Advisory Board (LAB) reviewed ILO-suggested amendments to the Industrial Relations Act, but the amendment process appears to have stalled. The Labor Minister did not block the LAB's attempt to change its own voting structure to eliminate the government's extra vote. The King exerts substantial power over

legislative and judicial matters. The right to organize and join labor unions is protected under Swazi law. Unions can strike over social and economic issues, but not political matters. In August 2003, the Royal Swazi Police used a water cannon and rubber bullets to disrupt a legal protest. Several protesters and innocent bystanders were injured in the process. The HIV/AIDS pandemic and poverty have increased the vulnerability of Swazi children to child labor. Although child labor is not found in the formal sector, it is growing in the informal sector, including agriculture. To combat this problem, the government has asked to participate in a U.S. DOL program aimed at introducing education initiatives that would keep more children in school. King Mswati has refused to open the current session of parliament until the speaker resigns. Police used excessive force on some occasions, and there were reports that police tortured and beat some suspects. The government continued to limit freedom of speech, the press, and freedom of movement.

TANZANIA

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

AGOA Trade and Investment: Tanzania's duty-free exports under AGOA and its GSP provisions were valued at \$1.6 million in 2003, mostly apparel, representing about six percent of total Tanzanian exports to the United States. In 2003, a Sri Lankan company invested over \$2 million to start a new textile factory in Dar es Salaam, employing over 650 local workers.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade : Since early 1986, the government has launched a comprehensive economic reform and stabilization program. In pursuit of this, agricultural marketing has been liberalized, foreign exchange controls have been lifted, prices deregulated, and private sector involvement in the economy has been enhanced through a new investment code. These reforms have resulted in improved competitiveness, lower tariffs, increasing levels of foreign investment and trade, improved key economic indicators, and rapid integration into world markets. The government has privatized nearly all of its parastatal enterprises. Market forces determine interest and exchange rates. U.S. investment in Tanzania is slowly increasing but is hindered by corruption, poor infrastructure, and bureaucratic inefficiencies. The latter has significantly prolonged debt repayment and intellectual property protection cases involving major American corporations. The inability to own land or offer it as collateral remains a major impediment to new investment, though a new land bill may improve the situation.

Rule of Law/Political Pluralism/Anti-Corruption: Criminal trials are open to the public and the press. The judiciary is formally independent but suffers from corruption, inefficiency, and executive influence, particularly in the lower courts. Tanzania became a multiparty state in 1992 and held its second multiparty election in October 2000. There were no reports of political harassment in 2003, nor were any opposition rallies banned during the same year. The government participates in the World Bank Institute's anti-

corruption and good governance program, has established an Anti-Corruption Commission, and has indicted senior officials and mid-level members of the judiciary for corruption. The government has established a Ministry of Good Governance and a Human Rights Commission as recommended by a 1997 report on corruption, but most other recommendations remain unimplemented.

Poverty Reduction: In 2001, Tanzania was one of the first African countries to receive enhanced HIPC debt relief. The government has refocused on social sectors with emphasis on primary services. Tanzania is implementing its PRSP for the HIPC Initiative. According to the recent IMF-World Bank assessment team, the government is making “significant progress” in PRSP implementation.

Labor/Child Labor/Human Rights: Restrictions on trade union rights introduced in 2000 remained in force. There was little respect for trade union rights in the privatized industries. The Trade Unions Act allows workers to form trade unions, but dissolved the Tanzania Federation of Free Trade Unions, which though not legally registered was recognized by workers, employers, and international organizations. Labor law on the mainland covers public and private employees, but restricts the right of workers to form unions and to strike. The labor law does not cover government employees on Zanzibar. The Registrar of Trade Unions has broad authority to monitor and discipline the internal conduct of unions. The right to strike is illusory due to the prolonged mandatory dispute settlement procedures. Tanzania has ratified all eight ILO core conventions and has been a member of the ILO’s International Program on the Elimination of Child Labor since 1994. Tanzania is currently participating in the ILO’s “Time-bound Program to Eliminate the Worst Forms of Child Labor,” which seeks to eliminate child labor in the commercial agriculture, commercial sex, domestic service and mining sectors. As of December 2003, approximately 2,300 children have been withdrawn from child labor as a result of the Time-bound Program. Following the January 2001 incidents on Pemba Island in Zanzibar, the ruling party and an opposition party signed an accord that has led to increased political freedom in the country. In May 2003, Tanzania held a free and fair by-election in Pemba for previously contested parliamentary seats as specified under the accord. Arbitrary arrest and prolonged detention remained problems. The judicial system often did not provide expeditious and fair trials. Pervasive corruption continued. The government limited freedom of privacy, speech, the press, assembly, and association.

TOGO

Status: AGOA ineligible, largely because of concerns related to economic reform, political pluralism, rule of law, and human rights.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Ongoing political uncertainty and the slow pace of reforms have both contributed to the erratic nature of the government’s privatization program. The government privatized three hotels and the handling of containers and merchandise at Lome Port by the end of

2003. However, tender offers for three state-owned banks went unanswered because of the banks' poor economic performance and high prices. The government suspended the privatization of Togo Telecom. Foreign investment in Togo is relatively limited. In spite of the current political difficulties, several U.S. companies are contemplating major projects in Togo over the next five years. A U.S. energy company claims the state-owned phosphate mining company has missed contractually required payments.

Rule of Law/Political Pluralism/Anti-Corruption: The legislative election originally slated for March 2000 and repeatedly postponed was held in October 2002 after mid-year changes to the multi-party electoral commission established to oversee elections. The opposition boycotted this election in protest of the changes. In December 2002, the new National Assembly, dominated by the president's party, modified the Constitution to allow the president to run again. President Eyadema's strongest opponent was barred from participating in the June 2003 presidential election by a December 2002 constitutional amendment stipulating that candidates for government must have resided in Togo during the previous year. The would-be opponent has remained in exile since a 1992 assassination attempt and has asserted that he is unable to live in Togo. The presidential election was marred by credible charges of irregularities and voter intimidation that the government has so far failed to investigate. In power since 1967, Eyadema was re-elected to another 5-year term. Corruption remains a concern in Togo. The government Anti-Corruption Commission, established in 2001, continued to investigate relatively low-level and former high-level officials, but it did not use fair and transparent procedures to deal with the allegations of corruption.

Poverty Reduction: Political and economic difficulties continue to hamper poverty reduction efforts. In response to human rights abuses and the stalled democratic transition of the 1990s, most donors cut off nearly all their development aid to Togo. Additionally, corruption and the poor quality of the public administration inhibit domestic and foreign investment in Togo. Social indicators continue to decline. The government has put almost no resources into the social sector and relies only on international donors to combat HIV/AIDS, malaria, and cholera. Togo has the second highest prevalence of HIV/AIDS in West Africa. Road construction was suspended and there were no improvements in the water or electricity delivery systems.

Labor/Child Labor/Human Rights: Togo is still a major country of origin for trafficked women and children. However, the government has made efforts to stem this trade. A special court to investigate cases of child trafficking in the central region, established in December 2001, worked steadily during the last year to investigate and prosecute cases of child trafficking. The National Assembly has not yet passed legislation against child labor and trafficking that was proposed in March 2002 by the Council of Ministers. Workers generally have the right to join unions and to strike, although police and security forces may not organize and health workers may not strike. Collective bargaining is nullified in the public sector by the government dictating a single agreement for all government workers. Workers in the export processing zones are not covered by labor law provisions on hiring and firing and are subject to anti-union

discrimination. The government's human rights record remained poor, and it continued to commit numerous abuses. The incidence of arbitrary arrests, beatings, and detentions during the past year remained high. The government remained ineffective or unwilling to investigate abuses or to punish those who committed abuses. During the past year, violations of freedom of the press, intimidation of opposition parties, and abuses of the judicial system continued. In September 2002, the National Assembly adopted a new press code that imposed harsher penalties on violators. Harassment of the press continues, including the closing of radio stations, seizure of newspapers, and arrest of journalists. Cases in which individuals were detained without charge and held incommunicado continued to occur. Togolese law states that individuals will be notified of charges and brought before a magistrate within 48 hours. In many cases, however, individuals were detained for long periods of time without access to legal representation.

UGANDA

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

AGOA Trade and Investment: Uganda's 2003 exports under AGOA and its GSP provisions were valued at \$1.5 million, representing four percent of total Ugandan exports to the United States. Two apparel manufacturing firms accounted for most of that trade.

Market Based Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Uganda has followed an impressive path of macroeconomic reform, including liberalized trade and foreign exchange regimes, improved fiscal discipline, and inflation management. The government supports an increasing role for the private sector in the economy. As of early 2004, the government had sold off majority shares in approximately 100 companies and recently began privatizing the nation's largest power distributor. The government continues to streamline the judicial system and has established special courts to resolve commercial disputes. The government also has begun to reform the civil service. Uganda continues to diversify its agriculturally based economy. Foreign investors are welcome, may form wholly owned subsidiaries and may repatriate all profits. Uganda has eliminated import quotas and maintains modest tariffs in most sectors, though the East African Customs Union established in March 2004 with Kenya and Tanzania likely will result in increased tariffs for some products imported from outside the Union. High transportation costs limit import and export opportunities.

Rule of Law/Political Pluralism/Anti-Corruption: Uganda's judiciary generally is well regarded but understaffed. Senior judges render credible and transparent decisions; however, there are, significant inefficiencies at lower levels, and police investigation practices are rudimentary. Significant judicial backlogs continue to cause long delays in adjudication. The government has taken steps to increase the number of judicial officers, improve judicial efficiency and promote alternative methods of dispute resolution. It has also established special courts to resolve commercial disputes. Several parties are active in parliament; however, the most important of these have refused to register as parties

under current legislation. Corruption is a serious problem in Uganda, and the government has a mixed record in combating it. The Inspector General of Government has recommended the dismissal of several government employees for failure to declare their full wealth. Parliament's Local Government Accounts Committee has pursued cases against local officials over financial issues raised in government audits. Corruption cases, when brought to court, are generally decided on a transparent basis. Some senior government and military officials have been credibly accused of corruption and have not been prosecuted.

Poverty Reduction: Uganda has a long-established Poverty Eradication Action Plan and a Poverty Action Fund focusing on health and sanitation improvements, access to clean water, universal primary education, a better transport system, and growth in the agricultural sector. The Strategic Export Initiative, a plan for modernization and enhanced global competitiveness in the agriculture sector, has begun to bear fruit. The Local Government Development Program, designed to increase the capacity of district authorities to improve the lives of their constituents, has also shown some positive results. Nevertheless, HIV/AIDS, combined with a rising population, keeps many Ugandans impoverished. Recent statistics show that the poverty rate, which had declined from 56 percent in 1992 to 35 percent in 2000, has increased to 38 percent in 2003. Much of the country, particularly in the war-torn north, remains under-developed and under-serviced. However, the government has committed to establish better educational opportunities in the north and has cooperated in massive national and international efforts to house and feed people displaced by war.

Labor/Child Labor/Human Rights: Ugandans enjoy freedom of association and the legal right to organize, but employers often fail to recognize unions and government has been slow to take remedial action. The right to bargain collectively also lacks government protection. Legal recourse is to an Industrial Court that rarely convenes. Unions are weak or non-existent in many sectors, but stronger in others, including commercial agriculture. The government has lifted a two-year ban on trade union elections and approved a long-standing application to create a teacher's union. Uganda cooperates actively with the ILO to combat child labor and has ratified ILO Convention 138 on the minimum age for employment and 182 on the worst forms of child labor. An estimated 34.2 percent of children 5 to 17 years are working, many in hazardous labor, the urban informal sector, and armed conflict. The government cannot prevent the abduction of children by the Lord's Resistance Army and other rebel groups for use as soldiers, laborers, and sex slaves, but is working to provide amnesty and assistance to former child soldiers. Uganda restricts the operation of political parties, although the government says it supports constitutional reforms to create a full multi-party democracy. A court decision ruled that two sections of the law preventing political parties from operating while the "Movement System" remained in place were unconstitutional. Other parties, though active in Parliament, have refused to register in protest of the continuing ban on most political party activities. Although there is a vibrant press, the government at times restricted freedom of speech, the press, and association, and severely restricted freedom of assembly. There were some limits on freedom of religion and movement.

Arbitrary arrests and detention, including of opposition politicians and their supporters, and prolonged pretrial detention were problems.

ZAMBIA

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

AGOA Trade and Investment: Zambia's duty-free exports under AGOA and its GSP provisions were \$510,000 in 2003, representing four percent of Zambia's total exports to the United States. However, AGOA has also boosted Zambia's exports within Africa. The Zambian government estimated that AGOA-induced regional exports of cotton yarn exceeded \$8 million in 2003.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Zambia's IMF Poverty Reduction and Growth Facility (PRGF) was suspended due to budget overruns. Zambia and the IMF negotiated a staff monitored program and hope to return to a PRGF in June 2004. The Zambian government is reviewing legislation in a variety of areas, including the investment act and the labor code, and intends to revise laws and regulations to promote job creation by the private sector. U.S. industry reports significant increases in duties on used clothing, effectively prohibiting exports of these products to Zambia.

Rule of Law/Political Pluralism/Anti-Corruption: Legal challenges to the December 2001 elections continue to advance through the judicial system. The government has undertaken a parliamentary reform program designed to make Zambia's legislature an equal partner in governance and an effective counterpoint to executive power. Reviews of the constitution and the electoral system are also underway, with participation by civil society. The Zambian government continues to vigorously pursue an anti-corruption campaign. Former President Chiluba is among numerous past and current officials who have been charged.

Poverty Reduction: Zambia's failure to meet HIPC goals in 2003 was a setback for poverty reduction efforts, but the government remains committed to implementing its PRSP, with a focus on removing constraints to sustainable, diversified growth; improving governance; and increasing access to basic services and direct poverty interventions.

Labor/Child Labor/Human Rights: Workers legal rights are protected. Although legislation allows workers to unionize, anti-union discrimination is prevalent, both in the public and in the private sectors. No legal strike has taken place since 1994, in large measure because of the many requirements that must first be met. In the public sector, the national and municipal authorities have been increasingly reluctant to bargain with their employees. In March, striking journalists were forced back to work at gunpoint. An Industrial Relations Court adjudicates complaints of anti-union discrimination. Child labor is a problem in the informal sector, including child prostitution. The government has taken a number of steps to address Zambia's serious child labor problem, including

cooperation with several programs sponsored by the U.S. DOL. The private media were generally free. Zambia has ratified all eight of the core ILO labor conventions, but government employees' right to strike and right to bargain collectively are limited. There were improvements in human rights in Zambia, but numerous problems remained, particularly concerning the conduct of the police. Police officers reportedly committed serious human rights abuses against criminal suspects and detainees. Some police officers who were alleged to have committed these abuses were disciplined or remained in detention pending trial. Arbitrary arrests, prolonged detention, and long delays in trials were problems. The government launched the Police Public Complaints Authority during 2003 to combat police misconduct.

ZIMBABWE

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

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Since the late-1990s, the government has approached the economy through broad interventionism, with parastatals serving as monopolistic middlemen for products such as tobacco and grain. In 2003, the government relaxed certain onerous restrictions and price controls. Nonetheless, it still maintains many barriers to trade, including high duties for importers and exchange requirements for exporters. It is paying only a small portion of its international arrears, which have reached nearly \$2 billion. Inflation reached 600 percent by year-end 2003, and the savings rate has dropped from 12 to four percent since 2000. The government made no progress privatizing inefficient parastatals in 2003.

Rule of Law/Political Pluralism/Anti-Corruption: The opposition political party operates in a climate of intimidation and repression. The government is prosecuting the opposition leader for treason, a crime that carries the death penalty. Over the past year, the government has removed Harare's elected mayor and shut down for prolonged periods the only non-government daily newspaper. During the country's high-profile land redistribution program, the government has ignored rule-of-law and due process.

Poverty Reduction: While the government maintains several programs that provide food or basic services to the poor, these have had minimal effect compared to the general thrust of the government's economic policy, which has caused most Zimbabweans to grow progressively poorer over the past six years. Though half the population faces serious food insecurity, the government has used its monopoly on grain importation to manipulate food availability for political ends. Many Zimbabweans take home but a fraction of their 1997 real wages. Income taxes kick in at a monthly salary of \$3. Electricity and fuel are heavily subsidized but difficult to come by. Controls have failed to keep prices in check. An acute cash shortage made it difficult for lower-income Zimbabweans to access money in their accounts during most of 2003.

Labor/Child Labor/Human Rights: Despite official recognition of worker rights, the government continues to exert heavy pressure on labor unions, limiting their freedom of association and right to organize. Unions have been denied routine meetings and necessary consultations with constituents under the draconian Protection of Order and Security Act. Senior members of the Zimbabwe Congress of Trade Unions have been arrested on spurious charges, some of them later reporting physical abuse while in police custody. Children are involved in prostitution and in other informal sector work. The government's human rights record remained very poor, and it continued to commit numerous, serious abuses. A systematic government-sanctioned campaign of violence targeting supporters and potential supporters of the political opposition continued during the year. Security forces committed extrajudicial killings. The government continued to support (financially and materially) youth militia and war veterans to expand their occupation of commercial farms. In some cases the militia groups killed, abducted, tortured, beat, abused, raped, and threatened farm owners, their workers, opposition party members, and other persons believed to be sympathetic to the opposition. There were reports of politically motivated disappearances. Prison conditions remained harsh and life threatening. Arbitrary arrest and detention and lengthy pre-trial detention remained problems. The government continued to restrict freedom of speech and of the press; closed down the only independent daily newspaper; beat, intimidated, arrested, and prosecuted journalists who published antigovernment articles. The government restricted association for political organizations. The government at times restricted freedom of movement and restricted academic freedom, restricted freedom of assembly and used force on numerous occasions to disperse nonviolent public meetings and demonstrations.

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

The Official U.S. Government website on AGOA

www.agoa.gov

The Office of the United States Trade Representative

www.ustr.gov

See the listings under the Africa region.

The U.S. Customs Service

www.customs.gov

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

The Department of Commerce's Office of Textiles and Apparel

www.otexa.ita.doc.gov

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

The Department of Commerce's Office of Africa

www.ita.doc.gov

The U.S. Department of State

www.state.gov

The Overseas Private Investment Corporation

www.opic.gov

The Export-Import Bank of the United States

www.exim.gov

The United States Agency for International Development

www.usaid.gov/locations/sub-saharan_africa/

See especially Africa Bureau and Office of Transition Initiatives

The United States International Trade Commission

http://reportweb.usitc.gov/africa/trade_data.html.

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

The Department of Agriculture

www.fas.usda.gov

The Department of Transportation

www.dot.gov

The Department of Transportation's Safe Skies for Africa
<http://www.faa.gov/asd/international/africa.htm>

The Department of Energy
www.energy.gov

The Small Business Administration
www.sba.gov/oit/

U.S. Business Advisor
<http://www.business.gov/>

The Trade and Development Agency
www.tda.gov/region/index.html

Annex A – AGOA-Eligible Countries

Republic of Angola	Republic of Malawi*
Republic of Benin*	Republic of Mali*
Republic of Botswana*	Islamic Republic of Mauritania
Republic of Cameroon*	Republic of Mauritius*
Republic of Cape Verde*	Republic of Mozambique*
Republic of Chad	Republic of Namibia*
Republic of Congo	Republic of Niger*
Republic of Côte d'Ivoire*	Federal Republic of Nigeria
Democratic Republic of the Congo	Republic of Rwanda*
Republic of Djibouti	Democratic Republic of São Tomé and Príncipe
Ethiopia*	Republic of Senegal*
Gabonese Republic	Republic of Seychelles
The Gambia	Republic of Sierra Leone*
Republic of Ghana*	Republic of South Africa*
Republic of Guinea	Kingdom of Swaziland*
Republic of Guinea-Bissau	United Republic of Tanzania*
Republic of Kenya*	Republic of Uganda*
Kingdom of Lesotho*	Republic of Zambia*
Republic of Madagascar*	

* - qualified for textile and apparel benefits

Annex B - AGOA Eligibility Criteria

The Eligibility Criteria

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

SEC. 104. ELIGIBILITY REQUIREMENTS

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

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

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

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

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

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

(ii) the protection of intellectual property; and

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

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

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

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

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

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

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

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

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

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

In addition, the President must take into account:

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

List of Frequently Used Acronyms

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

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

In May 2000, Congress approved a new U.S. trade and investment policy for Sub-Saharan Africa in the African Growth and Opportunity Act (AGOA; Title I, P.L. 106-200). U.S. trade with and investment in Sub-Saharan Africa have comprised only 1%-2% of U.S. totals for the world. AGOA extends preferential treatment to imports from eligible countries that are pursuing market reform measures. Data show that U.S. imports under AGOA are mostly energy products, but imports to date of other products have grown. This report presents perspectives on African economic trends and provides an overview of U.S. trade and investment flows with SSA. It discusses the provisions of AGOA and the changes that.

1 Section 3108 of the Trade Act of 2002, P.L. 107-210. The African Growth and Opportunity Act, exports, and Development in Sub-Saharan Africa, World Bank Policy Research Working Paper, (3996). Carrère, C., (2004), "African Regional Agreements: Impacts on Trade with or without Currency Unions", *Journal of African Economies*, 13:199-239.

Chomo, G. V. (2002). Free trade agreements between developing and industrialized countries comparing the US-Jordan FTA with Mexico's experience under NAFTA. DIANE Publishing. Collier, P., & Venables, A. J. (2007). (2007). Trade growth under the African Growth and Opportunity Act, NBER Working Paper Series, National Bureau of Economic Research, 2(11), 117 - 124. 2005 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and. Implementation of the African Growth and Opportunity Act The Fifth of Eight Annual Reports May 2005. Foreword .iii. Foreword Section 106 of the African Growth and Opportunity Act (AGOA), Title I of the Trade and Development Act of 2000, states that the President shall submit a report to Congress annually through 2008 on trade and investment policy toward Africa and on implementation of AGOA. The Act also states that the President shall submit a report to Congress on potential free trade agreements with sub-Saharan African countries.